

LOLC Cambodia Plc.– Cambodia

FINAL RATING

α
Medium

Field visit:

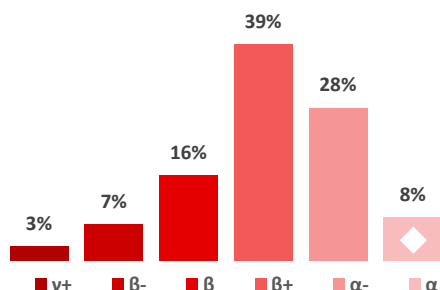
November 2022

Rating Committee date:

January 2023

Validity:

12 months, unless earlier revoked by MFR due to material changes that affect the rating status.



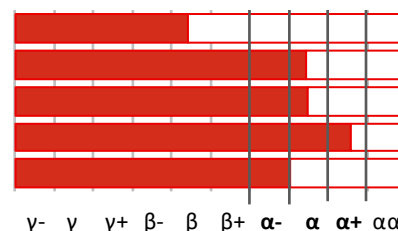
External Context

Governance and Strategy

Systems and Controls

Financial Profile

Portfolio Quality



GOVERNANCE AND DECISION MAKING

Shareholders show strong financial capacity to support LOLC Cambodia in case of economic contingency. The Board of Directors displays relevant expertise and effectively performs its strategic guidance and control function. The management team is stable and shows extensive experience and good managerial and strategic capacity. A good risk management approach and framework guide and inform the decision-making process. Internal controls are well structured, also thanks to a complete set of policies and procedures. LOLC displays an adequate capacity to manage the social and environmental risks related to the staff and clients. LOLC enjoys good brand recognition in both rural and urban areas thanks to a wide network of branches and its positioning in the low-end market segment. Competition is strong and the client over indebtedness risk has to be constantly monitored.

FINANCIAL ANALYSIS

LOLC continues showing excellent profitability and sustainability results, mainly driven by an excellent operational efficiency. The portfolio quality is maintained at good level, but credit risk coverage is improvable. The exposure to loan portfolio concentration risks is low. The solvency ratio is strong and relatively stable. LOLC displays a well-diversified funding structure and an excellent bargaining power capacity. The liquidity position is good as of Sep-22 and effectively monitored. LOLC exposure to FX risk is medium, while interest rate risk is low. Adequate monitoring of market risks.

Institution details		Indicators			Dec20	Dec21	Sep22
Legal form	NBFI	ROE			27.7%	26.6%	23.4%
Ownership	LOLC Asia Private Limited, TPC-ESOP	ROA			4.1%	4.9%	4.4%
Year of inception	1994 (program), 2003 (MFI)	Operat. Self-Sufficiency (OSS)			144.2%	159.6%	152.5%
Financial services	Credit, Savings, non financial services	Portfolio yield			20.2%	19.4%	18.6%
Main credit methodology	Individual, Group	Loan portfolio rev. / Gross revenues			98.9%	99.2%	99.1%
Regulator/Supervisory Authority	National Bank of Cambodia	Operating exp. ratio (assets)			5.0%	5.1%	4.7%
		Loan officer product. (borrow.)			151	150	152
		Funding expense ratio			7.9%	7.2%	6.9%
		Provision expense ratio			1.1%	0.6%	1.2%
		Capital Adequacy Ratio (MFR)			19.2%	22.0%	21.6%
		Equity / Assets			16.9%	19.4%	18.6%
		Cash Ratio			21.5%	16.9%	21.6%
		Liquidity / Assets			13.9%	9.9%	11.4%
		PAR30			1.3%	2.1%	2.9%
		PAR90			0.9%	1.8%	2.2%
		Restructured portfolio			17.9%	11.4%	6.4%
		Write-off ratio			0.2%	0.2%	0.2%
		Risk coverage ratio			10.4%	16.6%	36.7%
		Average disbursed loan size (USD)			2,867	3,424	3,672
		Avg. loan balance / p.c. GNI			185%	208%	231%

na: not available n/a: not applicable

As of Sep22, ratios are calculated on last 12-months' data to ensure comparability with previous periods.

MFR

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Annex 5 – Rating Scale

Institutional Rating

Common scale for financial inclusion rating agencies

Grade	Definition	Classification	Definition
αα	Excellent outlook for financial sustainability, which is not expected to be affected by a potential deterioration of the operations or economic conditions. Extremely strong and stable fundamentals.	EXCELLENT	Low or well-managed short to medium term risk. Strong performance
α+	Very strong outlook for financial sustainability, which may be marginally affected by a potential deterioration of the operations or economic conditions. Very strong and stable fundamentals.		
α	Strong outlook for financial sustainability, which may be affected by a potential deterioration of the operations or economic conditions. Strong and stable fundamentals.		
α-	Good outlook for financial sustainability, which may be affected by a potential deterioration of the operations or economic conditions. Good fundamentals.	GOOD	Modest or well-managed short to medium term risk. Good to moderate performance
β+	Adequate outlook for financial sustainability, which may be significantly affected by a potential deterioration of the operations or economic conditions. Adequate fundamentals.		
β	Moderate outlook for financial sustainability, which is vulnerable to a potential deterioration of the operations or economic conditions. Moderate fundamentals.	FAIR	Moderate to moderate-high risk. Moderate performance
β-	Modest outlook for financial sustainability, which is highly vulnerable to a potential deterioration of the operations or economic conditions. Modest fundamentals.		
γ+	Weak outlook for financial sustainability. Modest fundamentals.	POOR	High risk. Poor performance
γ	Weak outlook for financial sustainability. Weak fundamentals.		
γ-	Extremely weak outlook for financial sustainability. Extremely weak fundamentals.		
MODIFIERS	The modifiers “High”, "Medium" or “Low” may be assigned to a rating to indicate relative status within the main rating category. The modifiers cannot be assigned to "αα", "γ" or "γ-".		

The Institutional Rating is not a Credit Rating as per the European Credit Rating Agencies Regulation. The Institutional Rating does not represent an opinion on the financial institution's ability to meet its financial obligations. It is not a recommendation to perform investments in a specific financial institution or financial instrument. The information used in the current report is provided by the institution itself and integrated by the information collected during the meetings with its head executives. The analysis is based on audited financial statements and other official sources; however, MFR does not guarantee the reliability and integrity of the information, as it has not performed auditing exercises, and therefore MFR does not bear responsibility for any mistake or omission coming from the use of such information.