

MICROFINANCE INSTITUTIONAL RATING

RoCredit IFN S.A.

Romania

Feb 2016



This rating has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020).

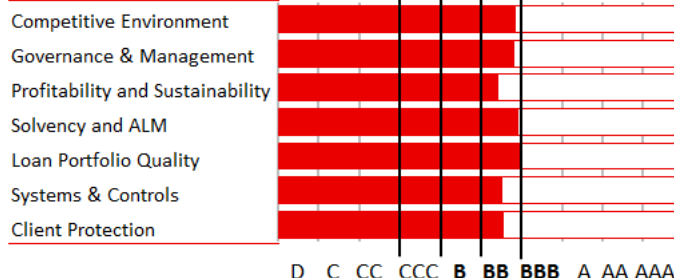
For further information please consult: <http://ec.europa.eu/social/easi>

The information contained in this publication does not necessarily reflect the official position of the European Commission

RoCredit IFN S.A. – Romania

FINAL RATING	BB+
OUTLOOK	Stable

Mission date: February 2016
Date Rating Committee : April 2016
Validity: 1 year if no relevant changes in operations or in the external context occur
Previous Rating : B- Stable (Planet Rating Jun-12)

RATING SCORING BY AREA

RATING RATIONALE
**FINANCIAL ANALYSIS
AND CAPITAL
ADEQUACY**

RoCredit has been performing adequate profitability and sustainability in the analyzed periods, despite a decreasing portfolio yield but thanks to a constant growth, triggering economies of scale and consequent good levels of efficiency, while maintaining a consistent portfolio quality. Provisioning and financial expenses have reduced and credit risk coverage is good, also considering the high collateralization of the portfolio, despite some risk of concentration. Productivity is moderate compared to classic microfinance institutions, due to the different business model and target clientele, however room for improvement is there. Despite a negative trend of the capital adequacy ratio in the last three years, RoCredit's solvency is still adequate considering the company risk profile.

**GOVERNANCE, RISK
MANAGEMENT AND
CLIENT PROTECTION**

The very atomized ownership structure ensures stability even if the support in contingency situations might be fairly limited. The corporate governance structure assures good strategic guidance; however social performance and strategy is not specifically and formally considered and supervised. Management includes highly committed professionals with a good level of experience and managerial capacities. Decision making process is based on prudent and very centralized approach, but a clear and formal definition of risk management framework is not yet in place. Staff turnover has been high in 2014 (even if reducing in 2015) and a dedicated internal HR management position has just been introduced, demonstrating that the institution is aware of the needed consolidation process in this specific function. Control and information system reveal to be overall adequate for the current company risk profile, with margins of improvement, particularly for the internal audit function. Client protection practices are adequate even if client's complaints mechanism in place is quite basic. The operational environment shows a gradual recovery of the loan portfolio quality in the microfinance industry. The R&S framework is adequate with no major regulatory risks.

Institution details		Indicators			
		Dec13	Dec14	Dec15	
Legal form	NBFI	ROE	4,2%	4,2%	5,0%
Ownership	2,200 natural entities, 133 legal entities	ROA	1,3%	1,1%	1,1%
Year of inception	2007	Oper. Self-sufficiency (OSS)	109,2%	108,9%	109,4%
Financial Services	Credit	Capital Adequacy Ratio (MFR)	30,5%	24,1%	22,2%
Credit methodology	Individual	Equity to Assets Ratio	30,9%	23,4%	20,7%
Regulator / Supervisor	Central Bank of Romania	Cash Ratio	3,4%	13,0%	20,0%
		Operating expense ratio	11,0%	10,3%	10,5%
		Financial expense ratio	8,5%	7,0%	6,4%
		Provisioning expense ratio	7,7%	6,5%	4,5%
		Portfolio yield	29,7%	26,3%	23,5%
		PAR 30	6,4%	5,5%	5,6%
		PAR 90	5,1%	4,3%	3,7%
		Restructured portfolio	0,0%	0,0%	0,0%
		Write-off ratio	0,6%	3,5%	1,4%
		Credit risk ratio	7,2%	8,7%	6,9%
		Risk coverage ratio	160,1%	137,6%	129,6%
		Staff productivity (borrowers)	17	15	13
		Average annual percentage rate (APR)	na	na	19,2%
		Average transparency index	na	na	76%
		Average disbursed loan size, Euro	12.398	9.251	10.332

na: not available

MicroFinanza Rating Srl
 Via Rigola, 7
 20159 Milan – Italy
www.microfinanzarating.com

RoCredit IFN SA
 Strada Tudor Vladimirescu 34
 Baia Mare – Romania
www.rocredit-ifn.ro

Microfinance Rating PLUS		Common rating grade classification for all microfinance 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. Excellent client protection systems.</i>	EXCELLENT	Low or well-managed short-medium term risk. Strong performance
AA+, AA, AA-	<i>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.</i>		
A+, A, 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. Good client protection systems.</i>		
BBB+, BBB, BBB-	<i>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.</i>	GOOD	Modest or well-managed short- medium term risk. Good to moderate performance
BB+, BB, 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. Adequate client protection systems.</i>		
B+, B, B-	<i>Moderate capacity to manage risks. This capacity is vulnerable to a deterioration of the operations or economic conditions. Moderate fundamentals. Moderate client protection systems.</i>	FAIR	Moderate to moderate-high risk Moderate performance
CCC+, CCC, CCC-	<i>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.</i>		
CC+, CC, CC-	<i>Weak capacity to manage risks. Modest fundamentals. Poor client protection systems.</i>		
C	<i>Weak capacity to manage risks. Weak fundamentals. Poor client protection systems.</i>	POOR	High risk Poor performance
D	<i>Extremely weak capacity to manage risks. Extremely weak fundamentals. Poor client protection systems.</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” 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.

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.