

Opportunity Bank Serbia

June 2019



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

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Opportunity Bank – Serbia

FINAL RATING**A****Field visit:**

May 2019

Rating Committee date:

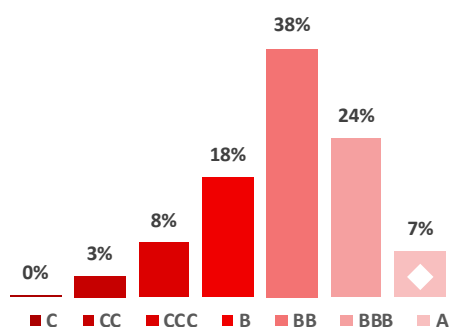
June 2019

Validity:

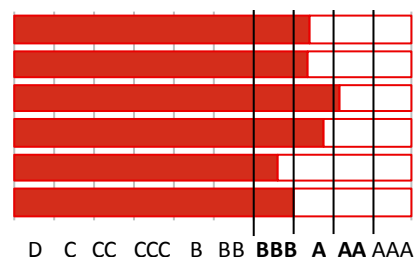
1 year if no relevant changes in operations or in external context occur

OUTLOOK**Stable****Previous MFR Rating:**

na



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



FINANCIAL ANALYSIS AND CAPITAL ADEQUACY

OBS shows positive profitability and sustainability results over all periods under analysis, with a slightly improving trend in 2018. Given the low disbursed loan size and the rural operations, the operational efficiency and staff productivity indicators stand at good levels. Capital adequacy ratio is strong and trend is markedly positive in the last two years. Limited exposure to liquidity and market risks.

GOVERNANCE, RISK MANAGEMENT AND MARKET POSITIONING

The shareholder structure is stable, and the shareholder committed. The latter considers opening the ownership to potential strategic partners. The Board of Directors of OBS displays relevant and diversified technical skills and expertise, provides effective strategic orientation and sets the risk appetite of the bank. The Board effectively supervises and controls the management and operations, also thanks to comprehensive reporting and dedicated Committees. The Executive Management team is sufficiently skilled, experienced and committed to the bank. It leads the decision-making in which the Board has considerable trust. The decision-making is supported by comprehensive and regular reporting. The risk management framework is good allowing for effective monitoring and management of risks. OBS is the only licensed financial provider targeting low-income individuals and financially excluded in Serbia, being recognized as key player in providing credit services to small farmers, and one of the leaders in entrepreneurs segment.

Institution details		Indicators			Dec16	Dec17	Dec18
Legal form	Bank	ROE			15.0%	13.7%	14.4%
Ownership	Opportunity Transformation Invest.	ROA			2.7%	2.6%	2.8%
Year of inception	2002	Oper. Self-sufficiency (OSS)			119.4%	118.2%	121.5%
Financial Services	Credit, savings, payments	Portfolio yield			21.5%	21.1%	21.2%
Main credit methodology	Individual	Other financ. income (on assets)			2.3%	3.2%	1.3%
Regulator/Supervisory Authority	National Bank of Serbia (NBS)	Other products yield (on assets)			0.3%	0.2%	0.2%
		Operating expense ratio			11.8%	12.1%	12.0%
		Financial expense ratio			5.2%	4.7%	4.6%
		Provisioning expense ratio			1.3%	1.2%	1.3%
		Capital Adequacy Ratio (MFR)			12.9%	16.9%	19.3%
		Equity to assets ratio			18.3%	19.4%	19.4%
		Cash Ratio			61.0%	50.9%	69.5%
		Liquidity over total assets			18.6%	16.8%	17.6%
		PAR 30			2.1%	2.4%	1.9%
		PAR 90			1.3%	1.5%	1.2%
		Restructured portfolio			3.2%	1.8%	1.4%
		Write-off ratio			1.3%	1.1%	1.1%
		Average credit risk ratio			7.4%	5.8%	4.7%
		Risk coverage ratio			54.5%	55.1%	76.0%
		Avg. disbursed loan size, Euro			2,588	2,708	2,644
		Average loan balance / p.c. GNI			44%	51%	49%

na: not available n/a: not applicable

* thousands

As of December 18 ratios on last 12-months figures

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	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.		
AA	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.	EXCELLENT	Low or well-managed short to medium term risk. Strong performance
A	Strong capacity to manage risks. This capacity may be affected by a deterioration of the operations or economic conditions. Strong and stable fundamentals.		
BBB	Good capacity to manage risks. This capacity may be affected by a deterioration of the operations or economic conditions. Good fundamentals.		
BB	Adequate capacity to manage risks. However, this capacity may be significantly affected by a deterioration of the operations or economic conditions. Adequate fundamentals.	GOOD	Modest or well-managed short to medium term risk. Good to moderate performance
B	Moderate capacity to manage risks. This capacity is vulnerable to a deterioration of the operations or economic conditions. Moderate fundamentals.		
CCC	Modest capacity to manage risks. This capacity is highly vulnerable to a deterioration of the operations or economic conditions. Modest fundamentals.	FAIR	Moderate to moderate-high risk. Moderate performance
CC	Weak capacity to manage risks. Modest fundamentals.		
C	Weak capacity to manage risks. Weak fundamentals.	POOR	High risk. Poor performance
D	Extremely weak capacity to manage risks. Extremely weak fundamentals.		

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** 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 insufficient information provided. It may be assigned only after a monitoring will 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.