

## LLC MFO CREDO – Georgia

Credo was founded by World Vision as the microfinance program in 1997, then registered as microfinance organization in 2005 and transformed into the limited liability company and licenced by the National Bank of Georgia in 2007. As of September 2011 Credo is fully owned by Vision Fund Caucasus, a subsidiary of Vision Fund International. Credo operates through 19 branches, mainly covering rural areas. Credo aims at financing farmers and micro&small entrepreneurs, offering variety of financial services.

**FINAL RATING**                      **A-**
**Date Rating Committee :**      8<sup>th</sup> February 2012

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

**OUTLOOK**                              **Stable**
**Previous Rating :**                  BBB+ (October 2009)

**RATING RATIONALE**
**FINANCIAL ANALYSIS  
AND CAPITAL  
ADEQUACY**

Credo registered sound portfolio growth and very good portfolio quality. Profitability and sustainability results are high thanks to economies of scale and high portfolio yield. Productivity and efficiency stand at adequate levels given the current size of the institution. Solvency leaves limited room for further leverage. The planned growth will be mainly fed by retained earnings and the management is actively looking for additional subordinated debt.

**GOVERNANCE, RISK  
MANAGEMENT AND  
QUALITATIVE RISK  
ANALYSIS**

Credo is fully owned by Vision Fund Caucasus that ensures good governance. The top management team is strong, as well as the departments in place. Risk management and internal control systems are adequate to the current size and operations. On the other hand, the MIS is becoming insufficient to support the planned growth. Moreover, credit policies in place regarding loan renewals and parallel lending, though competitive, might be risky, especially in saturated markets such as the Georgian urban sectors.

Legal form	Limited liability company	Financial Indicators			Dec09	Dec10	Sep11
Client typology	Non-bank financial institution	PAR 30	0.9%	0.0%	0.1%		
Year of inception	2007	PAR 90	0.8%	0.0%	0.0%		
Year of inception of the operations	1997	Write-off ratio	5.0%	0.7%	0.0%		
Regulator / Supervisor	National Bank of Georgia	Restructured loans	1.6%	0.4%	0.1%		
Networks of reference	Association of Georgian Microfinance Organizations	ROE	22.6%	42.3%	41.2%		
Area of intervention	Rural, urban	ROA	3.1%	6.7%	6.8%		
Credit methodology	Individual lending	AROE	20.4%	36.5%	32.1%		
		Oper. Self-sufficiency (OSS)	111%	123%	123%		
		Fin. Self-sufficiency (FSS)	110%	120%	118%		
		Staff productivity (borrow.)	84	119	121		
		LO productivity (borrow.)	180	223	222		
		Operating expense ratio	21.5%	20.2%	20.7%		
		Operat. expense ratio (over assets)	16.7%	15.5%	16.0%		
		Funding expense ratio	10.4%	10.2%	9.4%		
		Provision expense ratio	3.7%	0.5%	0.5%		
		Portfolio yield	37.1%	38.0%	40.2%		
		Risk coverage ratio	146%	2722%	765%		
		Cost of funds ratio	10.0%	10.1%	9.4%		
		Debt/Equity ratio	4.9	5.6	5.1		
		Capital adequacy ratio	17.1%	15.2%	16.4%		
		As of September 2011 data is annual					
Indicators	Dec09	Dec10	Sep11				
Active borrowers (#)	22,818	43,037	58,108				
Active loans (#)	24,228	47,499	65,310				
Branches (#)	14	16	19				
Total staff (#)	271	362	482				
Loan officers (#)	127	193	262				
Gross outstanding portfolio (USD)	19,990,519	33,272,956	47,205,373				
Total assets (USD)	25,414,546	43,988,517	62,228,050				