

LOLC Cambodia Plc. - Cambodia

FINAL RATING
A
Field visit:

November 2019

Rating Committee date:

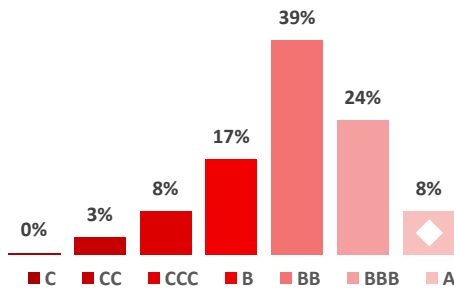
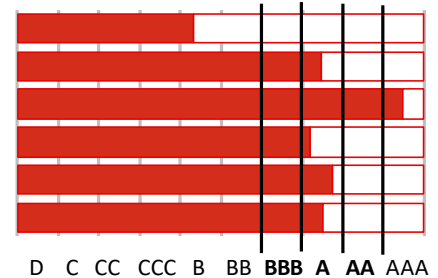
January 2020

Validity:

1 year if no relevant changes in operations or in external context occur

OUTLOOK
Stable
Previous MFR Rating:

A- Stable (Dec-16)


Market and Regulation
Governance and Strategy
Profitability and Efficiency
Solvency and ALM
Loan Portfolio Quality
Systems and Controls

FINANCIAL ANALYSIS AND CAPITAL ADEQUACY

LOLC Cambodia continues to register sound profitability and sustainability results despite a decreasing portfolio yield reflecting the changes in terms of portfolio and assets composition. Positive performance is driven by sustained portfolio growth, better portfolio quality, and excellent and improving operational efficiency. Despite the pressure linked to the significant assets growth, LOLC maintains adequate solvency levels in compliance with regulatory requirements and lenders' covenants. LOLC displays a well-diversified funding structure and good negotiating capacity. The liquidity position is prudent and effectively monitored. LOLC exposure to market risks is low and monitoring is good.

GOVERNANCE, RISK MANAGEMENT AND MARKET POSITIONING

LOLC International Private Limited demonstrates strong financial capacity to support LOLC Cambodia strategic plans and intervene in case of contingency situations. The Board displays relevant expertise and effectively performs its strategic guidance and supervision function. The risk management framework is comprehensive and fits the organization's size, operations, and risk profile. Internal controls have improved through implementation of a new core banking system and benefit from clear accountability levels, well-formalized policies and well-established procedures for operational risk mapping. Credit risk management is overall adequate but regular updates are needed considering the increasing market penetration and over-indebtedness risk. LOLC enjoys good brand recognition in both rural and urban areas and has managed to position well in the asset-back lending space as well as to consolidate its positioning in the low-end market segment.

Institution details				Indicators	Dec17	Dec18	Sep19
Legal form	NBFI			ROE	27.6%	27.6%	31.2%
Ownership	LOLC Ltd. (97%), TPC ESOP (3%)			ROA	4.8%	4.1%	4.2%
Year of inception	1994(programme), 2003(MFI)			Oper. Self-sufficiency (OSS)	139.2%	137.8%	143.3%
Financial Services	Credit, savings			Portfolio yield	25.2%	22.4%	21.9%
Main credit methodology	Individual, Group			Other financ. income (on assets)	0.2%	0.1%	0.1%
Regulator/Supervisory Authority	National Bank of Cambodia (NBC)			Other products yield (on assets)	0.0%	0.0%	0.1%
				Operating expense ratio	8.8%	7.6%	6.6%
Institutional data	Dec17	Dec18	Sep19	Staff productivity (borrow.)	108	106	111
Clients (#)	210,227	235,613	279,704	Financial expense ratio	8.1%	7.7%	8.1%
Members (#)	n/a	n/a	n/a	Provisioning expense ratio	1.5%	1.0%	0.9%
Active borrowers (#)	210,227	235,613	279,704	Capital Adequacy Ratio (MFR)	18.6%	16.2%	14.8%
Female borrowers	77.8%	72.1%	70.3%	Equity to assets ratio	16.8%	14.3%	13.6%
Active loans (#)	218,020	249,751	313,760	Cash Ratio	19.4%	30.7%	31.7%
Active savers (#)	67,342	184,144	279,393	Liquidity over total assets	8.5%	14.9%	17.2%
Branches (#)	77	78	79	PAR 30	1.4%	1.0%	0.9%
Total staff (#)	1,946	2,213	2,520	PAR 90	1.2%	0.8%	0.8%
Loan officers (#)	1,046	1,288	1,530	Restructured portfolio	0.0%	0.0%	0.0%
Total assets (US\$)	371,004,548	611,496,857	894,929,172	Write-off ratio	0.5%	0.5%	0.4%
Gross outstanding portfolio (US\$)	323,284,460	485,682,180	689,483,459	Risk coverage ratio	123.9%	160.1%	172.4%
Total savings (US\$)	90,213,838	231,858,235	395,095,388	Avg. disbursed loan size, US\$	1,834	2,400	2,739
Equity (US\$)	62,255,585	87,647,643	121,843,338	Average loan balance / p.c. GNI	125%	149%	179%

As of September 19 ratios on last 12-months figures
MFR

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Annex 5 – Rating Scale

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 the FI's performance.

Financial Rating		Common scale for financial inclusion 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.</i>		
AA	<i>Very strong capacity to manage risks. This capacity may be marginally affected by a deterioration of the operations or economic conditions. Very strong and stable fundamentals.</i>	EXCELLENT	Low or well-managed short to medium term risk. Strong performance
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.</i>		
BBB	<i>Good capacity to manage risks. This capacity may be affected by a deterioration of the operations or economic conditions. Good fundamentals.</i>		
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.</i>	GOOD	Modest or well-managed short to medium term risk. Good to moderate performance
B	<i>Moderate capacity to manage risks. This capacity is vulnerable to a deterioration of the operations or economic conditions. Moderate fundamentals.</i>		
CCC	<i>Modest capacity to manage risks. This capacity is highly vulnerable to a deterioration of the operations or economic conditions. Modest fundamentals.</i>	FAIR	Moderate to moderate-high risk. Moderate performance
CC	<i>Weak capacity to manage risks. Modest fundamentals.</i>		
C	<i>Weak capacity to manage risks. Weak fundamentals.</i>	POOR	High risk. Poor performance
D	<i>Extremely weak capacity to manage risks. Extremely weak fundamentals.</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” or below “CC” grades.		
OUTLOOK	Indicates the direction a GRADE is likely to move to, over a one-year period		
POSITIVE	<i>Probable upgrade of the rating grade</i>		
STABLE	<i>Rating grade is not likely to change</i>		
NEGATIVE	<i>Probable downgrade of the rating grade</i>		
UNDER OBSERVATION	<i>The rating grade and/or outlook cannot be assigned, due to unexpected internal/external events or insufficient information provided. It may be assigned only after a monitoring will be held in the short term.</i>		

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.