

## CREDIT, Kingdom of Cambodia

Cambodia Rural Economic Development Initiatives for Transformation Co. Ltd. (CREDIT) was initiated by World Relief US (WR/US) and began its operations in 2000. CREDIT became a limited liability company in June 2003 and received a 3-year renewable operating license from National Bank of Cambodia (NBC) in May 2004. It received a permanent operating licence from NBC in April 2007. With a network of 5 branches and 17 sub-branches, CREDIT served 13,637 clients with a portfolio of USD 7.1 million across 6 provinces as of June 2007. It offers both group and individual loans for business and agriculture purposes along with compulsory and voluntary saving services. It also offers certificates of deposits in both USD and KHR.

### GIRAFE Rating

#### Rating

**B**

#### Outlook

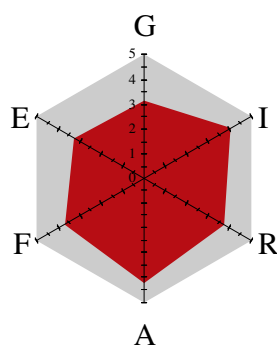
**Stable**

#### Date of the rating

**August 2007**

**Valid until July 2008**

#### Rating per evaluation area



Governance – Information – Risk –  
Activities – Funding – Efficiency

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#### Rating highlights

- CREDIT broke even in 2005 and has succeeded in consolidating its profitability as measured by good ROE and ROA ratios of around 5.9% and 3.3%, respectively in December 2006. June 2007 figures confirm the positive trend.
- Profitability is underpinned by CREDIT's success in driving down operational costs which compensated for the declining portfolio yield and the higher funding costs. Better profitability is also built on higher leverage effect and associated larger economies of scale.
- Portfolio quality is excellent with PAR 31-365 (0.8% as of June 2007 plus 0.3% of PAR>365). PAR31 figures showed marked improvement over the years. Better portfolio quality helped to drive down loan loss provisioning costs.
- While growing fast, CREDIT remains a small MFI in an increasingly competitive market. The planned exit of its controlling shareholder WR/US could accelerate its growth and commercialization, but it remains to be seen whether it could stay independent in the long run or become a likely merger/acquisition target.

#### Outlook

- The "Stable" outlook is granted based on favorable internal factors (i.e. ongoing management, portfolio and process improvements) which, despite being positive, will not significantly alter CREDIT's market share nor boost its competitive advantage in the next 12 months.

#### Performance indicators

USD , unless otherwise stated	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007
Assets	1,291,893	1,604,905	1,952,654	2,933,624	5,578,304	7,612,975
Growth	25.0%	24.2%	21.7%	50.2%	90.2%	36.5%
Loan portfolio	642,094	818,380	1,595,727	2,576,065	4,622,004	7,127,205
Growth	(8.5%)	27.5%	95.0%	61.4%	79.4%	54.2%
Outstanding deposits	120,853	147,346	217,778	349,922	571,268	1,162,218
Growth	4.8%	21.9%	47.8%	60.7%	63.3%	103.4%
Active borrowers	7,532	8,097	10,909	11,451	10,796	13,367
Active savers	7,670	8,257	11,094	11,669	11,024	13,726
Staff	N/A	115	123	135	142	179
ROE	(27.1%)	(19.8%)	(4.4%)	4.4%	5.9%	17.3%
ROA	(22.8%)	(16.8%)	(3.5%)	3.2%	3.3%	7.2%
Liabilities / Equity	0.15x	0.20x	0.30x	0.38x	1.14x	1.66x
Portfolio Yield	42.6%	41.3%	41.9%	38.8%	34.1%	29.3%
Operating expense ratio	71.7%	75.2%	46.1%	28.6%	23.7%	16.5%
PAR 31-365	18.4%	6.0%	3.5%	4.5%	1.9%	0.8%
PAR > 365	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%
Write-off ratio	8.4%	7.4%	1.7%	2.5%	0.9%	0.0%

## Microfinance sector

Microfinance services started in Cambodia in the early 1990s and were initially provided by internationally-backed NGOs. In 1999, the Royal Government of Cambodia (RGC) introduced banking regulations adopting a two-tier system for supervising microfinance. A 'Prakas' (i.e. government decree) on microfinance was enacted in 2000 and implemented by the National Bank of Cambodia (NBC). MFIs with a portfolio over 1 MM KHR needed to be licensed, as Limited Liability Company or as a cooperative. After receiving license and registration certificates, the MFIs are regulated and supervised by NBC. As of the end of 2006, there are 17 licensed MFIs and 26 registered as rural credit operators. As of March 2007, the microfinance sector served about 485,000 borrowers with a portfolio of 435.7 MM KHR (106 M USD). The sector also mobilized 14.2 MM KHR (3.5 M USD). The above data does not include data from ACLEDA (a microfinance bank) who is the clear leader in this market with a portfolio of 158 M USD and almost 160,000 clients (though not all are microfinance clients).

The RGC strongly supports rural finance and by extension microfinance as effective tools to fight poverty. Micro/rural finance is one of the two core functioning elements of the current financial system. The NBC uses a self-described "market-based approach" to develop the sector and favour "light" intervention. Overall, the responsibilities for the sector were divided between the Ministry of Finance (MOF), NBC and the Cambodian Microfinance Association (CMA), with MOF supporting policy development and funding coordination, NBC responsible for regulation and supervision, and CMA and the industry responsible for the operational aspects. All licensed MFIs must provide monthly reports and comply with prudential regulations. The regulations are similar to those of the banks, but the capital requirements are substantially lower.

Estimated demand for microfinance services is anywhere between 1.5 and 3 million clients/households, especially in the rural areas. Given unmet demand, the industry has witnessed high growth rates since 2005, particularly among the top 10 MFIs. This growth has essentially been funded by loans from foreign commercial sources despite the presence of local wholesale credits provided by the state-owned Rural Development Bank and private sector Canadia Bank (using funds channelled by international financial institutions such as ADB and KfW). Licensed MFIs can only mobilize savings from their clients/members at this stage and savings remain a very small source of funding, NBC is presently circulating a draft Prakas to discuss the proposed new rules on how to allow MFIs to mobilize savings from the public.

Sources: Planet Rating, NBC

## Political & economic environment

After the exceptional growth of 2005 spurred by a rebound in agriculture, the economy has been growing at a more modest but nonetheless robust pace still driven by a dynamic tourism sector and the exceptional steadiness of a textile sector generating nearly 80% of exports and benefiting from the limits imposed on purchases from China by the United States— which absorbs 60% of Cambodia's exports. With clothing industry companies often dominated by Asian capital and largely working on a subcontracting basis, that very labour-intensive sector has in reality remained very vulnerable. That also holds true for the still key farm sector representing 34% of GDP but, with its low productivity level, remaining vulnerable to weather conditions. Growth has thus been uncertain for a country ranking among ASEAN's poorest alongside Laos and Myanmar. Corruption has moreover remained a major problem, harshly rated by international institutions in relation to governance. This shortcoming has tested the goodwill of financial donors with the country running large external imbalances and continuing to have a vital need for foreign aid. It has nonetheless benefited from the multilateral debt relief initiative, which contributed substantially to reducing the stock of foreign debt. Prime Minister Hun Sen, in power for twenty years, continues to dominate political life and his party and should prove victorious in the various elections scheduled in 2007 and 2008. Meanwhile, Cambodia's ties to the United States and Vietnam have been growing stronger. Implementation of the announced reforms on governance has lacked consistency since they would jeopardize the interests of a powerful bureaucracy. The government has moreover lacked adequate administrative resources to carry them out effectively. These weaknesses have limited the country's attractiveness to foreign investors.

COFACE Country Rating: D – The high risk profile of a country's economic and political environment will further worsen further a generally very bad payment record.

(USD millions)	2004	2005	2006(f)	2007(f)
Economic growth (%)	10.0	13.4	5.0	6.5
Inflation (%)	5.6	6.7	5.0	4.0
Public sector balance (%GDP)	-4.7	-3.4	-3.0	-4.2
Exports	2,589	2,910	3,214	3,428
Imports	3,269	3,928	4,542	4,995
Trade balance	-680	-1,018	-1,328	-1,567
Current account balance (%GDP)	-8.4	-9.4	-11.1	-12.5
Foreign debt (%GDP)	57	51	34	34
Debt service (%G&S exports)	2.1	1.8	0.8	1.1
Foreign currency reserves (in months of imports)	2.8	2.6	2.6	2.6

Source: COFACE's Country Risk Rating Guidebook. (e) estimates (f) forecasts. Note: COFACE is a shareholder of Planet Rating.

## Institutional presentation

### Legal form, supervision and audit

CREDIT was founded as a NGO by World Relief US in April 2000. In May 2003, it became a limited liability company and received a 3-year renewable license from the National Bank of Cambodia (NBC). Since then, it has been regulated and supervised by the NBC. It received a permanent operating licence from NBC in April 2007. This license allows both lending and saving mobilization with its clients/members only. CREDIT has been audited by PriceWaterhouseCoopers (Cambodia) Ltd. since 2001.

### Ownership

CREDIT is owned by World Relief US (WR/US at 74%), World Relief Canada (17%) and World Hope (9%). The shareholders are all not for-profit international NGOs whose equity stakes were determined based on their donated equity at the company establishment. WR/US is in discussion with Opportunity International (OI) to potentially divest its controlling stake in CREDIT. The shareholders have signed an agreement stating that they will make decisions by consensus.

### Donations

Since its inception, CREDIT has received 1.8 M USD in loan funds, operating subsidies and technical assistance, principally from WR/US.

### Funding composition

Beside from its equity and mobilized savings, CREDIT is presently funded by major international microfinance funds including MicroCredit Entreprises, BlueOrchard, Etimos, Stromme Foundation, Oikocredit and Microfinance Alliance. CREDIT is presently finalizing new loans with Etimos and Triple Jump. It is also a participant in the Kiva's person-to-person lending program.

### Management team

CREDIT's management system is structured in two levels: the Senior Management and the Executive Committee (ExCom), the later is made up of senior managers and branch managers that meet monthly. The Senior Management is led by Mr. Chan Mach, appointed a year ago, who is the first Cambodian acting as General Manager (GM) following the localization process. He had 8 years of experience working inside the organization in various positions, including the last position as Operations Manager (OM) before being promoted. He is assisted by an expatriate Technical Advisor (TA) sent by WR/US on various strategic and operational issues.

## Organization

Microfinance operations are done at the branch and sub-branch levels. Each full-fledged branch has a Branch Manager (BM), an Assistant BM (ABM), a Bookkeeper, a Cashier/Teller and 3 support staff. A branch might have up to 5 sub-branches made up of mostly loan officers (LOs) and field tellers (FT) that collect repayments from remote clients. Loan process is essentially done at sub-branches by the LOs whereas the loan approval process is decentralized according to the loan sizes. All loans exceeding 4,000 USD must be approved at the headquarters (HQ) in Phnom Penh. All transactions are done in cash. Disbursements can be done at the office by the office teller (OT) or in the field by at least two staff members (typically the SBM and the LO). Repayments are made either at the office with the OT or collected by the FT. Saving transactions can be done at the field (typically with the FT) or the office as well. All transactions are recorded daily in the MIS (Kredits) if they are done at sub-branches located in the branches or HQ. Otherwise receipts and vouchers get sent to the branches twice weekly for recording. Each branch maintains its own Kredits database that is backed up in a flash dish and is sent monthly to the HQ by road for consolidation.

### Market penetration

CREDIT currently operates 5 branches and 17 sub-branches serving 54 districts and 7 provinces in central Cambodia. Its areas of operations correspond to the most populous areas where one can also find most other MFIs. It plans to open a new branch in Battambang Province in September 2007.

### Products and services

Loan products are categorized in either individual or group solidarity loans (2 to 5 members) given in both KHR and USD. Individual loans in KHR range from 200,000 to 400,000 (50 to 10,000 USD). Individual loans in USD start at 100 to 10,000. Group loans in KHR have a maximum of 800,000 (200). USD group loans start at 50 to a maximum of 200. Loans are further categorized in business or agriculture loans although agriculture loans are given only in KHR with a lower maximum of 500 USD. Loan terms range from 4 to 24 months for individual loans and from 4 to 12 months for group loans. Repayments are flexible where clients can choose 1 of the 4 options (i.e. weekly, bi-weekly, four-weekly or monthly) and 1 of the 2 methods (office or field). Loan APRs range from 25% to 46% depending on the terms and the repayment methods. Portfolio APR is estimated at 31.5% whereas portfolio term at 14 months (compared to about 11 months in 2005). As of June 2007, individual loans dominated the portfolio at 97.6% representing mostly USD loans (75% of total). Agriculture loans represented 14% of total clients, but only 7.7% of the total portfolio. Consumption loans are estimated at 20% of total portfolio.

Compulsory savings are fixed at 3% of disbursed loans, whereas the requirement to save during the loans has been dropped. Interests given range between 7.2% for KHR savings to as high as 8.5% for USD certificates of deposits. CREDIT plans to also drop the pre-loan compulsory savings in the near future to remain competitive with other MFIs.

CREDIT will soon test a new housing improvement loan in the Siem Reap Province in collaboration with Habitat for Humanity. It will also soon set up the new Vulnerable Services Unit (VSU) to target poorest clients in the Kompong Cham Province using the village banking methodology in an effort to somewhat replace the now abandoned community banks products. These loans will be given in KHR only.

## Networks

CREDIT is a member of CMA and is affiliated with the WR International network.

## ■ Governance

Governance and Decision Making is rated “b”

### Decision-making

The current governance set up at CREDIT works reasonably well and effectively. Decision-making process is clear and participative at the BOD level. Shareholders are well represented and very involved though the current ownership structure leaves the BOD dominated by expatriates despite having two Cambodian BOD members. Efforts are underway to broaden the make up of and bring more commercial experience to the BOD, notably with the planned inclusion of the new Baltimore-based WR/US Microfinance Director and the Bangkok-based OI Asia Regional Manager. Given its somewhat new senior management team, CREDIT remains an institution where the BOD, particularly its Chairman (also WR Cambodia’s Country Director), is still very involved in operational decisions although the trend goes toward increasing autonomy for management.

A key and, at times, tense issue between CREDIT and WR/US is the pace of CREDIT’s growth and the associated need for more debt funding. WR/US is understandably prudent as CREDIT is consolidated on its books (through its controlling stake) and therefore keeps a final say in all fund raising deals despite the fact the CREDIT has been and continues to be lowly leveraged (See Funding section). This extra layer of review beyond the BOD’s approval often translates in slower approval and results in CREDIT growing not as fast as it could have. The BOD Chairman often acts as intermediary reconciling the tensions created between management and the key shareholder.

Another contentious issue is a major disconnect between the stated mission (serving the poorest) and the reality (both portfolio and mindset are oriented toward the commercial lesser poor client segment). Shareholders, BOD and management are aware of this drift, but are yet unsure how to remedy or whether it can even alter this now well-entrenched position while acknowledging that CREDIT’s more commercial orientation has enabled it reaching sustainability. While the planned set up of the VSU represents an attempt to go back to its original market niche, it remains to be seen whether this effort will be effective.

WR’s microfinance strategy has been evolving for some time and the latest consensus seems to be that WR will divest its controlling stakes in mature and sustainable MFIs like CREDIT. WR is in ongoing discussions with OI, reportedly on an exclusive basis, as a potential strategic investor. CREDIT’s BOD and management have a limited input over the planned strategic sale, although there is a consensus that the sale is inevitable given the need for financially solid and more commercially oriented investors to support CREDIT’s future growth. The uncertainty related to the WR/US’ planned exit does not, fortunately, affect CREDIT’s ability to manage well its daily operations.

### Planning

CREDIT has a good and detailed Business Plan (BP), but it would need to develop a Strategic Plan (SP) once the new BOD members come in to form a more long term and strategic vision for the institution. This SP should address future strategic options such as stand-alone growth, merger or takeover in addition to (re)defining its market niche and positioning that is currently inconsistent with its serving the poorest mission. The current BP is clear in its commitment to sustainability and covers many relevant subjects. It could however be more risk-oriented (e.g. identify key risks and mitigants) and more specific with regard to operational matters such as (e.g. market share, diversification targets, portfolio & product mix, product pricing...etc.). The BP is accompanied by good projections based on reasonable assumptions. The planning process is led by GM and FM, but also involves other management staff. There is a standardized and systematic budgeting process in place.

### Management team

Following a long localization process, CREDIT is now competently led by the GM and the management team. The GM has succeeded in assuming the leadership from previous expatriate GMs. The management team is knowledgeable and committed which helps to minimize key person risk. Nevertheless, key managers (i.e. GM, FM, OM, HR, IAM) are only about 1 year in their positions (though many more years with CREDIT) and they still have room to further

grow into their roles and in confidence. The management team does make relevant recommendations, but still rely on or consult regularly with BOD/WR for major decisions.

The senior management team works harmoniously together and typically makes decisions by consensus. Some decisions are slow to be taken, but this ensures buy-in and quick implementation. They also involve BMs through the monthly ExCom meetings. There is an appropriate delegation of authority and decentralized decision-making process to the branches. The BMs and SBMs are generally well versed in running local operations and are judged based on their contribution to the bottom line. Their skills can however be further upgraded to develop a broader view of portfolio and financial management, and learn how to balance growth, risk and return more effectively. New investors like OI would normally bring in additional management capacity and skills to CREDIT as well.

## **Human resource management**

Basic HR procedures and policies are in place. A new comprehensive Personnel Policy was adopted on October 2, 2006. CREDIT has adequate recruitment and training practices in place to support its fast growth. HR Department (HRD) works on both strategic and administration roles with a strong focus on staff training and capacity building. It is understood that the Training Unit (currently under the Operations Department) will report to the HRD in the future. The IT Department will also build a new HR system later on this year in order to facilitate better HR management.

A HR issue is the relative low staff productivity numbers despite the post-Kredits system's expectations that the new IT system boosts efficiency and productivity. CREDIT is relatively heavy on the back office side. When looking deeper into the numbers, CREDIT does have reasonable LO productivity at 220 when adjusting for a large number of new recruits. Many unique operational features (e.g. field tellers) and the drop of focus on village banks and group solidarity loans also dampened productivity ratios. CREDIT approved new performance evaluation standards in July 2007 following the adoption of a new Incentive Scheme in March 2007. It contains all relevant performance criteria, though the real impact can only be measured in 2008 after its first year-end application. CREDIT also planned more regular bonus payments to lending staff in the future. Staff morale is good overall.

### **■ Information**

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Information is rated "a"

CREDIT successfully transitioned into a well-known loan and savings tracking system (Kredits) in September 2006.

The system has all required functionalities vested with adequate security, access and back up procedures. The system is managed by competent IT staff and backed up by timely support provided by the US-based Kredits developer. All branches are now on Kredits, although they are not yet linked to the HQ's central database. Each branch has its own separate database and data flash disk is sent weekly to HQ for consolidation. The branches currently input and process transactions for its affiliated sub-branches, but CREDIT plans to install Kredits for all sub-branches in 2008 which will accelerate data processing and allow better client data management.

Loan and portfolio data is timely, reliable, accurate and of high quality. Kredits is able to generate all relevant reports which are generally being used throughout the organization. With planned growth in transaction volume, CREDIT might need to secure a second server to increase processing capability. CREDIT uses a stand-alone SUN accounting system that also produces all required reports and statements. Accounting data is timely and reliable. While not integrated with Kredits, it has the necessary interface to provide near-seamless data transfer and processing. Finally, CREDIT produces good quality and high transparent financial statements which are audited by PwC Cambodia yearly since 2001.

### **■ Risk Management**

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Risk Management is rated "b"

## **Procedures and internal controls**

Internal policies and procedures are well documented, formalized and updated in relevant manuals. There is a good compliance culture at CREDIT with occasional and minor inconsistencies. There is also an adequate separation of duties at the branches and a bit less so at the sub-branches. Various levels of limits, checks and controls are in place to ensure that key operational risks are properly controlled. CREDIT further boosted its controls since the fraud occurred in 2005 at its Prey Chhor sub-branch. Cash security is average as loan disbursements and repayments (except for office repayments) as well as saving transactions are done by one or more staff in cash at client premises. While CREDIT did not report cash-related incidents until now, it assumes any risk of hold-ups as no cash insurance is available.

## **Internal audit**

CREDIT benefits from a strong and experienced 4-member IA team. There are clear audit plans that focus on relevant risks together with sufficiently frequent field visits. IA Department also audits some HQ functions. The IA team produces detailed and relevant reports as well as appropriate

recommendations along with subsequent follow up. CREDIT has an institutional set-up that guarantees independence of the IA function and makes IA reports directly to the BOD Audit Committee. IA function is enhanced by frequent and formal communication between the IA Manager, Senior Management, the ExCom and the BOD.

## ■ Activities

Activities: products and services is rated “a”

### Market position

The Cambodian market is becoming increasingly competitive, but there is still plenty of unmet demand especially at the lower end and in rural areas (See Microfinance Sector). CREDIT has been fast-growing in the past few years, but remains far from the top-tier players (See Benchmarking). It presently holds the #9 both on client and portfolio counts. Given the operational and financial strength of the top-tier MFIs (e.g. PRASAC, AMRET, CEB) and the aggressiveness displayed by other smaller MFIs such as AMK, it is unlikely that relative market shares among the top 10 will change significantly in the next 12 months. In the near run, there is no sense of urgency or big impetus to consolidate as the growth rates remain high for all MFIs. CREDIT could arguably grow faster on a stand-alone basis if it could take on more leverage, but CREDIT would more likely be a merger or takeover target when the industry consolidates in the medium term future.

CREDIT has moved out of its original market niche (low end or poorest clients) as evidenced by sharply higher average loan size (85 USD in 2002 to 533 USD in 2007) and by swift move to individual loans (36% of portfolio in 2002 vs. 97.6% in June 2007). This portfolio make-up will not change anytime soon despite the planned launch of the VSU to reach the poorest clients and to go “back” down market. CREDIT’s competitive advantages are fast turnover, product flexibility, relatively lower pricing and good service, but these advantages are not sustainable in the long term. Despite various attempts, CREDIT has only modest success with mobilizing savings (mostly in USD CDs). It is understood that compulsory savings will no longer be required in the future as a competitive measure following the recent drop of compulsory savings during the loan period. The focus thus far is on improving existing products and processes, although some ongoing marketing and product development efforts are also being undertaken (e.g. re-launch of community banks product and test of housing loans).

### Loan portfolio management

Despite accelerated growth averaging 64% during the last 4 years, CREDIT has well managed the shift to higher-size individual-loan dominated portfolio as well as the fast growth itself. This past growth came mainly from much higher loan size rather than to a big jump in client numbers. Its lending staff is well trained on credit risks and is generally motivated. Its portfolio management follows best practices, which has been further enhanced since the implementation of Kredits (i.e. faster loan turnaround and higher capacity to manage fast growth). Its appropriate credit methodologies provide for adequate client selection and credit assessment overall, although deeper analysis of credit risks would be needed for larger loans over >4,000 USD. Systematic visits and quick delinquency follow up are also part of CREDIT’s tight portfolio management strategy.

Since 2006, CREDIT, under the leadership of the GM and the new OM coming from Cambodia’s second largest MFI Amret, has initiated some process and product improvements in order to stay competitive. Its portfolio now stretches longer (14 months now vs. 11 months in 2005), its loan products are getting more flexible both with repayment terms and loan purpose. Per example, 5% of the June 2007 portfolio is for consumption even if CREDIT officially has only business and agriculture loans. 20% of the portfolio is KHR-denominated agriculture loans which are in majority bullet-payment loans corresponding to different crop harvest cycles. New products being tested (i.e. community banks, housing improvements) have good potential in the long-term, but business individual loans will continue to dominate the portfolio in the short and medium term.

While CREDIT is already good at day-to-day operations, its portfolio management could become more strategic by investing more time on subjects such as portfolio mix and diversification, product pricing and branding...etc. CREDIT has no official diversification targets at this point. Its portfolio is dominated (92%) by trade and commerce sectors (including consumption loans stated above). While its agriculture loans are growing in importance, they still represent only about 8% of the portfolio (14% in clients) when 80% of Cambodians live in rural areas and the vast majority of whom perform agriculture-related activities.

### Credit risk

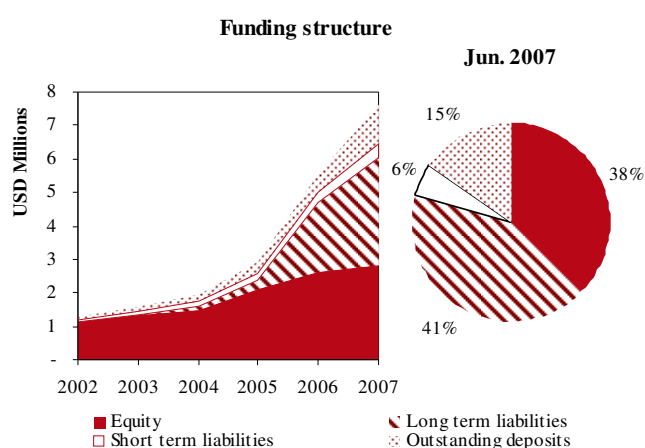
Portfolio quality is excellent with PAR 31-365 (0.8% as of June 2007 plus 0.3% of PAR>365). PAR31 figures showed marked improvement over the years. Lower PARs can be explained by various reasons: a) better overall economic conditions as the local economy has expanded strongly; b) better IT capability enabling faster delinquency management; c) decentralized portfolio management and empowerment of local staff; and d) previous accounting

method inflated PAR for community banks loans. This is not to discount the impact of a fast growing portfolio in lowering PAR ratios and the continuing benefit of having compulsory savings to mitigate credit risks. Despite growing competition, client over-indebtedness has not yet become a credit risk issue. CREDIT does allow some informal loan rescheduling for some troubled clients, but its scope is very limited and does not alter the overall high portfolio quality.

CREDIT has a satisfactory provisioning policy following NBC rules. Loan loss coverage is good (136% as of June 2007) which is enhanced by loan collaterals (e.g. land titles) and 3% compulsory savings. CREDIT's write off policy is quite unique where write-offs are technically allowed after 6-month past the due date, but actual write off decisions are left at the discretion of the management and BOD. As a result of this policy, many long-defaulted loans remain on the books although they represent fortunately a very small amount (PAR>365 = 0.3% in June 2007),

## ■ Funding and liquidity

Funding and liquidity is rated "b"



## Capital Structure & Leverage

Despite growing leverage, CREDIT remains well capitalized with equity representing a solid 38% of the funding structure. Its capital structure remains very conservative as liabilities to equity ratio rose steadily from 0.15x in 2002 to 1.7x at June 2007. Its debts are well diversified between both commercial and soft loans. Savings, while growing, still play a secondary role as a funding source. Given its low risk profile, good track record and good growth prospects, CREDIT has a significant additional debt capacity.

## Asset & Liability Management

ALM risks are low overall. Maturity risk is limited even as the portfolio stretches to 14 months as it is financed mostly by long-term loans, donated equity and compulsory savings.

CREDIT has some interest rate risk from its LIBOR-based borrowings loans, but the exposure remains small (0.8 M USD) and manageable. There are also some FX risks as all borrowings are in USD, although it is more or less hedged by the fact that its portfolio is predominantly in USD (75%) and the fact that Cambodia is a heavily dollarized country.

## Funding strategy

CREDIT has successfully diversified its funding by borrowing from well-known sources such as Blue Orchard. Given favourable borrowers' market and its good credit profile, CREDIT has no difficulty to secure funding offers from international sources. Loan offers from Etimos and Triple Jump are pending approval. As discussed in the Governance Section, its international NGO shareholders and WR/US in particular ultimately controls how much CREDIT can borrow. WR/US has been prudent and slow to approve further borrowings. CREDIT has sufficient capital at this stage to support near-term growth without the need for further capital injection. For future equity needs, CREDIT would likely to get it from new investors such as OI rather from its current shareholders.

## Liquidity management

CREDIT adequately manages its liquidity and makes regular cash flow projections to deploy cash effectively while keeping sufficient liquidity to meet voluntary savings withdrawals. CREDIT also complies with and presently exceeds NBC's minimum liquidity ratio of 100%.

## ■ Efficiency and Profitability

Efficiency and Profitability is rated "b"

## Profitability analysis

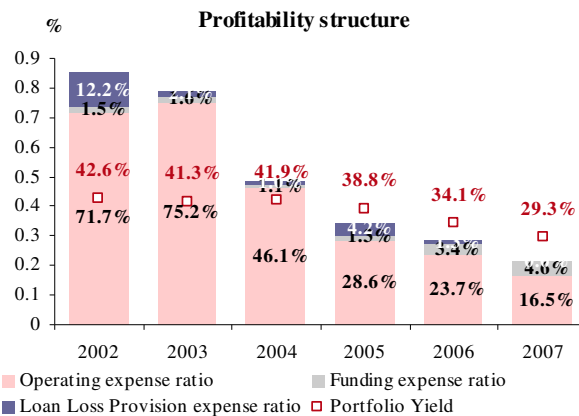
CREDIT broke even in 2005 and has succeeded in consolidating its profitability as measured by good ROE and ROA ratios of around 5.9% and 3.3%, respectively in December 2006. June 2007 unaudited figures were even more impressive at 17.3% and 7.2%, respectively. This positive trend is underpinned by its success in driving down operational costs which compensated for the declining portfolio yield and the higher funding costs. Better profitability is also built on higher leverage effect and associated larger economies of scale. Finally, better portfolio quality helped to drive down loan loss provisioning costs.

In line with the increased competition, CREDIT's portfolio yield dropped over 8% to 34.1% in December 2006 compared to 42.6% in 2002 partially due to reductions in interest rates on its business and agriculture loans. This large yield drop was also caused by the big shift in CREDIT's portfolio composition to relatively lower yielding individual

loans. Group solidarity loans were 64% of the portfolio in 2002, but only made up about 4.6% of the portfolio in December 2006. CREDIT's June 2007 portfolio yield of 29.3% is below the estimated industry's average of 35%. While CREDIT's portfolio yield has dropped further, its current relatively low pricing position provides some temporary shield from immediate downward pricing pressure. There is no significant gap between estimated portfolio APR (31.5%) and portfolio yield (29.3%) as of June 2007.

As CREDIT gets squeezed by lower portfolio yield, it managed to become more efficient by reducing drastically its operating expense ratio to 23.7% in December 2006 from 71.7% in 2002. Decentralized lending operations, more efficient Credits systems, good loan officer productivity (196 borrowers/staff in 2006) and good portfolio to asset deployment (81.1% in 2006) all contributed to increased operational efficiency. It is comforting to see that CREDIT became more efficient in June 2007 (unaudited) as evidenced by lower operating expense ratio of 16.5% and higher portfolio to asset ratio of 92.3%. At these levels, CREDIT is entering the field of best in-class MFIs. CREDIT paid higher funding costs (i.e. blended funding expense ratio increased from 1.5% in 2002 to 4.6% in June 2007) on the back of higher (commercially-priced) leverage (i.e. liabilities/equity ratio jumped to 1.7x in June 2007 vs. 0.15x in 2002). After the high provisioning due to fraud in 2005, CREDIT managed to improve its portfolio quality and thus reduced its provisioning costs as a % of the average gross loan portfolio (1.3% in 2006 vs. 4.2% in 2005).

CREDIT's profitability outlook is positive despite expected further decline in portfolio yield given its track record in controlling costs and its planned higher leverage. CREDIT is expected to maintain tight portfolio management practices and good portfolio quality. The testing and potential introduction of new products (e.g. housing improvement, community banks) is not likely to alter radically the revenue structure in the next 12 months. Its market share is not expected to change significantly over the next 12 months unless a merger takes place and/or with significantly higher leverage level. Further improvements in portfolio mix, product development and staff productivity will help to compensate pricing pressure and higher funding costs.

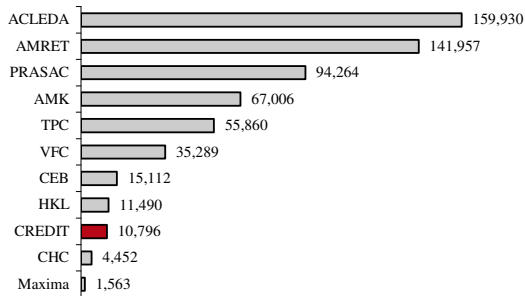


*The opinions expressed within this report are valid for one year after the rating mission. Beyond one year, or in case of a major change during this period affecting the institution's performance, that change due to the institution itself or its operating environment, Planet Rating does not guarantee the validity of the opinions contained herein, and recommends that a new rating evaluation be undertaken. Planet Rating cannot be held responsible for investments/financings that are made based on this report.*

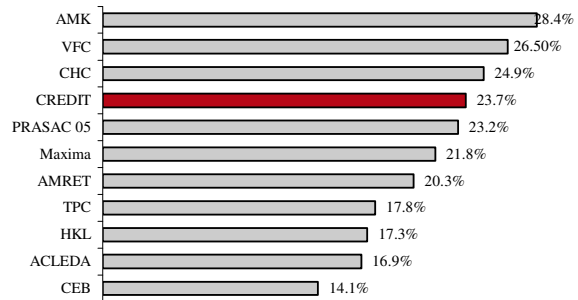
## Benchmarking

End 2006 data in USD, unless otherwise stated

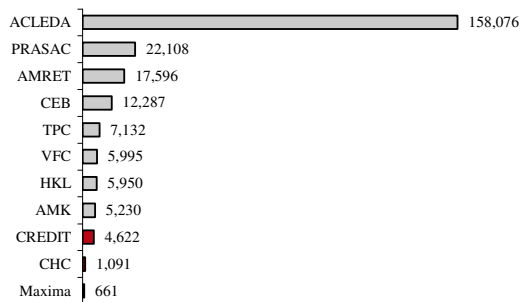
Active borrowers



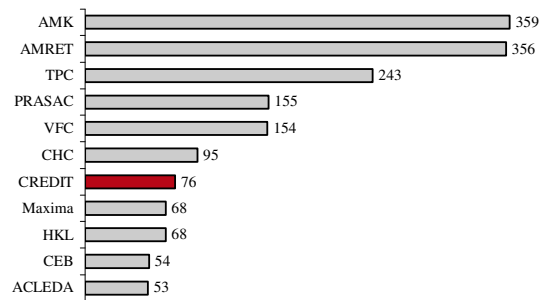
Operating expense ratio



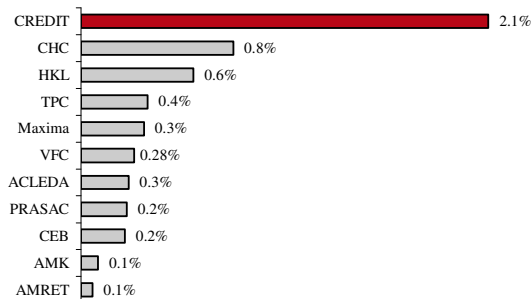
Loan portfolio



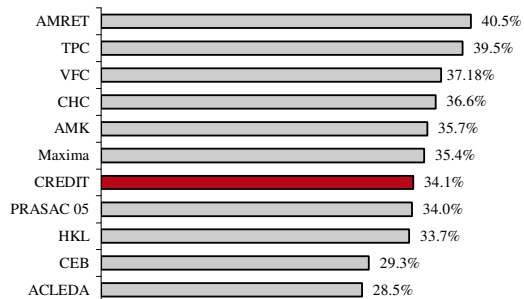
Staff productivity



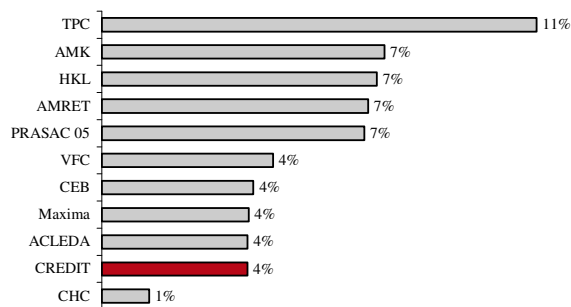
PAR 31-365



Portfolio Yield



ARO



Source: The Mix Market

MFIs: Association of Cambodian Local Economic Development Agencies (ACLEDA), Angkor Mikroheranhvatho Kampuchea (AMK), AMRET Co., Cambodian Entrepreneur Building Limited (CEB), CHC, Hattha Kaksekar Ltd (HKL), Maxima Mikroheranhvatho Co Ltd (Maxima), PRASAC, Thaneakea Phum (Cambodia) Ltd (TPC), VisionFund Cambodia Ltd (VFC)

MBB Peer groups; benchmarks 2005 (medians)

## ■ Performance indicators

Data in USD, unless otherwise stated

	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007
<b>Loan Portfolio</b>						
<b>Loan portfolio evolution</b>						
Loan portfolio	642,094	818,380	1,595,727	2,576,065	4,622,004	7,127,205
Evolution	(8.5%)	27.5%	95.0%	61.4%	79.4%	54.2%
Average outstanding loan portfolio	651,671	688,720	1,161,932	2,120,843	3,323,091	5,758,322
Active borrowers	7,532	8,097	10,909	11,451	10,796	13,367
Evolution	1.4%	7.5%	34.7%	5.0%	(5.7%)	23.8%
Average outstanding loan per client	85	101	146	225	428	533
% of GDP per capita	28.0%	33.2%	48.1%	74.0%	140.8%	175.4%
Average amount disbursed per loan	N/A	N/A	N/A	N/A	572	679
% of GDP per capita	N/A	N/A	N/A	N/A	114.4%	133.1%
<b>Portfolio quality</b>						
Rescheduled loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PAR 31-365	18.4%	6.0%	3.5%	4.5%	1.9%	0.8%
PAR > 365	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%
Write-off ratio	8.4%	7.4%	1.7%	2.5%	0.9%	0.0%
<b>Credit risk coverage</b>						
Risk coverage ratio	78.7%	116.8%	87.8%	71.6%	100.0%	136.1%
PAR 31 net of loan loss provision / Equity	2.3%	(0.6%)	0.5%	1.6%	0.0%	(0.9%)
<b>Savings</b>						
Outstanding deposits	120,853	147,346	217,778	349,922	571,268	1,162,218
Evolution	4.8%	21.9%	47.8%	60.7%	63.3%	103.4%
Mandatory savings (%)	89.8%	84.0%	86.7%	75.0%	55.4%	30.3%
Voluntary savings (%)	10.2%	16.0%	13.3%	25.0%	44.6%	69.7%
Active savers	7,670	8,257	11,094	11,669	11,024	13,726
Evolution	3.4%	7.7%	34.4%	5.2%	(5.5%)	24.5%
Average outstanding deposit per saver	16	18	20	30	52	85
Mandatory	14	15	17	23	29	27
Voluntary	90	147	168	466	1,118	1,734
<b>Staff</b>						
Total number of staff	-	115	123	135	142	179
% Credit officers	N/A	53.9%	49.6%	45.9%	38.7%	36.3%
Turnover	N/A	22.6%	12.6%	10.9%	5.1%	1.9%
<b>Profitability analysis</b>						
ROE	(27.1%)	(19.8%)	(4.4%)	4.4%	5.9%	17.3%
Liabilities / Equity	0.15x	0.20x	0.3x	0.4x	1.1x	1.7x
ROA	(22.8%)	(16.8%)	(3.5%)	3.2%	3.3%	7.2%
<b>Profitability structure</b>						
Portfolio Yield	42.6%	41.3%	41.9%	38.8%	34.1%	29.3%
Operating expense ratio	71.7%	75.2%	46.1%	28.6%	23.7%	16.5%
Cost per borrower	62	64	49	53	73	71
Staff productivity	N/A	70	89	85	76	75
Loan officer productivity	N/A	131	179	185	196	206
Average outstanding loan per client	85	101	146	225	428	533
Funding expense ratio	1.5%	1.6%	1.1%	1.3%	3.4%	4.6%
Cost of savings	8.1%	4.1%	3.7%	3.6%	4.2%	7.3%
Cost of liabilities	N/A	N/A	0.0%	5.1%	6.6%	8.3%
Loan Loss Provision expense ratio	12.2%	2.1%	1.0%	4.2%	1.3%	0.0%
PAR 31-365	18.4%	6.0%	3.5%	4.5%	1.9%	0.8%
Write-off ratio	8.4%	7.4%	1.7%	2.5%	0.9%	0.0%
<b>Resource optimization</b>						
Outstanding Loan Portfolio / Assets	42.5%	47.4%	79.2%	85.0%	81.1%	92.3%
Revenue from investment as a % of financial revenues	1.6%	2.4%	1.0%	0.3%	0.3%	0.2%
<b>Liquidity</b>						
Loans to deposits	531.3%	555.4%	732.7%	736.2%	809.1%	613.2%
Liquidity / Total assets (LAR)	54.1%	49.1%	17.8%	9.9%	14.6%	4.1%
<b>Adjusted ratios</b>						
Adjustment expense ratio	4.5%	2.1%	7.1%	6.0%	5.3%	3.4%
AROE	(30.1%)	(21.0%)	(10.7%)	(3.9%)	(4.2%)	9.9%
AROA	(25.3%)	(17.8%)	(8.1%)	(1.9%)	(0.9%)	4.2%
Financial self-sufficiency	49.8%	53.8%	78.7%	97.2%	102.1%	120.0%
Adjusted operating expense ratio	71.7%	75.2%	46.1%	28.6%	24.5%	17.3%
Adjusted funding expense ratio	6.0%	3.7%	8.2%	7.3%	8.1%	7.2%
Adjusted loan loss provision expense ratio	12.2%	2.1%	1.0%	4.2%	1.3%	0.0%
Exchange rate 1 USD= xx USD	1.0	1.0	1.0	1.0	1.0	1.0

CREDIT Cambodia		USD						Evolution					
Balance sheet		Notes	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007	2003/2002	2004/2003	2005/2004	2006/2005	2007/2006
<b>ASSETS</b>			<b>1,291,893</b>	<b>1,604,905</b>	<b>1,952,654</b>	<b>2,933,624</b>	<b>5,578,304</b>	<b>7,612,975</b>	<b>24.2%</b>	<b>21.7%</b>	<b>50.2%</b>	<b>90.2%</b>	<b>36.5%</b>
<b>Short Term Assets</b>			<b>1,259,789</b>	<b>1,566,507</b>	<b>1,909,312</b>	<b>2,867,232</b>	<b>5,417,681</b>	<b>7,435,119</b>	<b>24.3%</b>	<b>21.9%</b>	<b>50.2%</b>	<b>89.0%</b>	<b>37.2%</b>
Cash and Due from Banks	1		698,687	788,496	347,134	291,826	815,610	311,381	12.9%	(56.0%)	(15.9%)	179.5%	(61.8%)
Statutory deposits at Central Bank	2		-	-	-	31,543	43,886	41,713	-	-	-	39.1%	(5.0%)
Short Term Net Loan Portfolio			549,127	761,456	1,546,087	2,492,495	4,523,148	7,029,035	38.7%	103.0%	61.2%	81.5%	55.4%
Short Term Gross Loan Portfolio			642,094	818,380	1,595,727	2,576,065	4,622,004	7,127,205	27.5%	95.0%	61.4%	79.4%	54.2%
(Loan Loss Reserve)			92,967	56,924	49,640	83,570	98,856	98,170	(38.8%)	(12.8%)	68.4%	18.3%	(0.7%)
Interest Receivable			-	-	-	-	-	-	-	-	-	-	-
On loan portfolio			-	-	-	-	-	-	-	-	-	-	-
On investments			-	-	-	-	-	-	-	-	-	-	-
Accounts receivable and other assets	3		11,975	16,555	16,091	51,368	35,037	52,990	38.2%	(2.8%)	219.2%	(31.8%)	51.2%
<b>Long term assets</b>			<b>32,104</b>	<b>38,398</b>	<b>43,342</b>	<b>66,392</b>	<b>160,623</b>	<b>177,856</b>	<b>19.6%</b>	<b>12.9%</b>	<b>53.2%</b>	<b>55.7%</b>	<b>24.2%</b>
Long Term Net Investments			-	-	-	-	-	-	-	-	-	-	-
Long Term Gross Loan Portfolio			-	-	-	-	-	-	-	-	-	-	-
Net Fixed Assets			32,104	38,398	43,342	66,392	103,400	128,436	19.6%	12.9%	53.2%	55.7%	24.2%
Other Long Term Assets	4		-	-	-	-	57,223	49,420	-	-	-	-	(13.6%)
<b>LIABILITIES AND EQUITY</b>			<b>1,291,893</b>	<b>1,604,905</b>	<b>1,952,654</b>	<b>2,933,624</b>	<b>5,578,304</b>	<b>7,612,975</b>	<b>24.2%</b>	<b>21.7%</b>	<b>50.2%</b>	<b>90.2%</b>	<b>36.5%</b>
<b>Liabilities</b>			<b>171,961</b>	<b>271,272</b>	<b>454,527</b>	<b>806,687</b>	<b>2,966,054</b>	<b>4,752,200</b>	<b>57.8%</b>	<b>67.6%</b>	<b>77.5%</b>	<b>267.7%</b>	<b>60.2%</b>
Short term liabilities			171,961	271,272	354,527	556,687	893,472	1,594,397	57.8%	30.7%	57.0%	60.5%	78.4%
Demand Deposits			12,381	23,576	28,901	87,586	39,104	91,068	90.4%	22.6%	203.1%	(55.4%)	132.9%
Compulsory Deposits			108,472	123,770	188,877	262,336	316,364	352,506	14.1%	52.6%	38.9%	20.6%	11.4%
Short Term Time Deposits			-	-	-	-	215,800	718,644	-	-	-	-	233.0%
Short Term Borrowings			-	-	-	-	-	-	-	-	-	-	-
Interest payable			-	-	-	-	-	-	-	-	-	-	-
Accounts Payable and Other Short Term Liabilities	5		51,108	123,926	136,749	206,765	322,204	432,178	142.5%	10.3%	51.2%	55.8%	34.1%
Long term liabilities			-	-	100,000	250,000	2,072,582	3,157,803	-	-	150.0%	729.0%	52.4%
Long Term Time Deposits			-	-	-	-	-	-	-	-	-	-	-
Long Term Borrowings			-	-	100,000	250,000	2,072,582	3,157,803	-	-	150.0%	729.0%	52.4%
Other Long Term Liabilities			-	-	-	-	-	-	-	-	-	-	-
<b>Equity</b>			<b>1,119,932</b>	<b>1,333,633</b>	<b>1,498,127</b>	<b>2,126,937</b>	<b>2,612,250</b>	<b>2,860,776</b>	<b>19.1%</b>	<b>12.3%</b>	<b>42.0%</b>	<b>22.8%</b>	<b>9.5%</b>
Paid-In Capital			-	-	500,000	500,000	500,000	500,000	-	-	0.0%	0.0%	0.0%
Donated equity			1,014,676	1,220,634	1,018,629	1,552,322	1,787,705	1,787,704	20.3%	(16.5%)	52.4%	15.2%	(0.0%)
Retained earnings without donations and reserves			105,256	112,999	(20,502)	74,615	324,545	573,071	7.4%	(118.1%)	(463.9%)	335.0%	76.6%
Current year			(264,991)	(243,097)	(62,482)	33,419	162,102	236,968	(8.3%)	(74.3%)	(153.5%)	385.1%	46.2%
Other equity accounts			-	-	-	-	-	-	-	-	-	-	-

Notes:

- 1) Cash on hand and cash at banks
- 2) Interest-bearing statutory deposit at the Central Bank
- 3) Other assets and deferred tax assets
- 4) Intangible assets
- 5) Accruals and other liabilities + deferred revenues

CREDIT Cambodia Income Statement	Notes	USD						Evolution				
		Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007	2003/2002	2004/2003	2005/2004	2006/2005	2007/2006
<b>Financial Revenue (a)</b>		<b>291,641</b>	<b>300,249</b>	<b>506,199</b>	<b>827,400</b>	<b>1,147,693</b>	<b>847,521</b>	<b>3.0%</b>	<b>68.6%</b>	<b>63.5%</b>	<b>38.7%</b>	<b>(26.2%)</b>
Financial Revenue from Loan Portfolio		277,926	284,345	486,812	823,066	1,134,679	843,922	2.3%	71.2%	69.1%	37.9%	(25.6%)
Interest on Loan Portfolio		277,926	284,345	477,395	801,495	1,129,655	821,653	2.3%	67.9%	67.9%	40.9%	(27.3%)
Fees and Commissions on Loan Portfolio		-	-	-	-	-	-	-	-	-	-	-
Penalty Revenue on Loan Portfolio		-	-	9,417	21,571	5,024	22,269	-	-	129.1%	(76.7%)	343.3%
Financial Revenue from Investments		4,808	7,091	4,981	2,825	3,929	1,659	47.5%	(29.8%)	(43.3%)	39.1%	(57.8%)
Other Operating Revenue		8,907	8,813	14,406	1,509	9,085	1,940	(1.1%)	63.5%	(89.5%)	502.1%	(78.6%)
<b>Financial Expense (b)</b>		<b>9,573</b>	<b>10,757</b>	<b>13,022</b>	<b>28,511</b>	<b>114,192</b>	<b>133,234</b>	<b>12.4%</b>	<b>21.1%</b>	<b>118.9%</b>	<b>300.5%</b>	<b>16.7%</b>
Interest paid on borrowings		-	-	-	8,859	76,639	108,707	-	-	-	765.1%	41.8%
Interest paid on deposits		9,573	10,757	13,022	19,652	37,553	24,527	12.4%	21.1%	50.9%	91.1%	(34.7%)
Net Inflation Adjustment Expense		-	-	-	-	-	-	-	-	-	-	-
Other Financial Expenses		-	-	-	-	-	-	-	-	-	-	-
<b>Financial income [c=a-b]</b>		<b>282,068</b>	<b>289,492</b>	<b>493,177</b>	<b>798,889</b>	<b>1,033,501</b>	<b>714,287</b>	<b>2.6%</b>	<b>70.4%</b>	<b>62.0%</b>	<b>29.4%</b>	<b>(30.9%)</b>
<b>Net Loan Loss provision expense (d)</b>		<b>79,696</b>	<b>14,681</b>	<b>11,896</b>	<b>88,500</b>	<b>43,246</b>	-	<b>(81.6%)</b>	<b>(19.0%)</b>	<b>643.9%</b>	<b>(51.1%)</b>	<b>(100.0%)</b>
Loan loss provision expense and write-off		79,696	14,681	11,896	88,500	43,246	-	(81.6%)	(19.0%)	643.9%	(51.1%)	(100.0%)
Recovery from Loans written off		-	-	-	-	-	-	-	-	-	-	-
<b>Operating expense (e)</b>		<b>467,053</b>	<b>517,908</b>	<b>536,183</b>	<b>607,572</b>	<b>788,910</b>	<b>474,653</b>	<b>10.9%</b>	<b>3.5%</b>	<b>13.3%</b>	<b>29.8%</b>	<b>(39.8%)</b>
Personnel Expense (includes fringe)		313,974	317,425	335,879	364,838	433,091	282,773	1.1%	5.8%	8.6%	18.7%	(34.7%)
Administrative Expense (non-staff operating expenses)		153,079	200,483	200,304	242,734	355,819	191,880	31.0%	(0.1%)	21.2%	46.6%	(46.1%)
Depreciation and amortization		15,016	15,671	19,729	19,415	44,313	34,118	4.4%	25.9%	29.3%	128.2%	(23.0%)
Professional fees		37,297	38,804	24,150	70,693	70,395	9,608	4.0%	(37.8%)	192.7%	(0.4%)	(86.4%)
Office Expenses		24,759	44,660	44,313	32,525	56,902	44,394	80.4%	(0.8%)	(26.6%)	74.9%	(22.0%)
Travelling Expenses		9,460	10,987	6,348	13,460	32,868	10,416	9.0%	(81.9%)	112.0%	144.2%	(68.3%)
Occupancy Expenses		32,260	35,163	39,441	39,870	41,603	29,831	9.0%	12.2%	1.1%	4.3%	(28.3%)
Repairs and maintenance		21,712	27,437	43,036	28,408	32,356	27,865	26.4%	56.9%	(34.0%)	13.9%	(13.9%)
Interest rate rebates to clients		2,907	66	4,922	14,757	30,944	18,468	(97.7%)	7,357.6%	199.8%	109.7%	(40.3%)
Communication		6,780	9,159	10,800	10,284	15,279	9,576	35.1%	17.9%	(4.8%)	48.6%	(37.3%)
Provisioning reversal for accident assurance		-	-	-	-	(21,704)	-	-	-	-	-	(100.0%)
Others		2,888	18,536	7,565	13,322	52,863	7,604	541.8%	(59.2%)	76.1%	296.8%	(85.6%)
<b>Net Operating Income Before Taxes and Donations [f=c-d-e]</b>		<b>(264,681)</b>	<b>(243,097)</b>	<b>(54,902)</b>	<b>102,817</b>	<b>201,345</b>	<b>239,634</b>	<b>(8.2%)</b>	<b>(77.4%)</b>	<b>(287.3%)</b>	<b>95.8%</b>	<b>19.0%</b>
Income Taxes (g)		-	-	7,580	23,862	61,699	2,666	-	-	214.8%	158.6%	(95.7%)
<b>Net Operating Income Before Donations [h=f-g]</b>		<b>(264,681)</b>	<b>(243,097)</b>	<b>(62,482)</b>	<b>78,955</b>	<b>139,646</b>	<b>236,968</b>	<b>(8.2%)</b>	<b>(74.3%)</b>	<b>(226.4%)</b>	<b>76.9%</b>	<b>69.7%</b>
Non Operating Revenue (i)		-	-	-	-	22,456	-	-	-	-	-	(100.0%)
Non Operating Expense (including related taxes) (j)		310	-	-	45,536	-	-	(100.0%)	-	-	(100.0%)	-
<b>Net Income Before Donations [k=h+i-j]</b>		<b>(264,991)</b>	<b>(243,097)</b>	<b>(62,482)</b>	<b>33,419</b>	<b>162,102</b>	<b>236,968</b>	<b>(8.3%)</b>	<b>(74.3%)</b>	<b>(153.5%)</b>	<b>385.1%</b>	<b>46.2%</b>
Donations (l)		239,993	250,840	41,980	61,698	87,828	11,556	4.5%	(83.3%)	47.0%	42.4%	(86.8%)
<b>Net Income (after Taxes and Donations) [m=k+l]</b>		<b>(24,998)</b>	<b>7,743</b>	<b>(20,502)</b>	<b>95,117</b>	<b>249,930</b>	<b>248,524.47</b>	<b>(131.0%)</b>	<b>(364.8%)</b>	<b>(563.9%)</b>	<b>162.8%</b>	<b>(0.6%)</b>

## ■ Formulas

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Personnel productivity:	$\text{Active borrowers} / \text{Total personnel (end of period)}$
Loan officer productivity:	$\text{Active borrowers} / \text{Total Loan Officers (end of period)}$
Return on assets (ROA):	$\text{Net operating income before donations} / \text{Average assets}$
Adjusted return on assets (AROA):	$\text{Adjusted net operating income before donations} / \text{Average assets}$
Return on equity (ROE):	$\text{Net operating income before donations} / \text{Average equity}$
Adjusted return on equity (AROE):	$\text{Adjusted net operating income before donations} / \text{Average equity}$
Leverage:	$\text{Debt (savings + debts)} / \text{equity (end of period)}$
Portfolio yield:	$\text{Portfolio revenue} / \text{13-month average gross outstanding portfolio}$
Operating expense ratio:	$\text{Operating expense} / \text{13-month average gross outstanding portfolio}$
Funding expense ratio:	$\text{Interest and fees paid on funding liabilities} / \text{13-month average gross outstanding portfolio}$
Cost of savings ratio:	$\text{Interest and fees paid on deposits} / \text{Average deposits}$
Cost of borrowings ratio:	$\text{Interest and fees paid on borrowings} / \text{Average borrowing}$
Loan loss expense ratio:	$\text{Net loan loss expense} / \text{13-month average gross outstanding portfolio}$
Adjustment expense ratio:	$\text{Total adjustments} / \text{13-month average gross outstanding portfolio}$
Net portfolio as a % of assets:	$\text{Net outstanding portfolio} / \text{total assets (end of period)}$
Financial self-sufficiency:	$\text{Revenue from operations} / (\text{Expenses (financial, loan loss, operating)} + \text{Adjustments})$
Risk coverage ratio:	$\text{Loan loss reserve} / \text{Portfolio at risk (31-365 days)}$
Write-off ratio:	$\text{Loans written off} / \text{13-month average gross outstanding portfolio}$

## ■ Rating scale

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Rating	Definition
A+	<b>Excellent</b>
A	The institution excels in the evaluation area and is a model for the sector. There is a long-term vision for continual improvement. There are no risks in the short and medium term for operations. Long-term risks are well managed and monitored.
A-	
B+	<b>Good</b>
B	Procedures are well developed, effective, and incorporate a long-term perspective. Some improvements could be made. Long-term risks are identified in the strategic plan.
B-	
C+	<b>Minimum required</b>
C	Procedures are functional but with certain failings. There are minor risks in the medium term for operations.
C-	
D	<b>Insufficient</b>
	Procedures are in place, but with failings, and certain problems are only partially addressed. There are medium-term risks for operations.
E	<b>Immediate risk of default or very insufficient</b>
	There are immediate or underlying risks for operations or an unacceptable under performance.