

Spitamen Bank - Tajikistan

FINAL RATING

BBB-

Field visit:

December 2019

Rating Committee date:

To be defined

Validity:

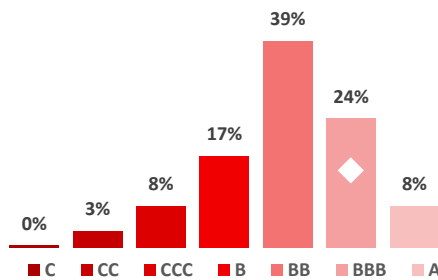
1 year if no relevant changes in operations or in external context occur

OUTLOOK

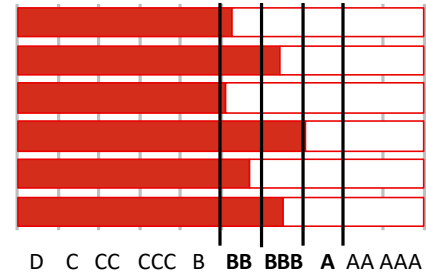
Stable

Previous MFR Rating:

Not applicable



Market and Regulation
 Governance and Strategy
 Profitability and Efficiency
 Solvency and ALM
 Loan Portfolio Quality
 Systems and Controls



FINANCIAL ANALYSIS AND CAPITAL ADEQUACY

Profitability and sustainability are adequate for 2018 and Oct18-Sep19, although capacity to generate profitability is yet to be fully consolidated. Following adverse impact of the economic downturn of 2015 and distress in the banking sector, Spitamen Bank improved the internal loan recovery and loan origination methodology. This has allowed to bring portfolio quality to adequate level, although there is still a substantial share of restructured loans, some of which are disbursements of 2015. Operating expense ratio (on average assets) is in line with local peers but shows room for improvement against international benchmark. Capacity to absorb losses is good while capital adequacy ratio is on a downward trend in Jan19-Sep19. Liquidity levels are good as of Sep-19 and are supported by effective monitoring tools. Exposure to foreign exchange risk is low, while relevance of interest rate risk is medium. Liquidity and market risks management tools could benefit from higher formalization level.

GOVERNANCE, RISK MANAGEMENT AND MARKET POSITIONING

The sole shareholder, a local insurance company seems committed to support the institution as evidenced by substantial investments in IT infrastructure, among others. Corporate governance was significantly strengthened over the period of analysis, although its operations would benefit from increasing formalization. Management team, comprised of young professionals, shows a good balance of professional expertise and capacity to manage relevant risks. Risk management framework is mostly driven by prudential norms imposed by the local regulator and relies on good monitoring tools. AML/FT risks are relevant for Tajikistan and the management team follows regulatory recommendations for their mitigation. Marketing positioning is adequate, expansion and portfolio growth allowed Spitamen Bank to join top five local banks. Regulatory framework benefits from adequate offsite and onsite controls but poses some challenges due to frequent updates.

Institution details		Indicators			Dec17	Dec18	Sep19
Legal form	Bank	ROE	-15.0%	12.5%	6.4%		
Ownership	"Spitamen Insurance" LLC	ROA	-1.1%	1.1%	0.7%		
Year of inception	2008	Oper. Self-sufficiency (OSS)	94.1%	117.2%	112.2%		
Financial Services	Credit, savings, transfers, payment	Portfolio yield	18.8%	18.0%	16.9%		
Main credit methodology	Individual	Other financ. income (on assets)	2.3%	3.9%	4.5%		
Regulator/Supervisory Authority	National Bank of Tajikistan	Other products yield (on assets)	0.9%	1.7%	2.4%		
Institutional data		Operating expense ratio	25.6%	23.4%	22.4%		
		Dec17	Dec18	Sep19			
Clients (#)	10,319	14,464	18,461	Staff productivity (borrow.)	8	11	10
Members (#)	n/a	n/a	n/a	Financial expense ratio	11.3%	11.1%	11.5%
Active borrowers (#)	2,790	3,317	4,370	Provisioning expense ratio	-0.8%	0.5%	0.6%
Female borrowers	29.0%	30.3%	34.7%	Capital Adequacy Ratio (MFR)	11.8%	22.0%	19.6%
Active loans (#)	2,919	3,598	4,793	Equity to assets ratio	7.8%	10.4%	14.8%
Active savers (#)	4,678	6,812	9,239	Cash Ratio	56.6%	108.9%	91.4%
Branches (#)	12	13	34	Liquidity over total assets	41.2%	57.3%	40.0%
Total staff (#)	342	314	443	PAR 30	9.1%	3.4%	1.8%
Loan officers (#)	60	48	53	PAR 90	8.5%	3.3%	1.5%
Total assets (US\$)	109,703,708	78,126,720	59,438,133	Restructured portfolio	19.9%	15.5%	10.9%
Gross outstanding portfolio (US\$)	24,734,437	24,555,390	27,275,702	Write-off ratio	0.0%	0.0%	0.0%
Total savings (US\$)	70,391,201	38,444,956	17,114,444	Risk coverage ratio	29.4%	43.8%	45.6%
Equity (US\$)	8,584,307	8,155,857	8,795,663	Avg. disbursed loan size, US\$	8,425	5,977	5,264
				Average loan balance / p.c. GNI	895%	733%	618%

n/a: not applicable

As of September 19 ratios on last 12-months figures

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Annex 5 – Rating Scale

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 the FI's performance.

Financial Rating		Common scale for financial inclusion 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.</i>		
AA	<i>Very strong capacity to manage risks. This capacity may be marginally affected by a deterioration of the operations or economic conditions. Very strong and stable fundamentals.</i>	EXCELLENT	Low or well-managed short to medium term risk. Strong performance
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.</i>		
BBB	<i>Good capacity to manage risks. This capacity may be affected by a deterioration of the operations or economic conditions. Good fundamentals.</i>		
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.</i>	GOOD	Modest or well-managed short to medium term risk. Good to moderate performance
B	<i>Moderate capacity to manage risks. This capacity is vulnerable to a deterioration of the operations or economic conditions. Moderate fundamentals.</i>		
CCC	<i>Modest capacity to manage risks. This capacity is highly vulnerable to a deterioration of the operations or economic conditions. Modest fundamentals.</i>	FAIR	Moderate to moderate-high risk. Moderate performance
CC	<i>Weak capacity to manage risks. Modest fundamentals.</i>		
C	<i>Weak capacity to manage risks. Weak fundamentals.</i>	POOR	High risk. Poor performance
D	<i>Extremely weak capacity to manage risks. Extremely weak fundamentals.</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” or below “CC” grades.		
OUTLOOK	Indicates the direction a GRADE is likely to move to, over a one-year period		
POSITIVE	<i>Probable upgrade of the rating grade</i>		
STABLE	<i>Rating grade is not likely to change</i>		
NEGATIVE	<i>Probable downgrade of the rating grade</i>		
UNDER OBSERVATION	<i>The rating grade and/or outlook cannot be assigned, due to unexpected internal/external events or insufficient information provided. It may be assigned only after a monitoring will be held in the short term.</i>		

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.



FINANCIAL RATING

The MFR Rating Committee assigns to

Spitamen Bank, Tajikistan

Grade: **BBB-** Outlook: **Stable**

Good capacity to manage risks. This capacity may be affected by a deterioration of the operations or economic conditions.
Good fundamentals.

Milan, January 2020

Aldo Moauro
Managing Director



Ivan Sannino
Head of Rating Committee

UNLESS EARLIER REVOKED BY MFR OR BY MATERIAL CHANGES THAT AFFECT RATING STATUS,
THIS CERTIFICATE IS VALID FOR 12 MONTHS FROM THE DATE OF EMISSION OF THE RATING