

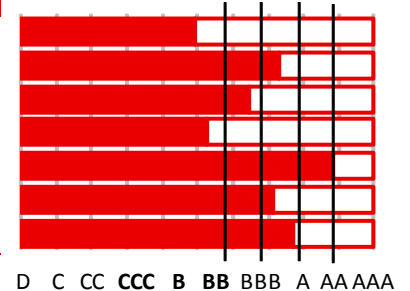
CREDO - Georgia

FINAL RATING **A-**
OUTLOOK **Stable**

Mission date: 02/2014
Date Rating Committee : 06/05/2014
Validity: 1 year if no relevant changes in operations or in the external context occur
Previous Rating : February 2012, A-, Stable, 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


RATING RATIONALE
**FINANCIAL ANALYSIS
AND CAPITAL
ADEQUACY**

CREDO is the market leader in terms of size and quality of services in the microfinance sector in Georgia. CREDO registered a fast portfolio growth coupled with very good portfolio quality as well as very high profitability and sustainability, due to high portfolio yield and economies of scale. Efficiency and productivity are at adequate levels. Capital adequacy is moderate, and financial leverage remains controlled, although room for additional leverage is limited.

**GOVERNANCE, RISK
MANAGEMENT AND
CLIENT PROTECTION**

CREDO is fully owned by Vision Fund Caucasus, which provides adequate support. The Supervisory Council ensures adequate supervision and strategic guidance. The management team is very skilled and involved. Risk management, internal controls, internal audit and MIS are adequate, but could be further improved as CREDO has the resources to do so, and given the size of operations, fast growth, plan to transform into a bank, and context of high competition and cross-indebtedness. Client protection could also be further enhanced, especially on transparency. CREDO has strong systems in place in order to prevent over-indebtedness.

Legal form	Limited Liability Company
Ownership	Vision Fund Caucasus LLC (100%)
Year of inception	2007 (operations since 1997)
Regulator / Supervisor	National Bank of Georgia
Networks of reference	Association of Georgian Microfinance Organizations
Area of intervention	Rural, Urban
Financial Services	Credit, Insurance, Money transfers
Credit methodology	Individual lending

Institutional data	Dec11	Dec12	Dec13
Active borrowers (#)	64,526	95,464	139,428
Active loans (#)	75,063	126,462	182,669
Branches (#)	22	30	40
Total staff (#)	563	860	1,174
Loan officers (#)	310	477	604
Gross outstanding portfolio (USD)	50,985,848	89,846,577	126,554,823
Total assets (USD)	62,905,985	108,875,451	146,932,624
Average loan balance/GDP pc	24.2%	26.8%	25.8%
Female borrowers	38.6%	40.8%	42.1%

Indicators	Dec11	Dec12	Dec13
Credit risk ratio	0.24%	0.27%	0.35%
PAR 30	0.01%	0.12%	0.13%
PAR 90	0.01%	0.08%	0.08%
Risk coverage ratio	4279.1%	568.9%	471.8%
ROE	45.0%	46.9%	47.2%
ROA	7.4%	7.6%	7.5%
Portfolio yield*	41.0%	39.1%	34.8%
Operating expense ratio*	21.4%	20.8%	16.5%
LO productivity (borrow.)	208	200	231
Cash Ratio	28.8%	16.1%	35.6%
Capital Adequacy Ratio (MFR)	19.6%	21.4%	19.2%
Equity to Assets Ratio	17.8%	16.4%	18.9%
Client drop-out ratio	38.8%	29.1%	56.4%
Average Annual percentage rate (APR) - Agro			46%
Average Annual percentage rate (APR) - Urban			30%
Average Annual percentage rate (APR) - Consumer			33%
Average transparency index - Agro			75%
Average transparency index - Urban			70%
Average transparency index - Consumer			52%

*In 2013, portfolio yield and operating expense ratio appear lower because the external auditor netted off related expenses from the interest income and from general expenses. Including these related expenses (as for previous years), CREDO's portfolio yield and operating expenses ratio would be 39.1% and 20.7% respectively.

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

LLC MFO CREDO
 #9 M. Asatiani street, Tbilisi
 Georgia
 Tel: +995 32 247 00 87
www.credo.ge

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	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.	EXCELLENT	Low or well-managed short-medium term risk. Strong performance
AA+, AA, AA-	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.		
A+, A, A-	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.		
BBB+, BBB, BBB-	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.	GOOD	Modest or well-managed short- medium term risk. Good to moderate performance
BB+, BB, BB-	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.		
B+, B, B-	Moderate capacity to manage risks. This capacity is vulnerable to a deterioration of the operations or economic conditions. Moderate fundamentals. Moderate client protection systems.	FAIR	Moderate to moderate-high risk Moderate performance
CCC+, CCC, CCC-	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.		
CC+, CC, CC-	Weak capacity to manage risks. Modest fundamentals. Poor client protection systems.		
C	Weak capacity to manage risks. Weak fundamentals. Poor client protection systems.	POOR	High risk Poor performance
D	Extremely weak capacity to manage risks. Extremely weak fundamentals. Poor client protection systems.		

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.