

## JCS MFO Crystal – Georgia

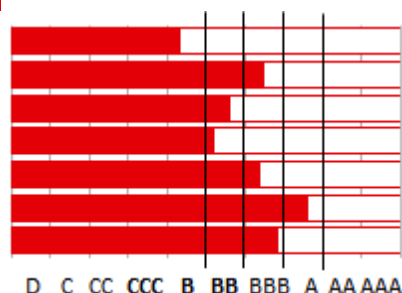
**FINAL RATING**
**BBB**
**OUTLOOK**
**Stable**

**Mission date:** October 2012  
**Date Rating Committee :** 10-12-2012  
**Validity :** 1 year if no relevant changes in operations or within the operational context occur.

**Previous Rating :** M-Cril 2007 β

**RATING SCORING BY AREA**

Microfinance Sector and R&S  
 Mission, Governance and Strategy  
 Systems and Controls  
 Client Protection  
 Assets quality and structure  
 Financial structure and management  
 Financial and operational results


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

Crystal profitability and sustainability is good all along the period of analysis. The company has been performing well since the crisis, showing a positive and constant growth trend. Portfolio growth is adequately balanced between portfolio expansion and growth of the number of borrowers. Portfolio quality is good despite a slight deterioration compared to the previous periods. Crystal has good levels of efficiency and encouraging trend on productivity. Portfolio yield is high but in line with the market. The company shows very good solvency with a high capital adequacy ratio.

**GOVERNANCE, RISK  
MANAGEMENT AND  
CLIENT PROTECTION**

Crystal can rely on strong and well-diversified ownership structure thanks to the recent inclusion of an international investor. Board members are well diversified and have adequate capacity to properly guide the company strategic development. Interaction with top management is frequent and supportive. Reporting to the BoD is still limited to financial indicators only. Risk management is properly addressed thanks to an adequate segregation of functions that currently fits with the company size. Crystal has good capacity to attract funds and to support the planned growth. The decentralization structure is adequate. The microfinance environment in Georgia is significantly exposed to the risk of over-indebtedness with several players operating in the same areas. Planned expansion is likely to partially curb Crystal exposure to the risk of cross and over-indebtedness. Client Protection Principle (transparency on pricing, product innovation, risk of over-indebtedness) shows room for improvement.

<b>Legal form</b>	Joint Stock Company
<b>Client typology</b>	Non-bank financial institution
<b>Year of inception</b>	JSC in 2007
<b>Year of inception of the operations</b>	1998 Micro-lending programme
<b>Regulator / Supervisor</b>	National Bank of Georgia
<b>Networks of reference</b>	Association of Georgia Microfinance Organization
<b>Area of intervention</b>	Rural and semi-urban
<b>Credit methodology</b>	Individual lending

Organization	Dec10	Dec11	Sep12
<b>Active borrowers (#)</b>	7,511	12,317	14,871
<b>Active loans (#)</b>	7,511	12,317	14,871
<b>Branches (#)</b>	4	4	4
<b>Satellites (#)</b>	15	16	16
<b>Total staff (#)</b>	100	124	153
<b>Loan officers (#)</b>	41	55	66
<b>Gross outstanding portfolio (USD)</b>	8,084,772	13,011,673	14,021,801
<b>Average disbursed loan size, USD</b>	1,255	1,012	916
<b>Total assets (USD)</b>	9,195,665	15,503,091	16,882,634

Indicators	Dec10	Dec11	Sep12
<b>PAR 30</b>	0.3%	0.2%	0.6%
<b>PAR 90</b>	0.1%	0.1%	0.3%
<b>Write-off ratio</b>	2.1%	0.4%	0.7%
<b>Restructured loans</b>	0.0%	0.6%	0.9%
<b>ROE</b>	36.2%	30.8%	24.5%
<b>ROA</b>	8.9%	7.9%	8.7%
<b>AROE</b>	30.8%	23.4%	24.5%
<b>Oper. Self-sufficiency (OSS)</b>	131.7%	137.8%	137.1%
<b>Fin. Self-sufficiency (FSS)</b>	126.4%	128.2%	137.1%
<b>Staff productivity (borrow.)</b>	75	99	97
<b>LO productivity (borrow.)</b>	183	224	225
<b>Operating expense ratio</b>	27.6%	22.1%	23.0%
<b>Operat. expense ratio (over assets)</b>	23.4%	18.3%	19.6%
<b>Funding expense ratio</b>	10.0%	8.4%	6.9%
<b>Provision expense ratio</b>	-0.7%	0.6%	1.3%
<b>Portfolio yield</b>	47.4%	40.9%	42.8%
<b>Other products yield</b>	0.3%	0.1%	0.4%
<b>Risk coverage ratio</b>	378.9%	561.9%	299.3%
<b>Cost of funds ratio</b>	11.6%	9.6%	9.4%
<b>Debt/Equity ratio</b>	3.4	2.0	1.6
<b>Capital adequacy ratio</b>	22.6%	33.8%	38.9%

As of September 2012 data are annual

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3. Organization and Operations
4. Assets Structure and Quality
5. Financial Structure and Assets Liabilities Management
6. Financial and Operational Results

Annex 1 – Financial Statements

Annex 2 – Financial Statements' Adjustments

Annex 3 – Financial Ratios

Annex 4 – Definitions

Annex 5 – Main Guidelines on Reporting and Accounting

Annex 6 – BoD profile

Annex 7 – Financial Products

Annex 8 – Rating Scale

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