

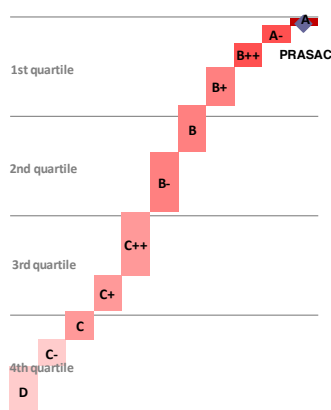
PRASAC MFI Ltd., Cambodia

PRASAC was established in 1995 as a development project funded by the European Union, to support the agricultural sector in several provinces of Cambodia. In 2002, the entity transformed into PRASAC Credit Association, a credit operator registered with the NBC. PRASAC MFI Ltd was established as a private limited liability company and was granted a NBC license to provide microfinance services in 2004, and a microfinance deposit-taking institution (MDI) license in 2010. Based in Phnom Penh, PRASAC operates throughout Cambodia thanks to a widespread branch network, including 175 branches and 7 regional offices. PRASAC offers both credit and savings services, as well as fee-based services such as money transfer. As of Dec. 2014, PRASAC had a 580.5 M USD total loan portfolio comprised of 251,112 active borrowers and 305.2 M USD in total savings from 360,349 active depositors.

Smart GIRAFE Rating

Rating	Date of the rating	G	I	R	A	F	E	+CP	Previous rating:
A	Feb. 2015	a	a	a	a	a	a	b	<i>A-, July 2011</i>
Stable	<i>Valid until Jan. 2016</i>								

Rating distribution



Performance indicators

M USD	Dec. 2013	Dec. 2014
Assets	451.9	701.4
Loan portfolio	369.6	580.5
Active borrowers	196,906	251,112
ROA	4.8%	5.2%
NPL 30 + r	0.18%	0.21%
Portfolio yield	23.2%	22.6%

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Rating highlights

- PRASAC in one of the leading microfinance institutions in Cambodia, with the largest loan and savings portfolio behind ACLEDA. The institution shows good profitability levels and maintains a strong ROA of 5.2% as of Dec. 2014.
- The decision-making process is clear and efficient, although reporting on social performance and monitoring of responsible practices is limited. Overall, the interests and incentives of main stakeholders are focused on profitability and sustainability.
- PRASAC's MIS is efficient and cost effective, and is planned to be upgraded in 2015.
- A comprehensive risk management framework is in place. However, monitoring of systemic risks could be improved, especially regarding risks of over-indebtedness given the potentially highly-saturated microfinance market in Cambodia. This risk has been partially mitigated by an analysis on market penetration during village assessments.
- PRASAC has an excellent portfolio quality, with NPL 30 representing 0.21% of its total loan portfolio. The launch of its future micro-insurance company subsidiary should enable the institution to mitigate particularly important risks, such as death of a client or natural disaster.
- PRASAC is sufficiently capitalized and its funding strategy is effective and well-diversified with a wide range of funding sources: savings, borrowings, syndicated loans, etc.
- Policies provide a satisfactory coverage of client protection principles. Some improvements can be made, especially regarding prevention of over-indebtedness: a debt level threshold has been defined to assess clients' repayment capacity, but the permitted threshold is high when compared to best practices.

Outlook

The outlook for PRASAC is stable, thanks to its advanced institutional system, its strong financial performance and its market position. Good performance and good management of risks are expected to maintain in the coming years. A transformation into a commercial bank will create new opportunities and risks in the medium-term.