PAKISTAN MICROFINANCE REVIEW

2006

Shades Of Growth

Pakistan Microfinance Network

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Pakistan Microfinance Review

2006

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List of Exhibits

List of Acronyms

ALB Average Loan Balance

AROA Adjusted Returns on Assets

ATM Automated Teller Machine

BOK The Bank of Khyber

CAR Capital Adequacy Ratio

CFIs Commercial Financial Institutions

CGAP Consultative Group to Assist the Poor

CSC Community Support Concern

DAMEN Development Action for Mobilization and Emancipation

FMFB First MicroFinanceBank Ltd.

FSS Financial Self-Sufficiency

FSSP Financial Sector Strengthening Programme

ICAP Institute of Chartered Accountants of Pakistan

KB Khushhali Bank

MBB MicroBanking Bulletin

MF Microfinance

MFBs Microfinance Banks

MFD Microfinance Division

MFI Microfinance Institution

MFP Microfinance Provider

MIS Management Information System

NGO Non-Governmental Organization

NMFB Network Microfinance Bank Ltd.

NPL Non-performing Loans

NRSP National Rural Support Programme

OLP ORIX Leasing Pakistan Ltd.

OPP Orangi Pilot Project

OSS Operational Self-Sufficiency

PAR Portfolio at Risk

POMFB Pak Oman Microfinance Bank Ltd.

PMN Pakistan Microfinance Network

PIR Performance Indicators Report

PRSP Punjab Rural Support Programme

RSP Rural Support Programme

RMFB Rozgar Microfinance Bank Ltd.

SBP State Bank of Pakistan

SRSP Sarhad Rural Support Programme

SAFWCO Sindh Agricultural and Forestry Workers Coordinating Organization

TF Taraqee Foundation

TMFB Tameer Microfinance Bank Ltd.

TRDP Thardeep Rural Development Programme

Pakistan Microfinance Network (PMN) is pleased to enclose a CD-ROM with this publication dedicated to our members, donors and stakeholders for their continued interest and enthusiasm in supporting this initiative.

The CD-ROM contains previous Performance Indicators Reports (PIRs) and the present issue of Pakistan Microfinance Review (PMR) providing you ready access to information and data on performance of the microfinance sector in Pakistan.

Executive Summary

The theme of the report 'Growth' signifies the unprecedented expansion in outreach witnessed within the microfinance sector in Pakistan over the period 1999-2006 from a client base of just 60,000 to a 1,000,000 borrowers. This is an outcome of a focused strategy and investment on the part of the Government of Pakistan and a proactive response by all stakeholders that include donors, regulator, wholesalers, retailers, network and clients.

The executive summary highlights some of the features of this growth which bears the promise of an effort to increase outreach of financial services to low income segments of the market, which have the potential to generate higher incomes but lack access to affordable financial services to support their efforts for a better tomorrow.

While the task is challenging these results have been a source of encouragement, not just for a million households but all the stakeholders in the microfinance sector, to agree to raise the bar and set a definitive strategy and road map for greater public access to microfinance.

Renewed interest of policy makers leads to a "Strategy for Microfinance"

The approval by the Prime Minister of Pakistan of a "strategy for growth" with a target to reach three million active borrowers by 2010 and to ten million in the long term gives a clear view to the internal and external stakeholders of microfinance.

SBP authorized to make changes to facilitate sustainable growth

The recent amendments in the microfinance institution ordinance 2001 through finance bill 2006-2007 and 2007-2008 has shown the government's confidence in SBP to play a stewardship role for the microfinance industry and to put in place prudential regulations that would help the sector in achieving the target.

Steep growth but evenly spread

The sector is growing at 40% annually and is expected to continue at this pace over the next few years in order to achieve the milestone of reaching three million borrowers by 2010. At this pace Pakistan stands in the top quartile (75%) of a growing microfinance industry globally according to the latest edition of the MicroBanking Bulletin (MBB). This growth is evenly spread across the three peer groups and is equitably distributed in all the geographical provinces of Pakistan excluding Balochistan.

Specialization of MFIs and Greenfield MFBs is the latest trend in the industry

The year saw the establishment of two new MFBs, bringing the total to six. An MFI, Kashf Foundation set in motion a process of setting up of a Kashf MFB at the national level. Integrated MFIs continue to move towards specialization of microfinance operations.

Early days for product diversification

Competition between MFBs is leading to new saving products. Competition is also leading to diversification with in-credit products like housing and enterprise loans. MFPs have also started providing insurance products to the clients.

PAR continues to be low...?

The overall quality of the sector as measured by Portfolio at Risk > 30 days at 2.3% remained low for the entire industry. This was largely on the back of a 2.9% write-off ratio, largely because of recent amendments in the prudentials requiring MFBs to write off loans that are above 210 days past due and a steep growth in gross loan portfolio. It is thus very important that this indicator is closely checked by MFPs and other stakeholders while making decisions to help the sector to continue growing at above 40% annual growth rates and keeping quality under control.

Sustainability remains stagnant despite increase in yields

Despite the fact that the mean portfolio yield for the industry has inched up to 21.6%, the overall sustainability of the sector as measured by financial self-sufficiency ratio grew very modestly to 66.5%.

Capital structure continues to be under-leveraged

Despite debt and subsidized debt being the largest source of funding, the balance sheet structure of the overall sector continues to be highly capitalized. Future growth will however require the sector to attract diversified and commercial sources of financing whether debt, equity or deposits. Depending on only subsidized sources is no more an option given the sector will be moving in to a high growth trajectory.

Debt continues to drive growth

The overall Equity-to-Asset ratio of 35% keeps the industry overcapitalized and under-leveraged. This gives ample chance for the industry to grow its balance sheet by taking debt whether from commercial or from subsidized sources. This low level of leverage is despite the fact that both debt and deposits grew substantially over the last year. However, the entry of two new MFBs also resulted in additional inflow of PKR 1.1 billion in equity.

Growth leads to increased costs and lower efficiency

In order to grow at faster rates, the sector continues to invest heavily in branch infrastructure, adding 524 branches in one year. The number of branches have thus doubled in a year and the total number of personnel have increased to above 7,000 from around 4,500 a year back. These are huge investments and are not matched with incremental growth in number of borrowers or loan portfolio, which is natural. These are, however, expected to generate higher business and revenue for the sector going forward as we move towards achieving the medium-term target set by the government of reaching three million clients.

Growth continues to target vulnerable and lower end of the pyramid

The current trend of commercialization and fast growth rate has not affected efforts to target vulnerable segments of the society. This is proven by the fact that 60% of the outreach is in the rural areas and the average loan balance is lower then global and regional benchmarks whether in absolute or relative terms. In terms of gender, despite low rates globally, the trend has improved as for the first time more than 50% of the active borrowers are female.

Pakistan Microfinance Network

One of the primary objectives of the Pakistan Microfinance Network (PMN) is to establish the use of performance measures, benchmarks and promote financial transparency in retail MFIs. Members seek to improve their microfinance programmes by adopting best practices. To this end, the PMN publishes Performance Indicators Report (now Pakistan Microfinance Review) on an annual basis.

Readers should be aware of the following:

- Members self-report their information and provide a copy of their audited accounts for verification.
- The data presented in the Pakistan Microfinance Review are not performance ratings. Rather, they aim to build transparency, establish benchmarks, help members interpret their own programmes and set an example for other institutions to follow.
- The members' financial statements and data are adjusted to remove subsidies and make it comparable with international reporting. The PMN makes all those adjustments that are made by The Mix for publishing MicroBanking Bulletin. These include adjustment on subsidized cost of funding, inflation, adjusted loan loss provision expense / loan loss reserve and in-kind subsidy adjustment.
- Several PMN members are multi-service organizations, which makes the separation of resources associated with microfinance operations complicated. The resource allocation method followed by each organization is disclosed in this report.
- If you need to analyze this report please read the ratios in conjunction with how they are defined by PMN in this report and with the disclosures provided in this report.
- The inflation exhibits used are those reported by the State Bank of Pakistan. Inflation has a significant impact on sustainability. Sustainability ratios of members that fund their operations primarily from pools of donor grant equity are more sensitive to inflation.

Previous Performance Reports Published by PMN

January December 1999

January December 2000

January June 2001

January December 2001

January June 2002

January December 2002

Financial Year 2003

Financial Year 2004

Financial Year 2005

About Pakistan Microfinance Network

Background & Introduction

PMN is a network for organizations engaged in microfinance and dedicated to improving the outreach & sustainability of microfinance in Pakistan. Compared to some other countries, the microfinance sector in Pakistan is in the initial stages of development. Estimates suggest that between 10-50 million individuals in Pakistan need financial services, but services reach only a tiny fraction of this population. If microfinance is to reach its potential, and serve a large share of the microfinance market, practitioners must improve their programmes and run them in a commercial and sustainable way. The PMN, in an effort to address these issues, has become increasingly active since 1999. The PMN has built greater awareness among policy makers, arranged specialized trainings, and established standards for financial transparency and benchmarking. The PMN is proud to be one of the few microfinance networks that report its members' data to The MicroBanking Bulletin; has created profiles of all its members on The Mix Market and reports almost 100% of the indicators for all its members in the PMR.

Vision, Mission and Objectives

It is PMN's vision that "The frontiers of formal financial services reach out to all"

Our mission is to "Support retail microfinance providers to enhance scale, quality, diversity and sustainability in order to achieve inclusive financial services"

This mission will be achieved through three objectives:

- Promote an enabling environment that benefits the work of all stakeholders.
- Build the capacity of stakeholders, especially retail microfinance institutions.
- Improve transparency and accountability by promoting the publication and widespread use of performance measures and standards related to the work of retail microfinance institutions

The Pakistan Microfinance Review

The vision to publish the Pakistan Microfinance Review - PMR (formerly Performance Indicators Report - PIR) is "to serve as the information gateway to the microfinance industry in Pakistan".

Our mission is "to set the landscape of the microfinance sector in Pakistan through advocacy, networking and analysis of performance leading to greater transparency, competitiveness and stronger long term market positioning for Individual players".

The scope of this publication includes all type of retail MF providers

- To give an overview of the performance of the microfinance industry. This performance is benchmarked with global and regional peers.
- To carry out year-in-review of the trends in the microfinance industry;
- To analyze the performance of individual MFPs.

The outcome of this report will be evaluated against the following benchmarks:

- 'Policy makers' refer to performance data in the PIR for shaping policies for the sector
- Increased 'pool' of commercial funding in the microfinance sector
- Donors to providing increased funds based on performance of MFPs
- Influence on public, media, commercial lenders, etc
- Improved disclosures by microfinance providers (MFP's)
- Improved performance by playing a key role in building greater understanding and appreciation for comprehensive financial trend analysis and in building common reporting standards in Pakistan

Changes/Improvements from the Last Report

The most significant changes are:

1) This report will now give an overview of the country both in terms of macro economic performance and the microfinance landscape.
2) The current year report will focus around the discussion of **Growth**
3) The data has been validated by both the Managing Editor and The MIX for its authenticity to the extent possible.

Introduction

Since the early 1990s, consistency in national economic policy coupled with robust financial sector reforms has resulted in a degree of macroeconomic stability for Pakistan. During the last three years (2003/04 to 2005/06) real GDP has grown at an average rate of approximately 7% per annum. With an annual population growth rate of 1.9%, real per capita income has grown at an average rate of 5.6% per annum. But despite an overall positive macroeconomic picture, Pakistan's existence in a paradox of periods of high economic growth coupled with political instability since independence has resulted in weak institutional structures, issues of governance and poverty, especially in the rural areas.

In response to the rising trend in poverty during the decade of the 1990s, the Government of Pakistan (GoP) developed a Poverty Reduction Strategy Paper (PRSP) in 2001. Since the launch of the PRSP, reduction in poverty and the improvement in social indicators as well as living conditions of the people of Pakistan are being monitored frequently through large-scale household surveys; the Household Integrated Economic Survey (HIES) and Poverty Integrated Household Survey (PIHS) have been especially designed to gauge the progress in meeting targets set by the GoP for achieving the seven UN Millennium Development Goals by 2015.

The last six years saw per capita income rising to almost US$ 925, which has taken Pakistan to the middle income groups. During these years, poverty declined from around 33% to 24%[1]. For policy-makers, however, the main challenge continues to lie in a more equitable distribution of resources. This has necessitated targeted interventions.

Microfinance has played a critical role in improving the lives of poor people worldwide. Evidence from millions of microfinance clients around the world demonstrates that access to financial services enables poor people to increase their household income, build assets and reduce their vulnerability to crises that are so much a part of their daily lives. Recognizing the importance of microfinance as a tool of poverty reduction and social mobilization, the GoP has accelerated its efforts to establish strong foundations of microfinance in the banking sector along with extending support to non-government organizations (NGOs) that are not supervised by the State Bank of Pakistan (SBP). The Khushhali Bank (KB) was established as the first specialized microfinance bank (MFB) in 2000. Less than a year later, a wholly separate regulatory framework for State Bank-licensed microfinance institutions (MFIs) was promulgated - the Microfinance Institutions Ordinance, 2001. As a result, during the last six years, six MFBs have started operations. Of these Khushhali Bank (KB), The First MicroFinanceBank Ltd. (FMFB), Tameer Microfinance Bank Ltd. (TMFB), and Pak-Oman Microfinance Bank Ltd. (POMFB) operate at the country level; Rozgar Microfinance Bank Ltd. (RMFB) and Network Microfinance Bank Ltd. (NMFB)

[1] Economic Survey of Pakistan 2006-2007

operate at the district[2] level[3]. In addition, the Pakistan Poverty Alleviation Fund (PPAF) was established in 1999 as a distributor/wholesaler of credit to non SBP-regulated microfinance providers (MFPs).

The recent medium-term outreach target set by the Government of Pakistan is three million active borrowers by 2010. The current outreach of 1.13 million covers almost 33% of this target.

Policy, Regulatory & Institutional Reforms

1. Policy

The approval of the microfinance policy with the budget in the year 2000 marked the commencement of the first phase of reforms within the microfinance sector in Pakistan. This facilitated the design of a legal framework for diversification of microfinance markets in the country through the promulgation of the Khushhali Bank Ordinance, 2000 and the Microfinance Institutions Ordinance, 2001, and the subsequent legislation notified by the State Bank of Pakistan. The policy clearly sees microfinance as a sustainable commercial activity run by the private sector along with the government, providing enabling policy support under the supervisory framework of the central bank. The GoP also allowed a separate framework under the PPAF to support the role of civil society institutions engaging with the microfinance sector in the country.

These measures created a conducive environment and attracted private sector investment. As a result, there was substantial growth in all fronts such as the increase in the number of microfinance players (MFPs), the entry of Greenfield microfinance banks, the entry of commercial banks into microfinance, the diversification of products and a tenfold increase in the number of borrowers to a million. Moreover, distribution networks expanded across some of the most remote and resource-constrained regions of the country. Today, microfinance in Pakistan is a sector in its own right rather than just a tool for poverty alleviation, with an increasing degree of competition and a high trajectory growth curve.

Encouraged by these developments over the past seven years, the Government of Pakistan has now embarked upon the second phase of reforms as evidenced by the recent agreement between the GOP and the Asian Development Bank (ADB) for the Access of Financial Services to All loan of US$ 320 million. Under this agreement, funds are made available for sector reforms, innovation in product development and delivery channels and there has been a definite shift towards sustainability by not allowing any subsidized credit lines for the industry. In our opinion, this agreement will not only lead to leveling the playing field for the providers of financial services but will also help in sector's growth through new delivery channels and new products.

This was followed by the development of a strategy and a road map articulating challenges and reforms both at the policy and institutional levels - by the State Bank of Pakistan which was approved at the highest level through a consultative process in February 2007.

A target of reaching three million active borrowers was given to the industry and some drivers of growth were identified. These are: i) Ensuring the establishment of robust and sustainable MFPs; ii) Accessing commercial and diversified sources of financing and; iii) Hiring and retention of good quality human resources.

There were two major reform agendas articulated in the document:

1) **Institutional reforms:** Two of the largest MFPs were identified for restructuring. KB was to be disinvested of 23% of its shares - that were being held by a government-owned bank - to a strategic investor with management control. This step would result in a complete transfer of ownership to private investors. The transformation of NRSP into a microfinance bank would, again, help position the institution to access commercial finance, especially deposits.

2) **Restructuring PPAF:** The national apex would thus play a role in market development. This step could definitely lead PPAF to attracting commercial finance which becomes a key for funding growth.

2. Regulation

The SBP recognizes the peculiarities of microfinance practice and has accordingly put in place appropriate regulatory and prudential requirements to guide the operations and activities of MFBs. As a result, 2006 saw many positive changes at the legal and regulatory level for the microfinance industry in the country:

a) The supervisory role of the SBP has been strengthened. This was achieved by authorizing the central bank to:
   - i) determine income level below which an individual is eligible for credit services
   - ii) introduce oversight with regards to management and governance[4]
   - iii) manage liquidity and cash reserve
   - iv) extend the time period for the submission of audited financial statements

   These changes, especially the one related to

[2] District is a third tier of administrative structure in Pakistan.

[3] Both MFBs operate in Karachi.

[4] For details please refer to Technical Note 'Amendments to the microfinance Institutions Ordinance, 2001' by PMN.

determination of income level, will help SBP open up credit markets to MFBs planning to provide different kinds of credit products (for example, housing finance or enterprise finance).

b) MFBs have been authorized to invest surplus funds in both debt and equity instruments in addition to securities issued by the GoP. This will help MFBs to invest surplus funds in instruments that could give them better returns thus improving the overall profitability of the industry.

c) Recognition by policy-makers and regulators of the need for a diverse microfinance sector by formally differentiating between non SBP-licensed MFIs and MFBs. By giving a formal recognition that institutional diversity is acceptable to the policymakers, a level of confidence has been shown to different kinds of institutions in providing financial services to the poor. It is expected that as a result of this competition will thrive and MFPs will segment their markets. This will open up options for enhanced outreach to different market niches.

d) SBP has created a fourth 'tier' for MFBs called the 'regional' tier. It will enable MFBs to spread from one district to a maximum of four with an additional paid-up capital of Rs. 50 million. This amendment will allow setting up of MFBs for whom a much larger economies of scale option will be available with a slightly higher paid up capital requirement then setting up of a district-level MFB. Another feature is that it will allow district-level MFBs to grow organically beyond one district by bringing in only an additional Rs. 50 million in capital.

e.) Introduced a 'confidentiality' clause to be adhered to by the management of a MFB.

3. Institutional: Products, Clients and Financial Landscape

With the establishment of two new MFBs - TMFB and POMFB - the total number of MFBs increased to six in 2006. Those MFBs which have a relatively large capital base, are SBP-licensed and are allowed to take deposits which will play a major role in driving growth over the medium to long term. In the growth projections for the medium-term strategy, it is expected that they as a group will lead the growth and, by 2010 when the target of three million is achieved, will cover almost two-thirds of the market share. The year 2006 also marks the beginning of the establishment process for Kashf MFB, which will operate separately from Kashf Foundation, the MFI. This move will enable Kashf to mobilize deposits, a key issue for non SBP-regulated MFPs as they are barred from offering deposits to their clients. Thus, with the formation of a MFB, Kashf will set a positive trend and pave the way for others to follow suit. However, 2006 also saw the Bank of Khyber's (BoK) focus shift from microfinance. As a result BoK's credit exposure related to microfinance has been merged with its overall credit portfolio.

The PMN agrees that addressing poverty requires a multi-faceted approach; microfinance is just one of the tools of poverty alleviation. However, to do microfinance well it is important to have specialized institutions that focus on provision of financial services. The year 2006 saw three rural support programmes (RSPs) namely, National Rural Support Programme (NRSP), Thardeep Rural Support Programme (TRDP), and Sarhad Rural Support Programme (SRSP) well on their way to separating their microfinance financials from their consolidated financial statements.

In 2006 NRSP took the lead among its peers by not only preparing separate accounts but also finalizing the audit for its microfinance programme. TRDP has also completed the process of separating its microfinance financials. But the first audit is expected from the next financial year.

Amongst NGOs, 2006 saw Development Action for Mobilization and Emancipation (DAMEN) separate its microfinance financials from its other functions. Kashf Foundation - the first specialized MFP in Pakistan - got itself registered with the Securities and Exchange Commission of Pakistan (SECP) as a 'Section 42' Company, changing its status from a 'Society', as it was previously registered. This change in legal status has strengthened Kashf's credibility, which played an important role in the recently concluded commercial deal with Citibank. Similarly, Sindh Agricultural and Forestry Worker's Cooperative Organization (SAFWCO) is in the process of doing the same. Furthermore, PPAF - the national apex - now requires its partner organizations (those funded by it) to prepare separate audited accounts for their microfinance operations. These steps will not only improve transparency in the sector but will also result in improved performance of MFPs by giving a complete and accurate picture of their financial and operational performance.

3.1 Product

Microfinance is a composition of not only 'microcredit' but includes a whole range of financial services such as deposits, remittances, insurance and microleasing. In Pakistan, the product landscape has remained largely constant in the past: the sector has been driven primarily by credit to the virtual exclusion of other financial services. Moreover, most MFPs still lack depth of experience and therefore continue to focus on already proven products. Some institutions, especially NGOs, lack the legal authority to provide deposit and remittance services. With the establishment of six MFBs, some of which are now moving out of the embryonic phase, a diverse menu of financial services will be offered to this niche market. Also, with the emergence of a degree of competition and demand for new and innovative products by clients, some organizations have been galvanized to think 'out of the box'. Thus both MFIs and MFBs have started to diversify their credit products and provide insurance services to clients.

On the credit side, institutions like TMFB, Kashf and FMFB have started providing loans for home improvement, education, health and small enterprises. Meanwhile, NRSP, FMFBL, Kashf, DAMEN and Akhuwat introduced micro insurance programmes for hospitalization and accidental death insurance. And except for Akhuwat, the rest used the agency-partnership model for provisioning insurance services. Additionally, TMFB introduced 'Tameer Khazana' or a term deposit account in 2006. This offered attractive returns on amounts ranging from PKR 10,000 to PKR 500,000 for tenures ranging from three, six to twelve months.

3.2 Client

The 'consumer backlash' incident in the State of Andhra Pradesh in neighbouring India clearly highlighted the importance of consumer rights. As growth in the sector picks up and the level of competition among players increases, the need for a 'consumer protection code of conduct' for the industry is becoming important.

Taking a proactive approach, the SBP began work on aspects of consumer protection in 2006: in January 2007 the SBP made it mandatory for MFBs to follow a "Truth-in-Lending" process. This will require MFBs to clearly disclose in its terms and conditions the annual percentage rate for both its deposit and credit products. It also requires MFBs to display these rates on its entrance and window. MFBs' relationship officers will be required to read out these terms and conditions to their clients. The Pakistan Microfinance Network (PMN) has also prioritized the issue and is taking it forward by establishing a Consumer Code of Conduct for the microfinance industry in Pakistan.

Additionally, competition can have its own dynamics, with the potential for increasing risk in the credit market and over-indebtedness of the borrower. To mitigate these risks the SBP and PMN are jointly working on a credit bureau project to be financed by the Asian Development Bank (ADB). Under the ADB funding, a consultant will be hired to carry out the feasibility for this project to look at two options, i) either MFIs report to SBP in its credit bureau or ii) the establishment of a credit bureau with the PMN specifically for the microfinance industry in which both MFBs and MFIs will be required to submit information.

It is clear that financial viability and robustness is important for the industry. But that is not the end, just the means to improving the income and social conditions of its clients. This has resulted in the sector moving towards a 'double bottom line' approach and PMN, along with some other national and international players, is working on institutionalizing a system of Social Performance Management (SPM) that can identify and monitor the client side of the industry.

3.3 Financing

The two major sources of funding which drive the overall growth of the sector include paid-up capital and subsidized debt. With the setting up of two new MFBs, an additional capital of over PKR one billion was injected in to the industry. The two major sources of subsidized capital continued to be PPAF for MFIs and ADB for KB. These two institutions together added an additional PKR two billion to the size of the balance sheet.

Deposits also doubled during the year, although they remained a very small portion in the overall size of the balance sheet. With the second phase of ADB signed and no availability of subsidized credit available to MFBs, it is becoming essential for them to either go for capital market transactions or aggressively enter into the deposit market.

In this context, the future of MFIs also needs to be looked into since projected growth fast outpaces the current lending available from PPAF. It will thus become important for MFIs to either go for commercial debt or raise funds from the capital markets. In its regulatory continuum, the SBP allowed: i) MFIs to transform into MFBs and ii) commercial banks to provide wholesale financing to MFIs.

The PMN however believes that for the sector to attract private capital, whether from commercial banks or capital markets, it will need to improve profitability and prepare business plans that could be the entry points for discussion with commercial institutions.

Analysis of Growth of Microfinance in Pakistan

In this section the lead story of the year - i.e. growth will be discussed. The report will assess and analyze growth drivers in terms of peer groups and institutions.

We will analyze the affect of growth on cost and efficiency in the sector. The impact of growth on credit risk and on the sector's sustainability will also be discussed.

Throughout this section, either trends in the last two years will be examined or performance will be benchmarked against some international peers[5]. The in-country comparisons will largely be carried out between and amongst three peer groups: i) Microfinance Banks (MFBs), ii) Rural Support Programmes (RSPs), and iii) Specialized NGOs (MFIs).

Growth is Evenly Spread across Peer Groups

Over the last one year the combined outreach of the industry has been 835,000 active borrowers, compared to 597,537 reached in 2005. This is an almost 40% annual growth which is almost 300 basis points (bps) higher than the growth achieved in the previous year (441,160 in 2004).

With this growth rate, Pakistan stands in the top quartile (75%) of a growing microfinance industry globally according to the 14th edition of the Micro Banking Bulletin (MBB). This indicates that over the last two years the compounded average growth rate (CAGR) has been around 35%. If MFPs continue to grow at the current rate the industry will be able to reach the three million target by 2010. It is also interesting that this is the first year since PMN started collecting data from its members in 1999 that the sector has added more that 240,000 active borrowers in a year (almost 20,000 per month).

Amongst the three peer groups, MFIs have grown fastest both in terms of numbers of borrowers added and also in percentage terms (see exhibit 1).

The increase in active borrowers in case of MFBs has been more widespread with each institution adding to the

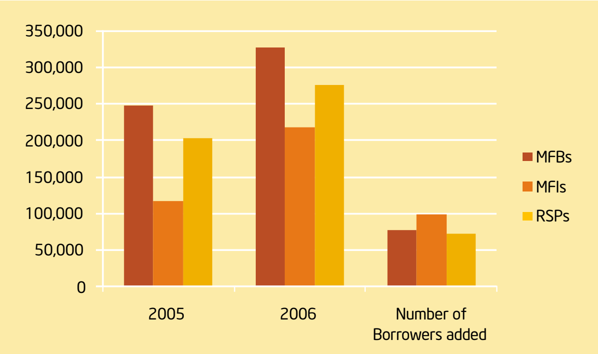


Exhibit 1: Growth in Peer Groups

numbers. For the MFI and RSP peer groups, Kashf and NRSP respectively continue to prime the pump (see exhibit 2).

Exhibit 2, however indicates the following trends:

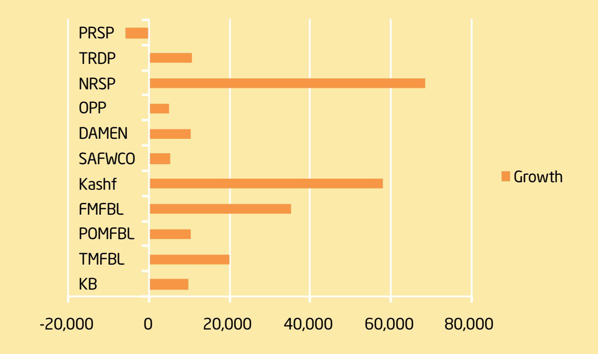


Exhibit 2: Growth in Peer Groups

i) Amongst the top five MFPs in 2005, KB grew steadily (added less than 10,000 clients in the whole year) and PRSP shrunk (losing 6,000 borrowers during the year), ii) two institutions, FMFB and TMFB, have grown by more than 20,000 active borrowers during the year, and iii) both Kashf and NRSP added the largest number of borrowers, adding 69,000 and 58,000 borrowers, respectively during the year.

5 As reported in the MBB issue number 13th.

This has resulted in PRSP being drawn out and FMFB coming in the top five league of MFPs in the sector in terms of number of active borrowers being served. Comprehensive growth has also resulted in the top five players covering a lower portion of the total market in 2006 - 79% as compared to 85% in 2005 (see exhibits 3a and 3b).

Exhibit 3a: Top 5 MFPs in 2005

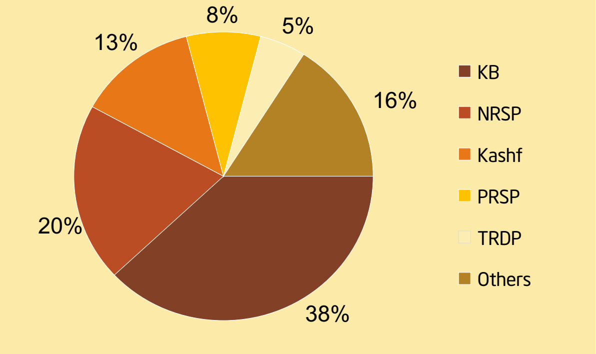
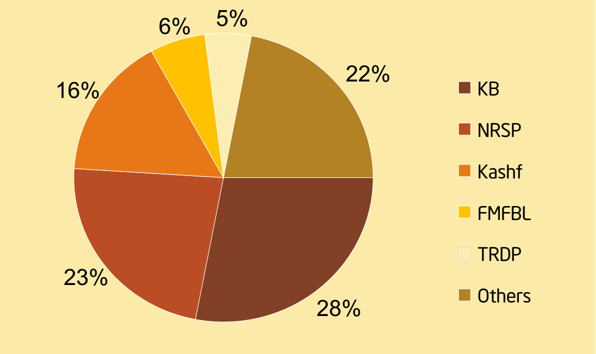


Exhibit 3b: Top 5 MFP in 2006



Growth is Evenly Spread across the Four Provinces

In terms of distribution of outreach, Punjab continues to lead with 51% of the outreach in 2006 (59% in 2005) followed by Sindh (23% in 2005) at 34% (see exhibit 4a). This is not only because Punjab has the highest number of MFPs, but also because two of the largest rural-based programmes are working there.

The map below (see exhibit 4b) clearly indicates that growth has occurred in three out of the four provinces of Pakistan with Punjab adding 112,000 clients, followed by Sindh with 22,000 clients added during the year. Balochistan is the only province where coverage shrank because the portfolio of Taraqee Foundation lost two-thirds of its outreach in 2005. In terms of competition, the Lahore and Karachi markets have the largest presence of MFPs: with 12 MFPs operating in Lahore and 10 MFPs providing financial services in Karachi. These two districts with more than 200,000 active borrowers cover almost 18% of the total outreach and 50% of the urban outreach. Another feature is that most start-up MFBs and MFIs have opened their operations from either Karachi (all four MFBs established in the last two years) or Lahore (two new MFIs, Asasah and Akhuwat started from Lahore).

Exhibit 4a: Growth in Provinces

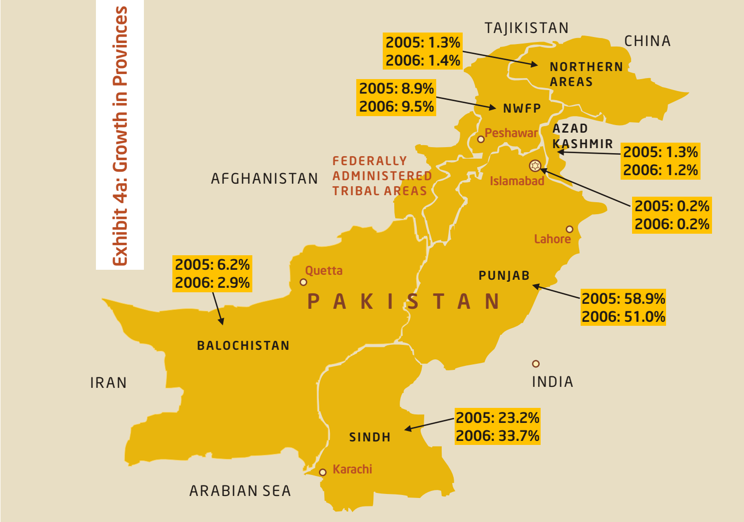
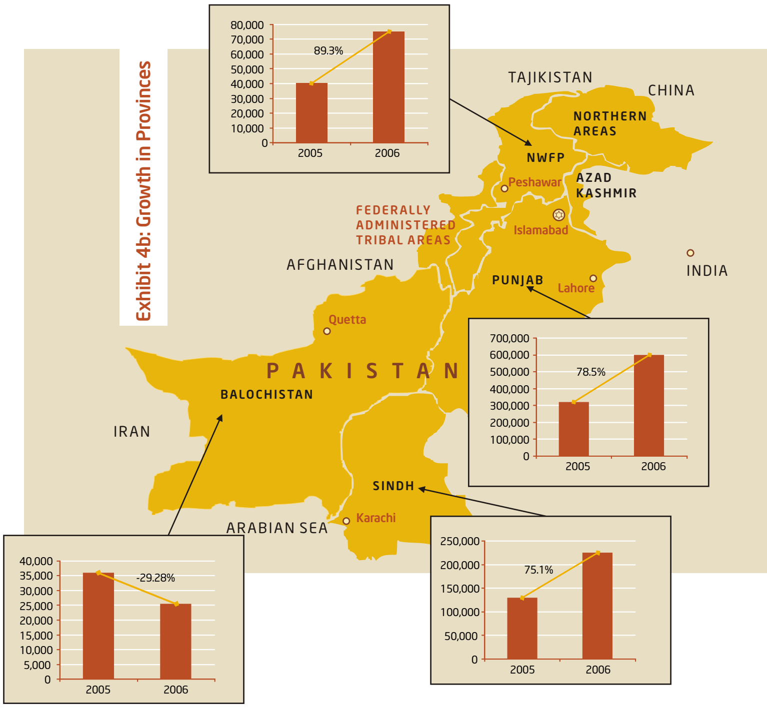


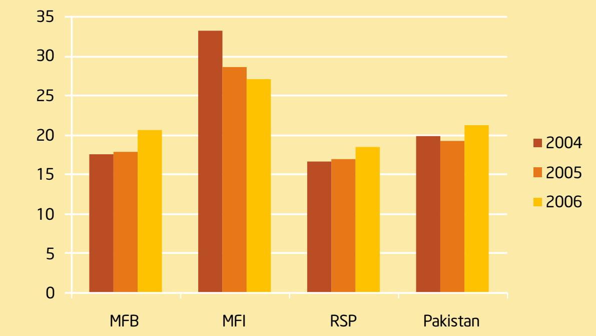
Exhibit 4b: Growth in Provinces



Sustainability Remains Flat, Despite Improved Portfolio Yields

2006 is the first year since the PMN started tracking performance in the sector that the overall portfolio yield for the industry crossed the 20% mark. We feel that this has occurred because of three factors: i) entry of new institutions with higher rates (EX. TMFB and CSC), ii) existing institutions increasing their rates (Ex. FMFB, NRSP and TRDP), and iii) change in accounting policy to compute income (Ex. FMFB, RMFB), based on the effective yield method[6].

Exhibit 5: Trends in Portfolio Yields



This graph indicates a rising trend in portfolio yield for each peer group as well as for Pakistan as a whole. This however, is not the case with MFIs, where yields are on a downward course. A likely explanation is that specialized MFIs (e.g., Kashf, Asasah) started with a sustainable strategy based on charging rates covering their costs. Once they attained scale, these organizations started transferring the benefits of efficiency gains in the form of lower interest rates to their clients.

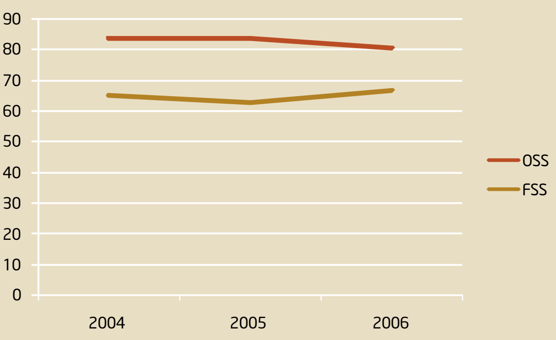
The current rates however, continue to be significantly below international averages[7].

Exhibit 6: Global Benchmarks for yield on Gross Loan Portfolio

PORTFOLIO YIELDS						
	Pakistan	Africa	Asia	ECA	LAC	MENA
Nominal	21.3	32.8	30.7	30.5	33.6	31.8
Real	11.4	19.8	21.9	23.2	26.6	19.8

Despite the improvement in yields, the overall sustainability for the sector did not show any sign of improvement and remained flat.

Exhibit 7: Profitability Trends in Pakistan

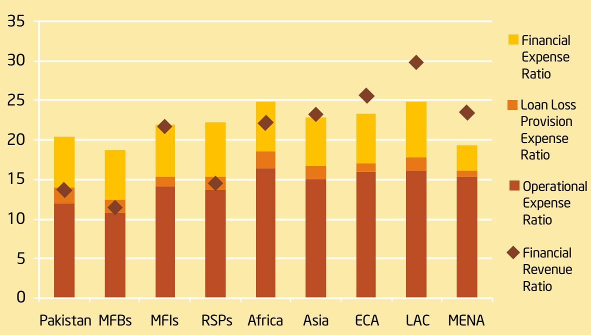


The above graph indicates an interesting trend over the last year in which operational self-sufficiency (OSS) dipped and financial self-sufficiency (FSS) moved up. This is largely to do with the fact that MFPs across different peer groups have started following an aggressive provisioning policy to cover their credit risk, hence increasing the unadjusted cost of loan loss expense. This year we were required to thus carry out adjustment of provisioning for only two of the reporting institutions. Other factors include: i) SBP's aggressive policy related to provisioning of non-performing loans (NPLs), ii) some of the MFIs following SBP prudentials for provisioning, and iii) the fact that a lot of bad portfolios were written off in 2005.

It is also worth consideration that within peer groups the most profitable is the MFI peer group with a mean FSS of 99.9%. This however, is skewed because of the high profitability of Kashf (FSS-121.6%). The median for the peer group is 58.4% and is lower than that of MFBs, which stands at 59.6%. The sector however, continues to run up huge losses when compared with other regions whose FSS are all above 100% except for one, (Asia-101%, ECA-113%, LAC-110%, Africa-90%, and MENA-117%).

We continue to maintain our three reasons for low level of sustainability[8]. One, because of a lower portfolio yield, though yields have inched up this year. Exhibit 8 below

Exhibit 8: Global Benchmarks for Costs and Revenue



[6] The method results in a constant rate of interest but different dollar amounts each period. It is a preferred method over the straight-line method to amortize bond discount or premium. The amount of amortization equals the difference between the debit to interest expense (effective interest rate x carrying value of bond at beginning of year) and the cash payment (nominal interest rate x face value)

[7] Unless otherwise mentioned, all global data comes from Micro Banking Bulleting (MBB), issue 13, Fall 2006, Microfinance Information Exchange, Inc.

[8] These have been discussed in detail in the last publication of Performance Indicators Report PIR 2005

shows that for each category of cost, Pakistan and all peer groups are competitive. But by charging low interest rates and investing low percentage of its assets in portfolio, MFPs in Pakistan have the lowest portfolio yield globally. Two, the inefficient utilization of assets, with only 48.2% (up from 41.3% in 2005) assets invested in loan portfolio (international benchmarks are between 65.9% to 82.6%). And three, as mentioned below the sector is in a growth phase with heavy upfront investments.

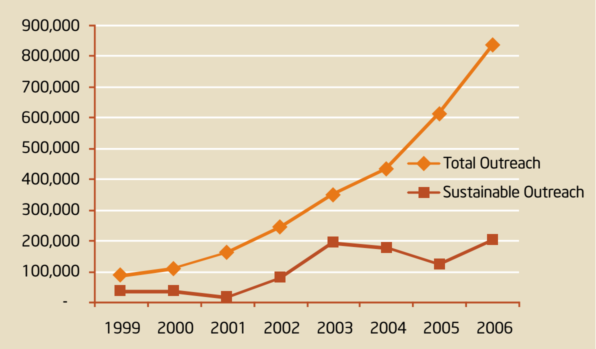
Unsustainable MFPs Continue to Drive Growth

The number of MFPs that are more than 100% OSS increased from three to four last year. In 2006 two of the largest MFPs (KB and NRSP) improved their operational and financial sustainability, although they remained operationally and financially unsustainable.

Amongst the five fastest growing MFPs during 2006, two (Kashf and FMFB) are operationally sustainable. Together these organizations added approximately 94,000 active borrowers in 2006. Similarly, the two other fast-growing MFPs (KB and NRSP) have moved closer towards sustainability; together these two MFPs added 78,000 clients.

The following chart can be looked at optimistically or pessimistically. Taking an optimistic approach, this is the first year since 2003 that the industry has shown an increase of active borrowers coming from sustainable institutions; over the last two years there was a decline. The downside is the huge gap in absolute numbers continuing to rise between total outreach and outreach coming from sustainable institutions.

Exhibit 9: Sustainable Outreach

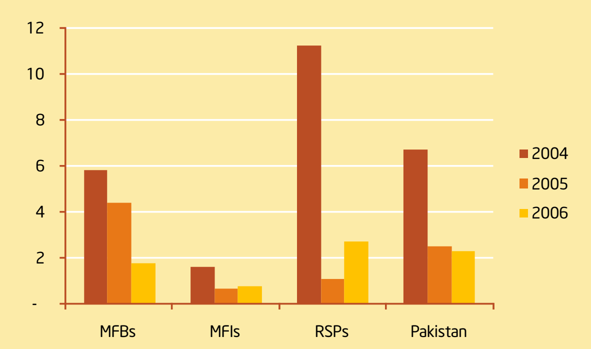


PAR Continues to be Low

At annual growth rates of 40%, which puts Pakistan on the top quartile (75%) of the country-level growth rate, one of the important areas to monitor and continuously analyze is the quality of its credit exposure, including provisions to cover that credit risk.

The graph below indicates continuous improvement in credit risk for Pakistan.

Exhibit 10: Trends in Portfolio Quality > 30 Days



Improvement in portfolio quality is evident for MFBs: it has grown steadily for the MFI peer group, whereas, the quality for the RSP peer group has declined during the last year and it continues to be lower than the level attained during 2004. For the RSPs, the deterioration in portfolio quality has come on the back of a steep decline in the portfolio quality of TRDP (portfolio at risk > 30 days increased from 0.8% in 2005 to 13.7% in 2006).

In 2005 the improvement in portfolio quality was largely a factor of write-offs, i.e, most MFPs have cleaned out bad quality portfolios. It remains to be seen whether this will continue to be a major factor in 2006 or not.

Exhibit 11: Trends in Write-Offs

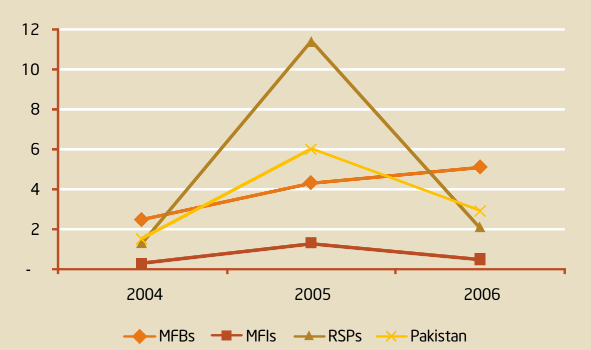


Exhibit 11 clearly indicates an inverse 'V' shaped trend in write-offs for Pakistan as a whole and for all peer groups except for MFBs, which have shown an upward trend over the last two years. This upward movement in MFBs is largely on the back of higher write-offs in both 2005 and 2006 by KB which is a factor of a recent prudential regulation that requires MFBs to write off all loans that are above 210 days past due (360 days in 2005). These write-off rates at approximately three % however continue to be very high when compared with other regions. Asia has the highest at 2.3% and MENA the lowest at 0.3% and the median for MBB regional peers being 1.6%.

In periods of fast expansion, looking at growth in portfolio at risk (PAR) in absolute terms can give a more realistic picture than PAR in percentage terms.

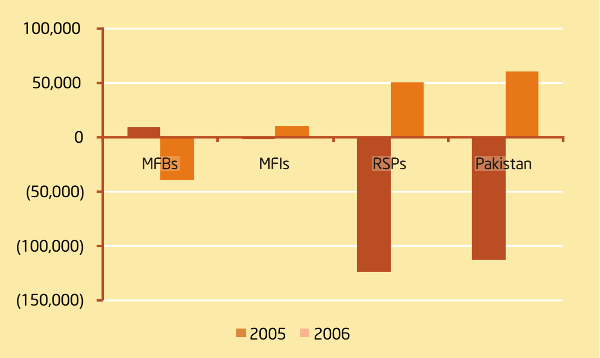


Exhibit 12: Incremental Increase/(Decrease) in Absolute Value of PAR>30 days

The above graph indicates that because of write-offs (Rs. 272 million) in 2005 the overall dollar value of PAR declined. In 2006, except for MFBs, PAR increased for all peer groups and for Pakistan as a whole. It is also interesting to note that the absolute amount of write-off declined to PKR 205 million in 2006.

Comparing the portfolio quality of Pakistan's MFPs with international peers shows that the risk for Pakistani MFPs is low and risk coverage is high for not only the country as a whole but also for each peer group.

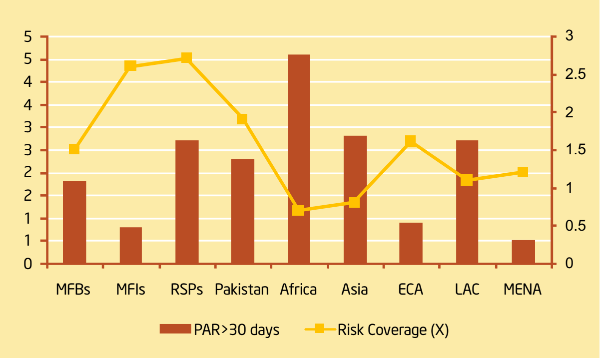


Exhibit 13: Credit Risk and Risk Coverage Trends

With the sector expected to continue on the same growth trajectory or higher rates, resulting in increased competition between and among MFPs, the chances of portfolio quality getting negatively affected will increase. It will therefore, be vital for MFPs and other interested parties to continuously monitor the quality of their portfolio.

Debt Financing Fuels Growth: Is It Subsidized Debt?

Over the last two years the overall size of the balance sheet has grown from PKR 9.27 billion to PKR 17.5 billion. This is an almost 45% annual growth rate. The exhibit 14 clearly indicates some major factors that contributed to this growth.

For Pakistan as a whole the major source of funding has been a subsidized source of debt, which includes PPAF in the case of MFIs and RSPs (the exception being NMFB) and the ADB in the case of KB. Another funding source has

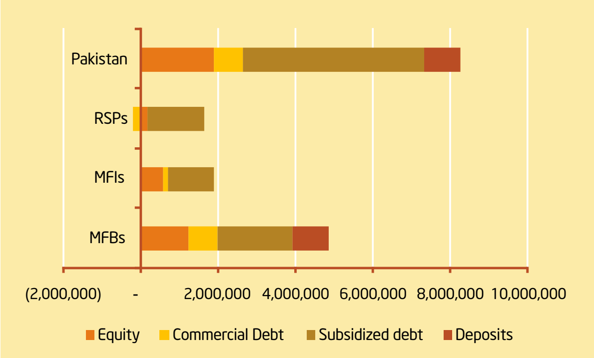


Exhibit 14 : Incremental Growth in Balance Sheet

been equity. Within equity the larger portion comes in the form of initial paid-up capital, and that too from the MFB peer group which consists of four new MFBs - two at the national level (minimum paid-up capital requirement being PKR 500 million each) and two at the district level (minimum paid-up capital requirement PKR 100 million each). However, MFIs have also added to their equity largely on the back of retained earnings coming from their profits and donor funding. Interestingly, commercial debt continues to lag behind because of issues related to awareness of microfinance with both capital markets and commercial banks. Moreover, for MFPs to attract commercial debt they will need to become robust and profitable institutions. An interesting trend has been the negative growth of commercial debt being raised by RSPs. A good development has been a substantial growth in deposits. Though it continues to be less then 10% of the overall balance sheet of the industry, it is almost 14% of the balance sheet size of MFBs (8.6% in 2005).

If we benchmark the capital structure of MFPs in Pakistan with international peers, it is evident that there is a huge potential for the industry to fund its growth through debt

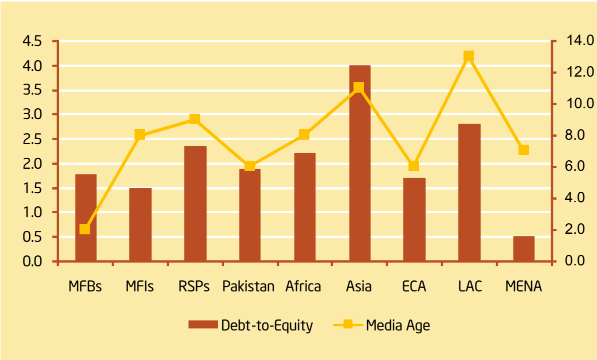


Exhibit 15: Capital Structure and Age of Institutions

financing or by taking deposits (see exhibit 15).

What the above graph indicates is that except for MFPs in the MENA region, most of the other regions are leveraged to the tune of between two to four times. It is also interesting to note that the age of institutions has a role to play in the percentage of debt MFPs have on the balance sheet (except for MFBs in Pakistan where as a result of aggressive deposit-taking by TMFB and FMFB, debt is higher than the median age of the institutions).

The graph also indicates that RSPs' microfinance programmes have the highest debt on their balance sheet. And their margin will be squeezed since, as Section 42 Companies, they can take a maximum of four times of capital. Thus, it will become important for them to increase their capital in order to continuously rely on debt, especially commercial debt, in order to grow their balance sheets. The PMN also expects that with the level of growth forecasted over the next couple of years, MFIs will also require capital injection to remain within safe leverage ratios to attract private commercial debt.

Have Costs Increased and Efficiency Dipped due to Up-front Investment?

The last one year has seen huge investments in the development of infrastructure and human resources. The last year saw a 1.5 times increase in branch infrastructure

Figure 16: Up-front Investment in Branches and Human Resources

	2004		2005		2006		Growth 2004-2006	
	Personnel	Branches	Personnel	Branches	Personnel	Branches	Personnel	Branches
MFBs	1,376	80	1,932	108	2,996	226	117.7	182.5
MFIs	507	62	859	81	1,675	173	230.4	179.0
RSPs	883	203	1,335	339	2,489	652	181.9	221.2
Pakistan	2,913	362	4,526	549	7,342	1,073	152.0	196.4

and human resources doubled during this time period. (see exhibit 16).

The table above clearly indicates massive growth both in terms of additional branches (two times) and in terms of hiring approximately 4,000 additional staff over the last couple of years. In absolute terms, MFBs account for the largest number of new staff (1,620), followed by RSPs (1,606) and MFIs (1,168), respectively. The reason that MFBs are leading the intake of new staff could be because four of them have been established recently and have only just started operations. The larger number of staff could also have been hired to cater to deposit services, which only the MFB peer group is eligible to offer.

These up-front investments are expected to result in increased costs and lower efficiencies, as is the case for 2006 (Exhibits 17a and 17b). The underlying reason is the gap between increasing clients and loan portfolio and the initial outlay for infrastructure and human resource.

It is also evident that the increase in costs and decline in productivity has occurred across all peer groups. Specifically:

a) The curve for MFIs (exhibit 17a) has been the steepest showing an almost 36% increase in cost per borrower

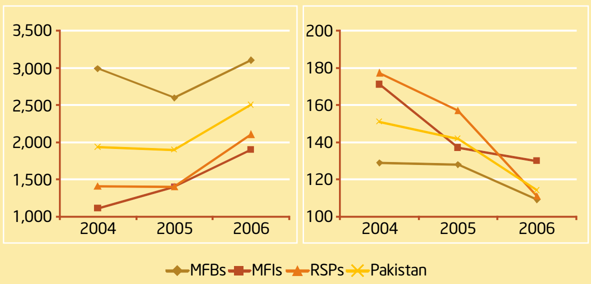


Exhibit 17a (Left) : Cost per Borrower
Exhibit 17b (Right): Clients per Staff

for this peer group. This is probably a result of the following factors: i) A new MFP, Community Support Concern, has been included in this peer group which is an outlier with a cost of PKR 4, 200. The mean cost is PKR 1,900 and the median is PKR 1,700; ii) The two fastest growing MFPs in this group (Kashf and Asasah) have expanded geographically and this has increased the operational costs of managing a borrower by almost 42% and 117% respectively.

b) The decline in the productivity of RSPs has been the steepest. This again is on the back of a couple of factors: i) The total number of staff for NRSP has doubled to 1,836 (925 in 2005) whereas increase in outreach has been at a steadier rate approximately, 50% (190,846 in 2006 and 122,157 in 2005); ii) The number of borrowers for PRSP has shrunk but there has been no corresponding decrease in personnel, which is again a factor of being an integrated programme that allocates its staff time to microfinance.

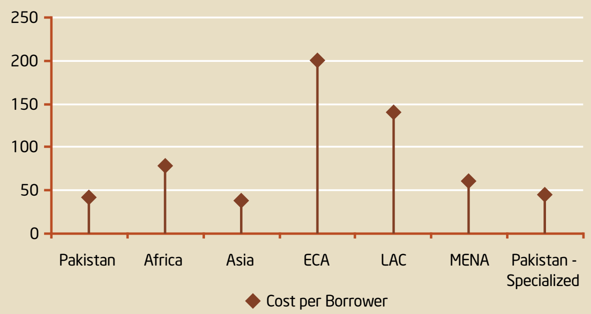


Exhibit 18: Cost continues to be Competitive

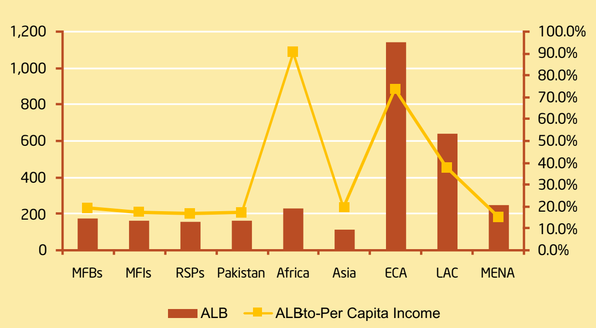
But despite the increase in costs and lower productivity, the operational costs of the sector continue to be globally competitive, both for Pakistan as a whole and for specialized MFPs only, i.e., MFBs and MFIs (see exhibit 18).

Regardless, there exists a huge potential for MFPs to improve their productivity by optimally using existing resources. This, it is hoped, will result in lower costs per loan given out that could lead to improved sustainability of the sector.

Despite Growth and Diversity, the Industry Continues to Target the Low-end of the Market

There is a general perception that with the industry focusing on sustainability and commercialization, there are chances of a 'mission drift'. In other words, the sector may move up the market resulting in higher average loan balances (ALB). There is also a perception that this will lead to 'urbanization' and an uneven distribution of financial services between the rural and urban areas of the country.

Exhibit 19: Average Loan Balances



The average loan balance as measured in absolute terms (GLP/Active Borrowers) and relative terms after incorporating a difference of per capita income in different countries and regions (ALB/per capita income) continues to be very low for the entire industry and for each peer group when compared with international peer groups.

The chart above clearly indicates that both the absolute and the relative indicators for Pakistan are very low when compared with other regions, except for Asia. Compared to the rest of Asia, Pakistan's ALB is marginally higher but ALB-to-per capita income is lower since the per capita income in Asia as a whole is higher then Pakistan. Within Pakistan, the loan size of MFBs is slightly higher. But if we compute an average without the numbers for TMFB, MFBs as a group have a lower loan balance amounting to US$ 162, which places the MFB peer group in line with the other peer groups.

In terms of urban and rural outreach there is a definite but marginal shift towards urban outreach which rose to 40% compared to 36% in 2005 (see exhibit 20). The shift from rural to urban markets is largely driven by: i) the establishment of four licensed banks specifically for microfinance over the last two years, all of which have

Exhibit 20: Urban-Rural Trends

	MFBs		MFIs		RSPs		Pakistan	
	URBAN	RURAL	URBAN	RURAL	URBAN	RURAL	URBAN	RURAL
2005	31%	69%	71%	29%	11%	89%	31%	69%
2006	40%	60%	74%	26%	15%	85%	39%	61%

started their operations primarily from Karachi; ii) urban-based MFIs are the fastest growing peer during the year as discussed above and; iii) all the RSPs excluding NRSP (which already runs an urban programme) have established urban units; also within this peer group PRSP has shrunk its portfolio which is all rural-based.

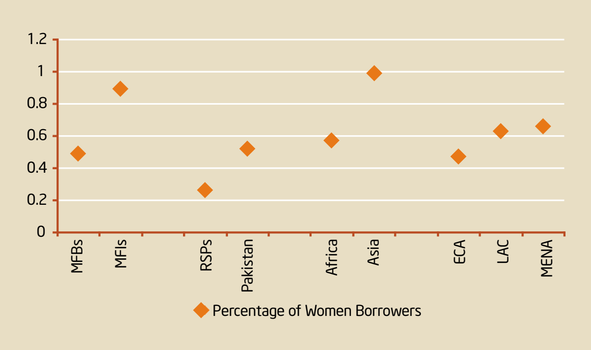


Exhibit 21: Gender Targeting

An area where the Pakistan industry continues to show weak performance is the low percentage of women borrowers in its total portfolio. The table below clearly indicates this when we compare it with regional benchmarks.

It is interesting that compared with Asia (99%), Pakistan falls far behind at 52%. Another feature is that for

Figure 22: Trends in Women outreach

	MFBs	MFIs	RSPs	Pakistan
2005	31.8%	89.7%	36.5%	45.1%
2006	49.0%	89.1%	25.9%	52.0%

Pakistan MFBs are a median at 49% women borrowers (largely lead by KB and FMFB) with the RSPs[9] and MFIs as two outliers at different extremes (RSPs-26% and MFIs-89%).

Exhibit 22 below however indicates that the percentage of women borrowers increased by 700 basis points over the last year. This is largely due to the fact that MFBs, especially KB and FMFB have focused on this area.

[9] As far as RSPs are concerned the microfinance is linked with rural development and multi-sector interventions that are offered to both men and women. Through the training programme and orientation workshops, RSPs encourage women to participate in all programme activities including microfinance. Hence the above comparison must be read in conjunction with this approach.

Looking Ahead

In conclusion, the future of microfinance organizations is with financially sustainable and specialized institutions. These institutions will need to have access to diverse, commercially-oriented funding sources particularly deposits. It is also predicted that technology will play a greater part in financial service delivery. ATMs, mobile phones and hand-held devices will be extensively used to facilitate customer interaction and operations management, contributing to reduced costs.

These positive changes will take effect only if the right economic and political environment prevails in the region promoting prosperity and stability. Last, but not least, the growth of grassroots finance will also greatly depend on the ability of the sector's leaders to look at social responsibility within the context of financial markets development geared towards servicing lower end, un-banked clients.

Annexures

List of Annexures

Sources of Data

Microfinance Banks:

Khushhali Bank (KB)

- KB has provided PMN with its audited accounts. The exhibits reported in the PIR match these reports.
- The PMN analyst has made all the necessary adjustments to the KB data to remove subsidies. Adjustments were not made for loan loss provisioning expense, since KB is aggressive in its policies as required by the SBP.
- KB prepares accounts on historical cost basis using accrual system of accounting.
- The data on distribution of clients in terms of urban-rural mix and gender has been taken from their MIS.
- The ageing of portfolio has been taken from MIS.
- The data on number of staff and staff divided as credit officers and the number of branches is available form the audited accounts, however we have taken these exhibits from MIS.

Tameer Microfinance Bank Limited (TMFB)

- TMFB has provided PMN with its audited accounts. The exhibits reported in the PIR match these reports.
- The PMN analyst has made all the necessary adjustments to the TMFB data to remove subsidies. Adjustments were not made for loan loss provisioning expense, since TMFB is aggressive in its policies as required by the SBP. An adjustment for cost of borrowing was not made since these are all commercial borrowings. Since the bank started operation in 2006 inflation adjustment on cost of equity was not carried this year.
- TMFB prepares accounts on historical cost basis using accrual system of accounting.
- The data on distribution of clients in terms of urban-rural mix and gender has been taken from the MIS.
- The data on number of staff and staff divided as credit officers and number of branches is available in the audited accounts.

Pak Oman Microfinance Bank Limited (POMFB)

- POMFBL audited accounts have been taken from newspapers. The exhibits reported in the PIR match these reports.
- The PMN analyst has made all the necessary adjustments to the POMFB data to remove subsidies. There is no adjustment on financial cost since the POMFB is neither using any concessional borrowing nor using any commercial borrowing. Similarly there is no adjustment on loan loss provisioning expense, since POMFB is aggressive in its policies as required by the SBP.
- POMFB prepares accounts on historical cost basis using accrual system of accounting.
- The data on distribution of clients in terms of urban-rural mix and gender has been taken from the MIS.
- The ageing of portfolio in rupee value is verifiable from

the audited accounts, as is the case for write-offs. However, we have taken these values from MIS.

- The data on number of staff and staff divided as credit officers and number of branches is available in the audited accounts.

The First Microfinance Bank Limited (FMFB)

- FMFB has provided PMN with its audited accounts. The exhibits reported in the PIR match with these reports.
- Financial statements for the year 2005 have been restated.
- The PMN analyst has made all the necessary adjustments to the FMFB data to remove subsidies. There is no adjustment on financial cost since the FMFB is neither using any concessional borrowing nor using any commercial borrowing. Similarly there is no adjustment on loan loss provisioning expense, since FMFB is aggressive in its policies as required by the SBP.
- FMFB prepares accounts on historical cost basis using accrual system of accounting
- The data on distribution of clients in terms of urban-rural mix and gender has been taken from the MIS.
- The ageing of portfolio in rupee value is verifiable from the audited accounts, as is the case for write-offs. Also we took ageing on number of loans and amount outstanding from the audited accounts.
- The data on number of staff and staff divided as credit officer and number of branches is available in the audited accounts.

Network Microfinance Bank (NMFB)

- NMFB has provided PMN with its audited accounts. The exhibits reported in the PIR match these reports.
- The PMN analyst has made all the necessary adjustments to the NMFB data to remove subsidies. There is no adjustment on financial cost since the NMFB is only accessing commercial sources of borrowing. Similarly there is no adjustment on loan loss provisioning expense, since NMFB is aggressive in its policies as required by the SBP.
- NMFB prepares accounts on historical cost basis using accrual system of accounting.
- The data on distribution of clients in terms of urban-rural mix though not available in the disclosures is however obvious since NMFB only works in Karachi and its peri-urban areas. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value is verifiable from the audited accounts, as is the case for write-offs. However we took ageing for number loans from the MIS.
- The information on total staff and credit officers and number of branches has been made available from the MIS. Tese are not disclosed in the notes.

Rozgar Microfinance Bank (RMFB)

- RMFB has provided PMN with its audited accounts. The exhibits reported in the PIR match with these reports.
- The PMN analyst has made all the necessary adjustments to the RMFB data to remove subsidies. There is no adjustment on financial cost since the RMFB is neither using any concessional nor any commercial sources of borrowing. Similarly there is no adjustment on loan loss provisioning expense, since RMFB is aggressive in its policies as required by the SBP.
- RMFB prepares accounts on historical cost basis using accrual system of accounting.
- The data on distribution of clients in terms of urban rural mix though not available in the disclosures is however obvious since RMFBL only works in Karachi and its peri-urban areas. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value is verifiable from the audited accounts, as is the case for write-offs. We took ageing for number of loans from the MIS.
- The data on number of staff and staff divided as credit officers and number of branches is available in the audited accounts.

Specialized NGO MFIs:

Kashf Foundation (Kashf)

- Kashf has provided PMN with its audited accounts. The exhibits reported in the PIR match these reports.
- The PMN analyst has made all the necessary adjustments to the Kashf data to remove subsidies. There is no adjustment on loan loss provisioning expense, since Kashf is aggressive in its policies.
- Kashf prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value is verifiable from audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on movement in portfolio, loan loss provisioning and write-off. The notes clearly disclose loans considered good and those considered doubtful.
- The data on number of total staff and its breakup for

credit officers and number of branches was drawn from the MIS, and was not available in the audited accounts.

Sindh Agricultural and Forestry Workers Coordinating Organization (SAFWCO)

- SAFWCO has provided PMN with its audited accounts for the reporting period, and the exhibits tally with the reported data.
- Though SAFWCO is an integrated programme, accounts for its microfinance function are kept separate.
- Income and expenses are booked on an accrual basis.
- The PMN analyst has made all the necessary adjustments to the SAFWCO data to remove subsidies.
- SAFWCO prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices using the principles of fund accounting.
- The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. There is no proper disclosure on movement in loan portfolio, loan loss provisioning and write-off. However exhibits on loan loss provisioning, OLP and Loan loss reserve are disclosed in the financial statement.
- The data on number of total staff and loan officers was drawn from the MIS.
- SAFWCO will need to improve its disclosures regarding loan portfolio.

Development Action for Mobilization and Emancipation (DAMEN)

- DAMEN has provided PMN with its audited accounts.
- The PMN analyst has made all the necessary adjustments to the DAMEN data to remove subsidies. There is no adjustment on cost of borrowing since DAMEN's actual cost is higher then the adjusted cost. Similarly there is no adjustment on the loan loss provisioning expense since DAMEN has an aggressive policy.
- DAMEN is an integrated programme but has separated its financials for microfinance.
- DAMEN prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- The data on distribution of clients in terms of urban rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value and in accumulated numbers is verifiable from the audited accounts. However breakup for the number of loans doubtful was obtained from the MIS. There is a proper disclosure in terms of movement in portfolio, loan loss provisioning and write off.
- The data on number of total staff and loan officers was drawn from the MIS.

Community Support Concern (CSC):

- CSC has provided PMN with its audited accounts.
- The PMN analyst has made all the necessary adjustments to the CSC data to remove subsidies. There is no adjustment on cost of borrowing since CSC's actual cost is higher then the adjusted cost. Similarly there is no adjustment on the loan loss provisioning expense since CSC has an aggressive policy.
- CSC prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio both in rupee value and in numbers was not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on balance sheet of loan portfolio, loan loss provision and expense charged during the year to income statement.
- The data on number of total staff & loan officers and the number of branches was drawn from the MIS.

Akhuwat

- Akhuwat has provided PMN with its audited accounts.
- The PMN analyst has made all the necessary adjustments to the Akhuwat data to remove subsidies. There is no adjustment on cost of borrowing since Akhuwat only carries accounts payable on its liability side of the balance sheet. Similarly there is no adjustment on the loan loss provisioning expense since Akhuwat has an aggressive policy.
- Akhuwat prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- The data on distribution of clients in terms of urban rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation

was taken from the MIS and is not available in notes to the accounts.

- The ageing of portfolio in rupee value & in numbers was not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. There is no proper disclosure in terms of movement in portfolio, loan loss provisioning and write off. However, there is a proper disclosure on Balance Sheet of loan portfolio, loan loss provision and expense charged during the year to income statement.
- The data on number of total staff & loan officers and number of branches was drawn from the MIS.

Orangi Pilot Project (OPP)

- OPP has provided PMN with its audited accounts for the reporting period, and the exhibits tally with the reported data.
- OPP though an integrated programme, but keeps separate accounts for its microfinance function.
- OPP prepares four separate sets of audited accounts for 4 different credit project that they carry, it will be more useful if a consolidated audited accounts are prepared for the 4 different projects.
- Revenue and expenditure are recognized on cash basis.
- The PMN analyst has made all the necessary adjustments to the OPP data to remove subsidies. There is no adjustment on borrowing since the actual cost is higher than the adjusted cost, similarly there is no loan loss provisioning expense since OPP is aggressive in its policies.
- OPP prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. There is a proper disclosure on movement in loan portfolio; however there is no disclosure on loan loss provisioning and write off. All the data is thus taken from the MIS.
- The data on number of total staff for OPP is not disclosed, hence all data on number of total staff & loan officers and number of branches was drawn from the MIS.

Asasah

- Asasah has provided PMN with its audited accounts.
- The PMN analyst has made all the necessary adjustments to the Asasah data to remove subsidies. There is no adjustment on inflation since Asasah has a negative equity, cost of borrowing since Asasah's actual cost is more than adjustment, loan loss provisioning expense since Asasah is aggressive in its policies.
- Asasah prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on movement in portfolio, loan loss provisioning and write off.
- The data on number of total staff & loan officers and number of branches was drawn from the MIS.

Rural Support Programmes:

National Rural Support Programme (NRSP)

- NRSP has provided its audited accounts for the reporting period to PMN and the exhibits tally with the reported data.
- NRSP has prepared separate financial statements for microfinance operations for the first time.
- The PMN analyst has made all the necessary adjustments to the NRSP data to remove subsidies. There is adjustment for financial cost and of inflation on equity, but there is no adjustment on loan loss provisioning expense, since NRSP is aggressive in its policies and all loans > 90 days past due are 100% provided for.
- NRSP prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- The data on distribution of clients in terms of urban-rural mix though not available in the disclosures but is obvious since NRSP has a separate program for urban areas and rural areas and their information is separately available. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on movement in portfolio and write offs. We will appreciate if from next year NRSP could provide a separate disclosure on movement in provisioning of portfolio.

- The data on number of total staff & loan officers and number of branches has been drawn from audited accounts.

Punjab Rural Support Programme (PRSP)

- PRSP has provided its audited accounts for the reporting period to PMN and the exhibits tally with the reported data.
- Since PRSP is an integrated programme; the following resource allocation process was followed:
  a) The directly identified accounts for credit and non credit functions were directly transferred to the respective programmes
  b) All other accounts that were common to the institution were transferred in the ratio of 60% to credit and 40% to non credit.
  c) As such 60% of PRSPs investment income was credited to credit operations of PRSP
- The PMN analyst has made all the necessary adjustments to the PRSP data to remove subsidies. This also includes writing of all the GLP above 360 days past due.
- PRSP prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- The data on distribution of clients in terms of urban-rural mix though not available in the disclosures but is obvious since PRSP only works in rural areas of Punjab. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on movement in portfolio, loan loss provisioning and write offs.
- The data on number of staff for PRSP as a whole is available. We had to allocate staff to the credit programme on the basis mentioned above. The data for credit officers has been taken from the MIS.
- The PMN cannot 100% rely with data on active borrowers.

Thardeep Rural Development Programme (TRDP)

- TRDP has provided its audited accounts for the reporting period to PMN and the exhibits tally with the reported data.
- TRDP has also prepared the separate financial statements for microfinance operations for the first time.
- The PMN analyst has made all the necessary adjustments to the TRDP data to remove subsidies.
- TRDP prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- The ageing of portfolio in rupee value & in number of loans is taken from the audited accounts.
- The data on the number of staff and data for credit officers has been taken from the MIS.

Others:

Orix Leasing Pakistan Limited (OLP-MFD):

- OLP has provided PMN with its audited accounts. However, since the audited accounts does not disclose exhibits related to Microfinance Division these are not verifiable with audited accounts.
- OLP has separate staff and office for MFD and the bank provides exhibits to MFD only against those accounts that directly deal with micro-credit operations of the MFD.
- OLP prepares accounts on historic costs and using accrual system of accounting.
- PMN has made adjustments as per its adjustment policies; these are in line with international practices being followed by The MIX.

Taraqee Foundation (TF)

- Taraqee has provided PMN with its audited accounts.
- The PMN cannot own the quality of this data.
- We would urge TF to hire good quality audit firms and prepare separate set of audited accounts for its microfinance operations.
- The quality of data from MIS has improved from last year.

Adjustments of Financial Data

Rationale

The adjustments to financial statements are made when doing benchmarking analysis. These adjustments are made for two purposes. The first, and most basic one, is to give an institution a more accurate picture of its financial position. These adjustments attempt to account for factors unique to MFIs, including the predominance of below-market-rate funding sources. Such factors can distort the picture of an institution's on-going performance. Benchmarking requires making adjustments for a second reason: making data from various MFIs comparable. The PMN makes these adjustments in order to bring institutions operating under varying conditions and with varying levels of subsidy onto a common ground to assess them side by side.

Inflation Adjustment

PMN adjusts for the effect of inflation on an MFI's equity and its non monetary assets essentially fixed assets on its balance sheet. Inflation decreases the real value of the MFI's equity. Fixed assets are considered to track the increase in price levels, and their value is considered increased. The net loss (or gain) is considered a cost of funds, and decreases net operating income.

Calculation

Inflation Adjustment Revenue: Multiply the prior year's Net Fixed Assets by the current year's average annual inflation rate (Average Core CPI for 2003-2004 as reported on the SBP website)

Inflation Adjustment Expense: Multiply the prior year's Equity by the current year's average annual inflation rate, (Average Core CPI for 2003-2004 as reported on the SBP website)

Net Inflation Adjustment Expense: Subtract the Inflation Adjustment Revenue from the Inflation Adjustment Expense

Subsidies Adjustment

PMN adjusts for three types of subsidies. A cost-of-funds subsidy from loans at below-market rates, current year cash donations to fund portfolio and cover expenses, and in-kind subsidies, such as rent-free office space or the services of personnel who are not paid by the MFI and thus not reflected on its income statement. Additionally, for multipurpose institutions, we attempt to isolate the performance of the financial services program, removing the effect of any cross subsidization. Cash donations flowing through the income statement are already accounted for by reclassifying them below net operating income on the income statement. They are not treated in this adjustment policy, but handled through a direct reclassification on the income statement. This year no institution has disclosed receipt of in kind subsidy.

In-kind Subsidies

Imputed cost (book value) of donated/loaned-out vehicles, machinery and buildings need to be included in the operating expenses. Expatriate staff salaries paid by donor or parent company, or other technical assistance, need to be accounted for. Here, the imputed salaries are used instead of salaries actually received by them. For imputation, use the salary range that a local hire would get for the same level of work-load/position. Similarly, the analyst must use judgment in deciding whether or not the in-kind donation represents a key input to the on-going operations of the MFI. An appropriate basis for valuation is important.

Calculation

1. Sum of in-kind subsidies by operating expense account, added to unadjusted numbers for each account

Cost-of-Funds

The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of the institution. The analyst calculates the difference between what the MFI actually paid in interest on its subsidized liabilities and a shadow market rate for each country. This difference represents the value of the subsidy, considered an additional financial expense. Here, only funds received as loans need to be adjusted. Client deposits are not adjusted. Only loans that have a finite (reasonable) term length are adjusted. Subordinated debt and other quasi-equity accounts are reclassified as other equity on the balance sheet.

The analyst must be careful in the choice of an appropriate shadow rate. The PMN has chosen an average lending rate on outstanding loans as reported by the State Bank of Pakistan on its website (6.43%).

Calculation

1. Calculate average balance for all borrowings. Borrowings do not include deposits or "other liabilities". If MFI has given an average balance, see if this is more appropriate to use; if not, calculate average from last year's ending balance.

2. Multiply the average balance by the shadow market rate

3. Compare with the amount actually paid in interest and fees. If less "market" rate, impute the difference (market price minus Financial Expense paid on Borrowings) to the Subsidized Cost of Funds Adjustment Expense

Loan Loss Provisioning

The PMN standardizes loan loss provisioning for MFIs to a minimum threshold or risk. MFIs vary tremendously in accounting for loan delinquency. Some count the entire loan balance as overdue the day a payment is missed. Others do not consider a loan delinquent until its full term has expired. Some MFIs write off bad debt within one year of the initial delinquency, while others never write off bad loans, thus carrying forward a default that they have little chance of ever recovering.

The analyst applies a standard loan loss provisioning to all MFIs, and adjusts, where necessary, to bring them to the minimum threshold. In some cases, these adjustments may not be precise. Portfolio ageing information may only be available on different ageing scales.

Calculation

Loan loss provisioning

1. Multiply the PAR age categories by the following reserve factors:

PAR up to 89 days no provisioning

PAR 91 180 x 0.50

PAR 181 360 x 1.00

Renegotiated loans x 0.50

2. Sum above reserve calculations, and if sum is more than current reserves, make calculated reserve new Loan Loss Reserve. If not, keep current reserves.

3. Add the Unadjusted Loan Loss Provision Expense to the difference between the Adjusted Net Loan Portfolio and the Unadjusted Net Loan Portfolio. This is the Adjusted Loan Loss Provision Expense.

Definitions of Terms & Indicators

Definition of Terms and Indicators: Institutional Characteristics

A. Age:

Indicates Years of functioning as a Microfinance Provider (MFP).

B. Total Assets:

Total of all net asset accounts. This standard presents all asset accounts net of any allowance. The one exception to this is the separate disclosure of the Gross Loan Portfolio and its Loan Loss Reserve.

C. Offices:

Number of offices, including head office. The number of staffed points of service and administrative sites used to deliver or support the delivery of financial services to microfinance clients.

D. Personnel:

Total number of employees. The number of individuals who are actively employed by the MFI. This includes contract employees or advisors who dedicate the majority of their time to the MFI, even if they are not on the MFI's roster of employees. This number should be expressed as a full-time equivalent, such that an advisor who spends 2/3 of her time at the MFI would be counted 2/3 of a full-time employee.

Definition of Terms and Indicators: Financing Structure

E. Total Assets:

See B for definition

F. Total Equity:

Total of all equity accounts. Equity accounts are presented net of any distributions, such as dividends. Total Assets Total Liabilities.

G. Total Liabilities:

Total of all liability accounts. Includes both interest and non interest bearing liabilities of the organization.

H. Commercial Liabilities:

Principal balance of all borrowings, including overdraft accounts, for which the institution pays a nominal rate of interest that is greater than or equal to the local commercial interest rate.

I. Deposits / Voluntary Savings:

Demand deposits from the general public and members that are not maintained as a condition for accessing a current or future loan and are held with the institution. Also Includes Certificates of deposit or other fixed term deposits

J. Gross Loan Portfolio:

All outstanding principal for all outstanding client loans, including current, delinquent and restructured loans, but not loans that have been written off. It does not include interest receivable. It does not include employee loans.

1. Equity-to-Asset Ratio:

Total Equity/ Total Assets

2. Commercial Liabilities-to-Gross Loan Portfolio Ratio:

All liabilities with "market" price/ Gross Loan Portfolio.

3. Liabilities-to-Equity Ratio:

Total Liabilities/ Total Equity.

4. Deposit-to-Gross Loan Portfolio Ratio:

Voluntary Savings/ Gross Loan Portfolio

5. Deposit-to-Total Asset Ratio

Voluntary Savings/ Total Assets

6. Gross Loan Portfolio-to-Total Asset Ratio

Gross Loan Portfolio/ Total Assets

Definition of Terms and Indicators: Outreach Indicators

K. Number of Active Borrowers:

Number of borrowers with loans outstanding

L. Number of Active Women Borrowers:

Number of women borrowers with loans outstanding

M. Gross Loan Portfolio:

See (J) for definition

N. Per Capita Income:

Average income per household per person as reported by the Government of Pakistan (US$ 925).

7. Number of Active Women Borrowers to total Active Borrowers:

Indicates percentage of women borrower to total active borrowers

8. Average Loan Balance per Active Borrower:

Indicates average loan balance outstanding

9. Average Loan Balance per Active Borrower to Per Capita Income:

O. Number of Savers:

Number of savers with voluntary demand deposit and time deposit accounts.

P. Number of Women Savers:

Number of women savers with voluntary demand deposit and time deposit accounts.

Q. Saving:

Total value of voluntary demand deposit and time deposit accounts.

Definition of Terms and Indicators: Overall Financial Performance

R1. Financial Revenue from Loan Portfolio:

Total interest, fees and commission on loan portfolio

R2. Financial Revenue from Other Financial Assets:

Net gains on other financial assets.

R3. Other Revenue Related to Financial Services:

Other revenue from provision of financial services, including revenue from insurance or transfer services or non-financial revenue from the provision of financial services, such as the sale of passbooks or SmartCards. This account includes net exchange gains.

R. Financial Revenue:

Total of revenue from loan portfolio and other financial assets, as well as other financial revenue from financial services.

S. Financial Expense:

Total of financial expense on liabilities and deposits.

T. Loan Loss Provision Expense:

Sum of loan loss provision expense and recovery on loan loss provision.

U. Operating Expense

Total of Personnel Expense and Administrative Expense.

v. Adjusted Financial Expense on Borrowing:

The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of the institution. The analyst calculates the difference between what the MFI actually paid in interest on its subsidized liabilities and what it would have paid at a shadow market rate for each country. This difference represents the value of the subsidy, considered an additional financial expense.

W. Inflation Adjustment Expense:

PMN adjusts for the effect of inflation on an MFI's equity and its non monetary assets essentially fixed assets on its balance sheet. Inflation decreases the real value of the MFI's equity. Fixed assets are considered to track the increase in price levels, and their value is considered increased. The net loss (or gain) is treated as a cost of funds, is disclosed on the income statement, and decreases net operating income.

W1. Net Adjusted Loan Loss Provision Expense:

Sum of loan loss provision expense and recovery on loan loss provision. MFIs vary tremendously in accounting for loan delinquency. Some count the entire loan balance as overdue the day a payment is missed. Others do not consider a loan delinquent until its full term has expired. Some MFIs write off bad debt within one year of the initial delinquency, while others never write off bad loans, thus carrying forward a defaulting loan that they have

little chance of ever recovering. The PMN applies a standard write-off and loan loss provisioning to all MFIs, and adjusts, where necessary, to bring them to the minimum threshold

W2. Adjusted Operating Expense:

Total of Personnel Expense and Administrative Expense. Also includes, Imputed cost (book value) of donated/loaned vehicles, machinery and buildings need to be included in the

Tool to measure depth of out reach. The lower the ratio the more poverty focused the MFI.

10. Percentage of Women Savers to total Savers:

Indicates the percentage of women in the total saving portfolio.

11. Average Saving Balance per Saver:

Indicates average amount of saving balance per saver.

12. Adjusted Return on Assets:

Adjusted Net Operating Income, net of taxes/ Average Total Assets

13. Adjusted Return on Equity:

Adjusted Net Operating Income, net of taxes/ Average Total Equity

14. Operational Self-Sufficiency:

Financial Revenue/ (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)

15. Financial Self-Sufficiency:

Financial Revenue/ Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense + Inflation Adjustment)

14A and 15 A. Modified Operational/Financial Self-Sufficiency:

A special adjustment that removes the impact of financial revenue earned on endowment funds that MFIs have received from the federal/ provincial governments or from donors.

operating expenses. Expatriate staff salaries paid by donor or parent company, or other technical assistance, need to be accounted for. The imputed salaries are used instead of salaries actually received by such persons. For imputation, the salary range that a local hire would get for the same level of work-load/position should be used. Similarly, the analyst must use judgment in deciding whether or not the in-kind donation represents a key input to the on-going operations of the MFI.

X. Net Income/ (Loss) after Adjustment or Adjusted Income/ (Loss):

Indicates net profit/ (loss) to the MFI after adjusting for the above four subsidies.

Y. Average Total Assets:

Average of opening and closing balance of total assets.

Z. Average Total Equity:

Average of opening and closing balance of total equity.

Definition of Terms and Indicators: Operating Income

AA. Financial Revenue from Loan Portfolio:

See (R1) for definition

AB. Financial Revenue:

See (R) for definition

AC. Adjusted Net Operating Income/ (Loss):

See (X) for definition

AD. Average Total Assets:

See (Y) for definition

AE and AF. Gross Loan Portfolio:

See (J) for definition

AG. Average Gross Loan Portfolio:

Average of opening and closing balance of Gross Loan Portfolio

AH. Inflation Rate:

Latest annualized CPI as reported by the State Bank of Pakistan

16. Financial Revenue Ratio:

Financial Revenue/ Average Total Assets

17. Adjusted Profit Margin:

Adjusted Net Operating Income/ Adjusted Financial Revenue

18. Yield on Gross Portfolio (Nominal):

Financial Revenue from Loan Portfolio/ Average Gross Loan Portfolio

19. Yield on Gross Portfolio (Real):

(Yield on Gross Portfolio (nominal) - Inflation Rate)/ (1 + Inflation Rate)

Definition of Terms and Indicators: Operating Expense

AI. Adjusted Total Expense:

Includes all types of actual and adjusted expenses related to operations, cost of borrowings, loan losses and inflation adjustment.

AJ. Adjusted Financial Expense:

Includes actual cost of borrowing and shadow cost of subsidized funding.

AK. Adjusted Loan Loss Provision Expense:

Loan loss provision expense calculated by PMN. Done through standardized adjustment tool using ageing of portfolio technique.

AL. Adjusted Operating Expense:

Includes actual operational expenses and in-Kind subsidy adjustments.

AM. Adjustment Expense:

Refers to the total adjustment cost related to inflation and subsidized Cost of Borrowing.

AN. Average Total Assets:

See (Y) for definition.

20. Adjusted Total Expense Ratio:

Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)/ Average Total Assets

21. Adjusted Financial Expense Ratio:

Adjusted Financial Expense/ Adjusted Average Total Assets

22. Adjusted Loan Loss Provision Expense Ratio:

Adjusted Net Loan Loss Provision Expense/ Adjusted Average Total Assets

23. Adjusted Operating Expense Ratio:

Adjusted Operating Expense/ Adjusted Average Total Assets

24. Adjustment Expense Ratio:

Net inflation, in kind, loan loss provision and subsidized cost-of-funds adjustment expense/ Adjusted Average Total Assets

Definition of Terms and Indicators: Efficiency Indicators

AO. Adjusted Operating Expense:

See (AL) for definition.

AP. Adjusted Personnel Expense:

Includes actual personnel expenses and in-Kind subsidy adjustments.

AQ. Average Gross Loan Portfolio:

See (AG) for definition.

AR. Average Number of Active Borrowers:

Average of opening and closing balance of active borrowers

AS. Average Number of Active Loans:

Average of opening and closing balance of active loans

25. Adjusted Operating Expense Ratio:

Adjusted Operating Expense/ Average Gross Loan Portfolio

26. Adjusted Personnel Expense Ratio:

Adjusted Personnel Expense/ Average Gross Loan Portfolio

27. Adjusted Cost per Borrower:

Adjusted Operating Expense/ Average Number of Active Borrowers

28. Adjusted Cost per Loan:

Adjusted Operating Expense/ Average Number of Active Loans

Definition of Terms and Indicators: Productivity Indicators

AT. Number of Active Borrowers:

See (K) for definition

AU. Number of Active Loans:

The number of loans that have been neither fully repaid nor written off, and thus that are part of the MFI's gross loan portfolio.

AV. Number of Active Savers:

See (O) for definition

AW: Total Number of Staff/Personnel:

See (D) for definition

AX: Total Number of Loan Officers:

The number of staff members who dedicate the majority of their time to direct client contact. Front office staff include more than those typically qualified as credit or loan officers. They may also include tellers, personnel who open and maintain accounts such as savings accounts for clients, delinquent loan recovery officers and others whose primary responsibilities bring them in direct contact with microfinance clients.

29. Borrowers per Staff:

Number of Active Borrowers/ Number of personnel

30. Borrowers per Loan Officers:

Number of Active Borrowers/ Number of Loan Officers

31. Loan Per Staff:

Number of Active Loans/ Number of personnel

32. Loans per Loan Officers:

Number of Active Loans/ Number of Loan Officers

33. Savers per staff:

Number of Savers/ Number of personnel

34. Personnel Allocation Ratio:

Loan Officers / Total Staff

Definition of Terms and Indicators: Risk and Liquidity Indicators

AY. Portfolio at Risk > 30 days:

Outstanding balance, loans overdue> 30 Days

AZ. Portfolio at Risk > 90 days:

Outstanding balance, loans overdue> 90 Days

BA. Adjusted Loan Loss Reserve:

Loan loss reserve calculated by PMN. Done through standardized adjustment tool using ageing of portfolio technique.

BB. Loan written of during the year:

Value of loans written-off during the year

BC. Gross Loan Portfolio:

See (J) for definition

BD: Average Gross Loan Portfolio:

See (AG) for definition.

35. Adjusted Portfolio at Risk> 30 Days

Outstanding balance, loans overdue> 30 Days/ Adjusted Gross Loan Portfolio

36. Adjusted Portfolio at Risk> 90 Days

Outstanding balance, loans overdue> 90 Days/ Adjusted Gross Loan Portfolio

37. Risk Coverage Ratio:

Adjusted Loan Loss Reserve/ PAR > 30 Days

38. Write-Off Rate:

Loans written off during the year / Average Gross Loan Portfolio

INDICATORS

1. Infrastructure

Figures in (PKR 000)

Infrastructure	MFBs						
	KB	TMFB	POMFB	FMFB	RMFB	NMFB	SUB
Age	6	1	1	5	2	2	
Total Assets	6,847,474	1,268,606	493,189	1,680,189	109,979	114,293	10,513,729
Offices	119	19	13	53	17	5	226
Personnel	1,791	426	115	527	69	68	2,996

Infrastructure	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Age	10	12	10	6	5	19	4	
Total Assets	2,004,010	108,159	242,779	134,847	48,946	138,046	224,332	2,901,119
Offices	85	14	25	9	10	2	28	173
Personnel	847	110	195	89	58	30	346	1,675

Infrastructure	RSPs				Others			
	NRSP	PRSP	SRSP	TRDP	SUB	TF	ORIX	SUB	TOTAL
Age	13	8	-	9		10	14		
Total Assets	2,247,756	1,193,006	-	351,282	3,792,044	256,858	71,760	328,618	17,535,510
Offices	581	21	-	50	652	16	6	22	1,073
Personnel	1,836	546	-	107	2,489	162	20	182	7,342

2. Financing Structure

Figures in (PKR 000)

Financing Structure	MFBs						
	KB	TMFB	POMFB	FMFB	RMFB	NMFB	SUB
Total Assets	6,847,474	1,268,606	493,189	1,680,189	109,979	114,293	10,513,729
Total Equity	1,872,699	551,864	488,766	720,280	89,305	74,559	3,797,473
Total Debt	4,974,775	716,742	4,422	959,909	20,674	39,734	6,716,256
Commercial Liabilities	522,001	222,998	-	-	-	-	744,999
Deposits/Voluntary Savings	-	473,751	-	924,575	17,788	3,727	1,419,841
Gross Loan Portfolio	2,147,612	526,097	85,292	686,909	40,490	51,433	3,537,832
							Weighted Avg.
Equity-to-Asset ratio	27.3%	43.5%	99.1%	42.9%	81.2%	65.2%	36.1%
Commercial Liabilities-to-GLP	24.3%	42.4%	0.0%	0.0%	0.0%	0.0%	21.1%
Debt-to-Equity ratio	2.7	1.3	0.0	1.3	0.2	0.5	1.8
Deposits-to-GLP	0.0%	90.1%	0.0%	134.6%	43.9%	7.2%	40.1%
Deposits-to-T.Assets	0.0%	37.3%	0.0%	55.0%	16.2%	3.3%	13.5%
GLP-to-T.Assets	31.4%	41.5%	17.3%	40.9%	36.8%	45.0%	33.6%

Financing Structure	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Total Assets	2,004,010	108,159	242,779	134,847	48,946	138,046	224,332	2,901,119
Total Equity	944,608	19,399	25,140	34,592	48,061	108,405	(15,283)	1,164,923
Total Debt	1,059,402	88,760	217,639	100,255	884	29,641	239,615	1,736,196
Commercial Liabilities	94,415	-	-	-	-	-	218,941	313,355
Deposits/Voluntary Savings	8,064	-	-	5,402	-	-	2,481	15,948
Gross Loan Portfolio	1,530,321	88,729	169,332	109,689	38,295	95,806	110,281	2,142,452
								Weighted Avg.
Equity-to-Asset ratio	47.1%	17.9%	10.4%	25.7%	98.2%	78.5%	-6.8%	40.2%
Commercial Liabilities-to-GLP	6.2%	0.0%	0.0%	0.0%	0.0%	0.0%	198.5%	14.6%
Debt-to-Equity ratio	1.12	4.6	8.7	2.9	0.02	0.3	-15.7	1.49
Deposits-to-GLP	0.5%	0.0%	0.0%	4.9%	0.0%	0.0%	2.2%	0.7%
Deposits-to-T.Assets	0.4%	0.0%	0.0%	4.0%	0.0%	0.0%	1.1%	0.5%
GLP-to-T.Assets	76.4%	82.0%	69.7%	81.3%	78.2%	69.4%	49.2%	73.8%

Figures in (PKR 000)

Financing Structure	RSPs					Others			
	NRSP	PRSP	SRSP	TRDP	SUB	TF	ORIX	SUB	TOTAL
Total Assets	2,247,756	1,193,006	-	351,282	3,792,044	256,858	71,760	328,618	17,535,510
Total Equity	529,707	665,665	-	(60,633)	1,134,739	(22,325)	3,115	(19,211)	6,077,925
Total Debt	1,718,049	527,340	-	411,916	2,657,305	279,183	68,645	347,828	11,457,585
Commercial Liabilities	202,693	178,544	-	-	381,238	-	35,784	35,784	1,475,376
Deposits/Voluntary Savings	-	-	-	-	-	13,014	-	13,014	1,448,803
Gross Loan Portfolio	1,993,573	260,389	-	339,502	2,593,464	97,573	73,778	171,351	8,445,099
					Weighted Avg.			Weighted Avg.	Weighted Avg.
Equity-to-Asset ratio	23.6%	55.8%	-	-17.3%	29.9%	-8.7%	4.3%	-5.8%	34.7%
Commercial Liabilities-to-GLP	10.2%	68.6%	-	0.0%	14.7%	0.0%	48.5%	20.9%	17.5%
Debt-to-Equity ratio	3.2	0.8	-	-6.8	2.34	-12.5	22.0	-18.11	1.9
Deposits-to-GLP	0.0%	0.0%	-	0.0%	0.0%	13.3%	0.0%	7.6%	17.2%
Deposits-to-T.Assets	0.0%	0.0%	-	0.0%	0.0%	5.1%	0.0%	4.0%	8.3%
GLP-to-T.Assets	88.7%	21.8%	-	96.6%	68.4%	38.0%	102.8%	52.1%	48.2%

3. Outreach

Figures in (PKR 000)

Outreach	MFBs						
	KB	TMFB	POMFB	FMFB	RMFB	NMFB	SUB
Number of Active Borrowers	236,917	20,038	10,418	52,308	4,363	2,454	326,498
Number of Active Women Borrowers	120,715	827	1,808	35,931	164	424	159,869
Gross Loan Portfolio	2,147,612	526,097	85,292	686,909	40,490	51,433	3,537,832
Per Capita Income	57	57	57	57	57	57	57
Number of Loans Outstanding	236,917	20,038	10,418	52,308	4,363	2,454	326,498
Number of Savers	-	24,461	-	39,154	2,786	4,490	70,891
Number of Saving Accounts	-	24,461	-	39,154	2,786	4,490	70,891
Number of Women Savers	-	-	-	6,648	341	495	7,484
Saving outstanding	-	473,751	-	924,575	17,788	3,727	1,419,841
							Weighted Avg.
Number of Active Women Borrowers/T. Active Borrowers	51.0%	4.1%	17.4%	68.7%	3.8%	17.3%	49.0%
Average Loan Balance per Active Borrower (Rs. In 000)	9.1	26.3	8.2	13.1	9.3	21.0	10.8
Avg. Loan Bal. per Active Borrower/per Capita Income	15.9%	46.1%	14.4%	23.0%	16.3%	36.8%	19.0%
Avg. Outstanding Balance (Rs. In 000)	9.1	26.3	8.2	13.1	9.3	21.0	10.8
Avg. Outstanding Balance/per capita income	15.9%	46.1%	14.4%	23.0%	16.3%	36.8%	19.0%
Percentage of Women Savers-to-Total Active Savers	0.0%	0.00%	0.00%	16.98%	12.24%	11.02%	10.56%
Average Saving Balance per Active Saver (Rs. In 000)	0.0	19.4	0.0	23.6	6.4	0.8	20.0
Active Savings Account Balance (Rs. In 000)	-	19.4	-	23.6	6.4	0.8	20.0

Figures in (PKR 000)

Outreach

	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Number of Active Borrowers	133,690	14,018	25,478	13,722	6,069	12,002	12,512	217,491
Number of Active Women Borrowers	131,491	5,706	25,478	13,722	2,968	1,848	12,512	193,725
Gross Loan Portfolio	1,530,321	88,729	169,332	109,689	38,295	95,806	110,281	2,142,452
Per Capita Income	57	57	57	57	57	57	57	57
Number of Loans Outstanding	181,225	14,018	25,478	13,722	6,069	12,002	16,625	269,139
Number of Savers	106,952	-	-	13,722	-	-	11,884	132,558
Number of Saving Accounts	106,952	-	-	13,722	-	-	11,884	132,558
Number of Women Savers	106,952	-	-	13,722	-	-	11,884	132,558
Saving Outstanding	8,064	-	-	5,402	-	-	2,481	15,948
								Weighted Avg.
Number of Active Women Borrowers/T. Active Borrowers	98.4%	40.7%	100.0%	100.0%	48.9%	15.4%	100.0%	89.1%
Average Loan Balance per Active Borrower (Rs. In 000)	11.4	6.3	6.6	8.0	6.3	8.0	8.8	9.9
Avg. Loan Bal. per Active Borrower/per Capita Income	20.1%	11.1%	11.7%	14.0%	11.1%	14.0%	15.5%	17.3%
Avg. Outstanding Balance (Rs. In 000)	8.4	6.3	6.6	8.0	6.3	8.0	6.6	8.0
Avg. Outstanding Balance/per capita income	14.8%	11.1%	11.7%	14.0%	11.1%	14.0%	11.6%	14.0%
Percentage of Women Savers-to-Total Active Savers	100.0%	0.00%	0.00%	100.0%	0.0%	0.00%	100.0%	100.00%
Average Saving Balance per Active Saver (Rs. In 000)	0.1	-	0.0	0.4	0.0	-	0.2	0.1
Active Savings Account Balance (Rs. In 000)	0.1	-	-	0.4	0.0	-	0.2	0.1

Figures in (PKR 000)

Outreach

	RSPs					Others			
	NRSP	PRSP	SRSP	TRDP	SUB	TF	ORIX	SUB	TOTAL
Number of Active Borrowers	190,846	41,860	-	42,932	275,638	12,203	3,630	15,833	835,460
Number of Active Women Borrowers	52,383	6,006	-	12,880	71,269	6,261	2,998	9,259	434,122
Gross Loan Portfolio	1,993,573	260,389	-	339,502	2,593,464	97,573	73,778	171,351	8,445,099
Per Capita Income	57	57	-	57	57	57	57	57	57
Number of Loans Outstanding	190,846	41,860	-	42,932	275,638	12,203	3,630	15,833	887,108
Number of Savers	667,079	270,000	-	196,854	1,133,933	27,088	-	27,088	1,364,470
Number of Saving Accounts	52,506	270,000	-	196,854	519,360	27,088	-	27,088	749,897
Number of Women Savers	223,366	106,896	-	59,056	389,318	12,760	-	12,760	542,120
Saving Outstanding	741,620	51,840	-	107,120	900,580	13,014	-	13,014	2,349,383
					Weighted Avg.			Weighted Avg.	Weighted Avg.
Number of Active Women Borrowers/T. Active Borrowers	27.4%	14.3%	-	30.0%	25.9%	51.3%	82.6%	58.5%	52.0%
Average Loan Balance per Active Borrower (Rs. In 000)	10.4	6.2	-	7.9	9.4	8.0	20.3	10.8	10.1
Avg. Loan Bal. per Active Borrower/per Capita Income	18.3%	10.9%	-	13.9%	16.5%	14.0%	35.7%	19.0%	17.7%
Avg. Outstanding Balance (Rs. In 000)	10.4	6.2	-	7.9	9.4	8.0	20.3	10.8	9.5
Avg. Outstanding Balance/per capita income	18.3%	10.9%	-	13.9%	16.5%	14.0%	35.7%	19.0%	16.7%
Percentage of Women Savers-to-Total Active Savers	33.5%	39.6%	-	30.0%	34.33%	47.1%	0.0%	0.0%	39.73%
Average Saving Balance per Active Saver (Rs. In 000)	1.1	0.2	-	0.5	0.8	0.5	0.0	0.0	1.7
Active Savings Account Balance (Rs. In 000)	14.1	0.2	-	0.5	1.7	0.5	0.0	-	3.1

4. Financial Performance

Figures in (PKR 000)

Financial Performance	MFBs						
	KB	TMFB	POMFB	FMFB	RMFB	NMFB	SUB
Financial Revenue from Loan Portfolio	382,108	65,013	4,183	134,382	7,273	12,862	605,821
Financial Revenue from Other Financial Assets	302,763	38,995	31,577	82,819	7,261	9,444	472,859
Other Revenue from Financial Services	-	795	6	676	28	-	1,505
Financial Revenue	684,871	104,803	35,766	217,877	14,562	22,307	1,080,185
Less : Financial Expense	158,543	9,423	-	39,347	597	1,707	209,617
Gross Financial Margin	526,328	95,380	35,766	178,530	13,964	20,599	870,567
Less: Loan Loss Provision Expense	136,028	7,941	1,279	6,660	3,885	2,729	158,523
Net Financial Margin	390,300	87,439	34,486	171,870	10,079	17,870	712,045
Personnel Expense	339,138	125,607	25,618	74,341	9,077	13,670	587,450
Admin Expense	273,901	55,520	18,071	71,747	9,977	11,385	440,601
Less: Operating Expense	613,039	181,127	43,689	146,088	19,053	25,055	1,028,051
Net Income before taxation	(222,739)	(93,688)	(9,202)	25,782	(8,974)	(7,185)	(316,006)
Provision for Taxation	9,343	(36,577)	(6,049)	10,550	68	121	(22,544)
Net Income/(Loss) Before Adjustments	(232,082)	(57,111)	(3,154)	15,232	(9,042)	(7,306)	(293,462)
Adjusted Financial Expense on Borrowings	165,698	-	-	-	-	-	165,698
Inflation Adjustment Expense	147,845	-	-	59,480	7,896	5,938	221,159
Adjusted Loan Loss Provision Expense	-	-	-	-	-	-	-
Adjusted Operating Expense	-	-	-	-	-	-	-
Total Adjustment Expense	313,543	-	-	59,480	7,896	5,938	386,857
Net Income/(Loss) After Adjustments	(545,625)	(57,111)	(3,154)	(44,248)	(16,938)	(13,244)	(680,320)
Average Total Assets	6,505,497	943,518	246,594	1,570,417	112,301	111,305	9,489,632
Average Total Equity	1,876,588	577,811	244,383	707,273	92,623	78,212	3,576,892
							weighted avg.
Adjusted Return-on-Assets	-8.4%	-6.1%	-1.3%	-2.8%	-15.1%	-11.9%	-7.2%
Adjusted Return-on-Equity	-29.1%	-9.9%	-1.3%	-6.3%	-18.3%	-16.9%	-19.0%
Operational Self-Sufficiency	75.5%	52.8%	79.5%	113.4%	61.9%	75.6%	77.4%
Financial Self-Sufficiency	56.1%	52.8%	79.5%	86.6%	46.3%	63.0%	60.6%

Figures in (PKR 000)

Financial Performance

	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Financial Revenue from Loan Portfolio	326,835	14,707	42,554	21,771	3,398	6,988	24,065	440,318
Financial Revenue from Other Financial Assets	32,245	33	2,774	413	87	14,163	234	49,948
Other Revenue from Financial Services	651	56	-	48	-	150	3,516	4,420
Financial Revenue	359,731	14,795	45,328	22,232	3,485	21,301	27,814	494,686
Less : Financial Expense	42,094	4,148	11,256	6,046	-	2,338	12,296	78,178
Gross Financial Margin	317,636	10,647	34,072	16,186	3,485	18,963	15,518	416,508
Less: Loan Loss Provision Expense	16,958	1,167	7,405	1,222	189	1,884	1,235	30,061
Net Financial Margin	300,678	9,480	26,667	14,964	3,295	17,078	14,284	386,447
Personnel Expense	120,669	12,396	24,301	19,704	3,242	4,393	22,229	206,935
Admin Expense	53,219	6,097	11,772	20,957	1,333	9,337	13,077	115,793
Less: Operating Expense	173,888	18,493	36,073	40,660	4,576	13,730	35,306	322,727
Net Income before taxation	126,790	(9,014)	(9,405)	(25,696)	(1,281)	3,348	(21,023)	63,720
Provision for Taxation	-	-	-	-	-	-	143	143
Net Income/(Loss) Before Adjustments	126,790	(9,014)	(9,405)	(25,696)	(1,281)	3,348	(21,165)	63,577
Adjusted Financial Expense on Borrowings	13,433	86	-	-	-	-	-	13,519
Inflation Adjustment Expense	49,542	905	682	862	1,824	6,544	-	60,359
Adjusted Loan Loss Provision Expense	-	545	-	-	-	-	-	545
Adjusted Operating Expense	-	-	-	-	-	-	-	-
Total Adjustment Expense	62,975	1,535	682	862	1,824	6,544	-	74,422
Net Income/(Loss) After Adjustments	63,815	(10,548)	(10,088)	(26,558)	(3,104)	(3,196)	(21,165)	(10,845)
Average Total Assets	1,617,097	85,694	185,491	106,500	35,093	124,921	140,607	2,295,403
Average Total Equity	774,949	17,583	21,724	24,649	34,307	91,918	(11,775)	953,356
								weighted avg.
Adjusted Return-on-Assets	3.9%	-12.3%	-5.4%	-24.9%	-8.8%	-2.6%	-15.1%	-0.5%
Adjusted Return-on-Equity	8.2%	-60.0%	-46.4%	-107.7%	-9.0%	-3.5%	-179.7%	-1.1%
Operational Self-Sufficiency	154.4%	62.1%	82.8%	46.4%	73.1%	118.6%	57.0%	114.8%
Financial Self-Sufficiency	121.6%	58.4%	81.8%	45.6%	52.9%	87.0%	57.0%	97.9%

Figures in (PKR 000)

Financial Performance	RSPs					Others			
	NRSP	PRSP	SRSP	TRDP	SUB	TF	ORIX	SUB	TOTAL
Financial Revenue from Loan Portfolio	321,955	38,320	-	45,554	405,828	29,845	12,090	41,935	1,493,902
Financial Revenue from Other Financial Assets	19,028	68,764	-	1,058	88,850	-	-	-	611,657
Other Revenue from Financial Services	10,592	-	-	-	10,592	-	-	-	16,517
Financial Revenue	351,574	107,084	-	46,612	505,270	29,845	12,090	41,935	2,122,076
Less : Financial Expense	96,926	34,667	-	22,040	153,633	13,295	5,942	19,237	460,666
Gross Financial Margin	254,648	72,417	-	24,573	351,637	16,550	6,148	22,698	1,661,410
Less: Loan Loss Provision Expense	4,133	8,010	-	51,431	63,573	49,762	697	50,459	302,616
Net Financial Margin	250,515	64,407	-	(26,858)	288,064	(33,212)	5,451	(27,761)	1,358,794
Personnel Expense	179,988	56,853	-	27,265	264,107	23,051	2,638	25,689	1,084,180
Admin Expense	120,110	45,080	-	47,105	212,296	20,587	1,903	22,490	791,179
Less: Operating Expense	300,098	101,934	-	74,370	476,402	43,638	4,541	48,179	1,875,359
Net Income before taxation	(49,584)	(37,526)	-	(101,228)	(188,339)	(76,850)	910	(75,940)	(516,566)
Provision for Taxation	-	-	-	-	-	-	-	-	(22,401)
Net Income/(Loss) Before Adjustments	(49,584)	(37,526)	-	(101,228)	(188,339)	(76,850)	910	(75,940)	(494,164)
Adjusted Financial Expense on Borrowings	10,172	-	-	3,180	13,352	7,121	-	7,121	199,690
Inflation Adjustment Expense	17,988	49,877	-	2,424	70,289	-	90	90	351,898
Adjusted Loan Loss Provision Expense	-	-	-	-	-	-	-	-	545
Adjusted Operating Expense	-	-	-	-	-	-	-	-	-
Total Adjustment Expense	28,160	49,877	-	5,604	83,641	7,121	90	7,212	552,132
Net Income/(Loss) After Adjustments	(77,744)	(87,404)	-	(106,832)	(271,980)	(83,971)	819	(83,152)	(1,046,297)
Average Total Assets	1,985,165	1,183,906	-	332,549	3,501,620	286,748	72,673	359,420	15,646,074
Average Total Equity	386,589	631,647	-	(30,997)	987,240	(10,418)	2,066	-8,352	5,509,135
					weighted avg.			weighted avg.	weighted avg.
Adjusted Return-on-Assets	-3.9%	-7.4%	-	-32.1%	-7.8%	-29.3%	1.1%	-23.1%	-6.7%
Adjusted Return-on-Equity	-20.1%	-13.8%	-	344.7%	-27.5%	0.0%	39.7%	-	-19.0%
Operational Self-Sufficiency	87.6%	74.0%	-	31.5%	72.8%	28.0%	108.1%	35.6%	80.4%
Financial Self-Sufficiency	81.9%	55.1%	-	30.4%	65.0%	26.2%	107.3%	33.5%	66.5%

5. Operating Income

Figures in (PKR 000)

Operating Income

	MFBs						
	KB	TMFB	POMFB	FMFB	RMFB	NMFB	SUB
Financial Revenue from Loan Portfolio	382,108	65,013	4,183	134,382	7,273	12,862	605,821
Financial Revenue	684,871	104,803	35,766	217,877	14,562	22,307	1,080,185
Adjusted Net Operating Income / (Loss)	(536,282)	(93,688)	(9,202)	(33,699)	(16,870)	(13,123)	(702,864)
Average Total Assets	6,505,497	943,518	246,594	1,570,417	112,301	111,305	9,489,632
Gross Loan Portfolio, Opening Balance	1,923,245	-	-	362,693	19,622	38,853	2,344,414
Gross Loan Portfolio, Closing Balance	2,147,612	526,097	85,292	686,909	40,490	51,433	3,537,832
Average Gross Loan Portfolio	2,035,429	263,049	42,646	524,801	30,056	45,143	2,941,123
Inflation Rate	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.90%
							weighted avg.
Financial Revenue Ratio (Financial Revenue-to-Average Total Assets)	10.5%	11.1%	14.5%	13.9%	13.0%	20.0%	11.4%
Adjusted Profit Margin (Adjusted Profit/(loss)-to-Financial Revenue)	-78.3%	-89.4%	-25.7%	-15.5%	-115.8%	-58.8%	-65.1%
Yield on Gross Portfolio (nominal)	18.8%	24.7%	9.8%	25.6%	24.2%	28.5%	20.6%
Yield on Gross Portfolio (real)	9.1%	14.5%	0.8%	15.3%	14.0%	18.0%	10.7%

Operating Income

	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Financial Revenue from Loan Portfolio	326,835	14,707	42,554	21,771	3,398	6,988	24,065	440,318
Financial Revenue	359,731	14,795	45,328	22,232	3,485	21,301	27,814	494,686
Adjusted Net Operating Income / (Loss)	63,815	(10,548)	(10,088)	(26,558)	(3,104)	(3,196)	(21,023)	(10,703)
Average Total Assets	1,617,097	85,694	185,491	106,500	35,093	124,921	140,607	2,295,403
Gross Loan Portfolio, Opening Balance	774,430	43,191	93,039	62,346	18,187	64,027	48,677	1,103,896
Gross Loan Portfolio, Closing Balance	1,530,321	88,729	169,332	109,689	38,295	95,806	110,281	2,142,452
Average Gross Loan Portfolio	1,152,375	65,960	131,185	86,017	28,241	79,916	79,479	1,623,174
Inflation Rate	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.90%
								weighted avg.
Financial Revenue Ratio (Financial Revenue-to-Average Total Assets)	22.2%	17.3%	24.4%	20.9%	9.9%	17.1%	19.8%	21.6%
Adjusted Profit Margin (Adjusted Profit/(loss)-to-Financial Revenue)	17.7%	-71.3%	-22.3%	-119.5%	-89.1%	-15.0%	-75.6%	-2.2%
Yield on Gross Portfolio (nominal)	28.4%	22.3%	32.4%	25.3%	12.0%	8.7%	30.3%	27.1%
Yield on Gross Portfolio (real)	17.9%	12.3%	21.6%	15.1%	2.9%	-0.1%	19.6%	16.7%

Figures in (PKR 000)

Operating Income

	RSPs					Others			
	NRSP	PRSP	SRSP	TRDP	SUB	TF	ORIX	SUB	TOTAL
Financial Revenue from Loan Portfolio	321,955	38,320	-	45,554	405,828	29,845	12,090	41,935	1,493,902
Financial Revenue	351,574	107,084	-	46,612	505,270	29,845	12,090	41,935	2,122,076
Adjusted Net Operating Income / (Loss)	(77,744)	(87,404)	-	(106,832)	(271,980)	(83,971)	819	-83,152	(1,068,698)
Average Total Assets	1,985,165	1,183,906	-	332,549	3,501,620	286,748	72,673	359,420	15,646,074
Gross Loan Portfolio, Opening Balance	1,232,198	281,739	-	287,019	1,800,955	278,236	74,585	352,821	5,602,086
Gross Loan Portfolio, Closing Balance	1,993,573	260,389	-	339,502	2,593,464	97,573	73,778	171,351	8,445,099
Average Gross Loan Portfolio	1,612,885	271,064	-	313,260	2,197,210	187,905	74,182	262,086	7,023,593
Inflation Rate	8.9%	8.9%	-	8.9%	8.90%	8.9%	8.9%	8.90%	8.9%
					weighted avg.			weighted avg.	weighted avg.
Financial Revenue Ratio (Financial Revenue-to-Average Total Assets)	17.7%	9.0%	-	14.0%	14.4%	10.4%	16.6%	11.7%	13.6%
Adjusted Profit Margin (Adjusted Profit/(loss)-to-Financial Revenue)	-22.1%	-81.6%	-	-229.2%	-53.8%	-281.4%	6.8%	-198.3%	-50.4%
Yield on Gross Portfolio (nominal)	20.0%	14.1%	-	14.5%	18.5%	15.9%	16.3%	16.0%	21.3%
Yield on Gross Portfolio (real)	10.2%	4.8%	-	5.2%	8.8%	6.4%	6.8%	6.5%	11.4%

6. Operating Expense

Figures in (PKR 000)

Operating Expense

	MFBs						
	KB	TMFB	POMFB	FMFB	RMFB	NMFB	SUB
Adjusted Total Expense	1,221,153	198,491	44,968	251,575	31,431	35,429	1,783,048
Adjusted Financial Expense	472,086	9,423	-	98,827	8,493	7,645	596,475
Adjusted Loan Loss Provision Expense	136,028	7,941	1,279	6,660	3,885	2,729	158,523
Adjusted Operating Expense	613,039	181,127	43,689	146,088	19,053	25,055	1,028,051
Adjustment Expense	313,543	-	-	59,480	7,896	5,938	386,857
Average Total Assets	6,505,497	943,518	246,594	1,570,417	112,301	111,305	9,489,632
							Weighted avg.
Adjusted Total Expense-to-Average Total Assets	18.8%	21.0%	18.2%	16.0%	28.0%	31.8%	18.8%
Adjusted Financial Expense-to-AverageTotal Assets	7.3%	1.0%	0.0%	6.3%	7.6%	6.9%	6.3%
Adjusted Loan Loss Provision Expense-to-Avg Total Assets	2.1%	0.8%	0.5%	0.4%	3.5%	2.5%	1.7%
Adjusted Operating Expense-to-Average Total Assets	9.4%	19.2%	17.7%	9.3%	17.0%	22.5%	10.8%
Adjusted Personnel Expense	4.5%	13.3%	10.4%	4.7%	8.1%	12.3%	6.2%
Adjusted Admin Expense	4.9%	5.9%	7.3%	4.6%	8.9%	10.2%	4.6%
Adjustment Expense-to-Average Total Assets	4.8%	0.0%	0.0%	3.8%	7.0%	5.3%	4.1%

Figures in (PKR 000)

Operating Expense

	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Adjusted Total Expense	295,916	25,343	55,416	48,791	6,589	24,497	48,837	505,389
Adjusted Financial Expense	105,070	5,139	11,939	6,908	1,824	8,882	12,296	152,056
Adjusted Loan Loss Provision Expense	16,958	1,711	7,405	1,222	189	1,884	1,235	30,605
Adjusted Operating Expense	173,888	18,493	36,073	40,660	4,576	13,730	35,306	322,727
Adjustment Expense	62,975	1,535	682	862	1,824	6,544	-	74,422
Average Total Assets	1,617,097	85,694	185,491	106,500	35,093	124,921	140,607	2,295,403
								Weighted avg.
Adjusted Total Expense-to-Average Total Assets	18.3%	29.6%	29.9%	45.8%	18.8%	19.6%	34.7%	22.0%
Adjusted Financial Expense-to-AverageTotal Assets	6.5%	6.0%	6.4%	6.5%	5.2%	7.1%	8.7%	6.6%
Adjusted Loan Loss Provision Expense-to-Avg Total Assets	1.0%	2.0%	4.0%	1.1%	0.5%	1.5%	0.9%	1.3%
Adjusted Operating Expense-to-Average Total Assets	10.8%	21.6%	19.4%	38.2%	13.0%	11.0%	25.1%	14.1%
Adjusted Personnel Expense	7.5%	14.5%	13.1%	18.5%	9.2%	3.5%	15.8%	9.0%
Adjusted Admin Expense	3.3%	7.1%	6.3%	19.7%	3.8%	7.5%	9.3%	5.0%
Adjustment Expense-to-Average Total Assets	3.9%	1.8%	0.4%	0.8%	5.2%	5.2%	0.0%	3.2%

Operating Expense

	RSPs					Others			
	NRSP	PRSP	SRSP	TRDP	SUB	TF	ORIX	SUB	TOTAL
Adjusted Total Expense	429,318	194,488	-	153,444	777,250	113,817	11,271	125,087	3,190,774
Adjusted Financial Expense	125,086	84,544	-	27,644	237,274	20,416	6,033	26,449	1,012,254
Adjusted Loan Loss Provision Expense	4,133	8,010	-	51,431	63,573	49,762	697	50,459	303,161
Adjusted Operating Expense	300,098	101,934	-	74,370	476,402	43,638	4,541	48,179	1,875,359
Adjustment Expense	28,160	49,877	-	5,604	83,641	7,121	90	7,212	552,132
Average Total Assets	1,985,165	1,183,906	-	332,549	3,501,620	286,748	72,673	359,420	15,646,074
					Weighted avg.			Weighted avg.	Weighted avg.
Adjusted Total Expense-to-Average Total Assets	21.6%	16.4%	-	46.1%	22.2%	39.7%	15.5%	34.8%	20.4%
Adjusted Financial Expense-to-AverageTotal Assets	6.3%	7.1%	-	8.3%	6.8%	7.1%	8.3%	7.4%	6.5%
Adjusted Loan Loss Provision Expense-to-Avg Total Assets	0.2%	0.7%	-	15.5%	1.8%	17.4%	1.0%	14.0%	1.9%
Adjusted Operating Expense-to-Average Total Assets	15.1%	8.6%	-	22.4%	13.6%	15.2%	6.2%	13.4%	12.0%
Adjusted Personnel Expense	9.1%	4.8%	-	8.2%	7.5%	8.0%	3.6%	7.1%	6.9%
Adjusted Admin Expense	6.1%	3.8%	-	14.2%	6.1%	7.2%	2.6%	6.3%	5.1%
Adjustment Expense-to-Average Total Assets	1.4%	4.2%	-	1.7%	2.4%	2.5%	0.1%	2.0%	3.5%

7. Operating Efficiency

Figures in (PKR 000)

Operating Efficiency

Operating Efficiency	MFBs						
	KB	TMFB	POMFB	FMFB	RMFB	NMFB	SUB
Adjusted Operating Expense	613,039	181,127	43,689	146,088	19,053	25,055	1,028,051
Adjusted Personnel Expense	339,138	125,607	25,618	74,341	9,077	13,670	587,450
Average Gross Loan Portfolio	2,035,429	263,049	42,646	524,801	30,056	45,143	2,941,123
Average Number of Active Borrowers/Clients	232,045	22,250	5,209	68,163	4,463	4,578	336,706
Average Number of Active Loans/(Deposits)	232,045	22,250	5,209	68,163	4,463	4,578	336,706
							weighted avg.
Adjusted Operating Expense-to-Average Gross Loan Portfolio	30.12%	68.9%	102.4%	27.8%	63.4%	55.5%	35.0%
Adjusted Personnel Expense-to-Average Gross Loan Portfolio	16.66%	47.8%	60.1%	14.2%	30.2%	30.3%	20.0%
Average Salary/Per capita	5.5	12.1	2.5	7.1	7.5	10.8	7.9
Adjusted Cost per Borrower (Rs. In 000)	2.6	8.1	8.4	2.1	4.3	5.5	3.1
Adjusted Cost per Loan (Rs.in 000)	2.6	8.1	8.4	2.1	4.3	5.5	3.1

Operating Efficiency

Operating Efficiency	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Adjusted Operating Expense	173,888	18,493	36,073	40,660	4,576	13,730	35,306	322,727
Adjusted Personnel Expense	120,669	12,396	24,301	19,704	3,242	4,393	22,229	206,935
Average Gross Loan Portfolio	1,152,375	65,960	131,185	86,017	28,241	79,916	79,479	1,623,174
Average Number of Active Borrowers/Clients	104,605	11,492	20,523	9,765	4,546	9,494	9,460	169,884
Average Number of Active Loans/(Deposits)	143,512	11,492	20,523	9,765	4,546	9,494	12,559	211,890
								weighted avg.
Adjusted Operating Expense-to-Average Gross Loan Portfolio	15.1%	28.0%	27.5%	47.3%	16.2%	17.2%	44.4%	19.9%
Adjusted Personnel Expense-to-Average Gross Loan Portfolio	10.5%	18.8%	18.5%	22.9%	11.5%	5.5%	28.0%	12.7%
Average Salary/Per capita	7.4	5.6	2.3	1.9	3.3	3.3	7.0	8.6
Adjusted Cost per Borrower (Rs. In 000)	1.7	1.6	1.8	4.2	1.0	1.4	3.7	1.9
Adjusted Cost per Loan (Rs.in 000)	1.2	1.6	1.8	4.2	1.0	1.4	2.8	1.5

Figures in (PKR 000)

Operating Efficiency

	RSPs					Others			
	NRSP	PRSP	SRSP	TRDP	SUB	TF	ORIX	SUB	TOTAL
Adjusted Operating Expense	300,098	101,934	-	74,370	476,402	43,638	4,541	48,179	1,875,359
Adjusted Personnel Expense	179,988	56,853	-	27,265	264,107	23,051	2,638	25,689	1,084,180
Average Gross Loan Portfolio	1,612,885	271,064	-	313,260	2,197,210	187,905	74,182	262,086	7,023,593
Average Number of Active Borrowers/Clients	142,537	44,858	-	37,735	225,129	18,710	3,822	22,532	754,250
Average Number of Active Loans/(Deposits)	142,537	44,858	-	37,735	225,129	18,710	4,170	22,880	796,604
					weighted avg.			weighted avg.	weighted avg.
Adjusted Operating Expense-to-Average Gross Loan Portfolio	18.6%	37.6%	-	23.7%	21.7%	23.2%	6.1%	18.4%	26.7%
Adjusted Personnel Expense-to-Average Gross Loan Portfolio	11.2%	21.0%	-	8.7%	12.0%	12.3%	3.6%	9.8%	15.4%
Average Salary/Per capita	5.5	4.0	-	14.3	5.3	3.7	5.3	14.5	6.7
Adjusted Cost per Borrower (Rs. In 000)	2.1	2.3	-	2.0	2.1	2.3	1.2	2.1	2.5
Adjusted Cost per Loan (Rs.in 000)	2.1	2.3	-	2.0	2.1	2.3	1.1	2.1	2.4

8. Productivity

Figures in (PKR 000)

Productivity

	MFBs						
	KB	TMFB	POMFB	FMFB	RMFB	NMFB	SUB
Number of Active Borrowers	236,917	20,038	10,418	52,308	4,363	2,454	326,498
Number of Active Loans	236,917	20,038	10,418	52,308	4,363	2,454	326,498
Number of Active Savers	-	24,461	-	39,154	2,786	4,490	70,891
Number of Saving Accounts	-	24,461	-	39,154	2,786	4,490	70,891
Total Number of Staff	1,791	426	115	527	69	68	2,996
Total Number of Loan Officers	644	319	57	270	34	15	1,339
							weighted avg.
Borrowers per staff	132	47	91	99	63	36	109
Loans per staff	132	47	91	99	63	36	109
Borrowers per loan officer	368	63	183	194	128	164	244
Loans per Loan Officer	368	63	183	194	128	164	244
Savers Per staff	-	57	-	74	40	66	24
Saving accounts per staff	-	57	-	74	40	66	24
Personnel Allocation Ratio	36.0%	74.9%	49.6%	51.2%	49.3%	22.1%	44.7%

Productivity

	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Number of Active Borrowers	133,690	14,018	25,478	13,722	6,069	12,002	12,512	217,491
Number of Active Loans	181,225	14,018	25,478	13,722	6,069	12,002	16,625	269,139
Number of Active Savers	106,952	-	-	13,722	-	-	11,884	132,558
Number of Saving Accounts	106,952	-	-	13,722	-	-	11,884	132,558
Total Number of Staff	847	110	195	89	58	30	346	1,675
Total Number of Loan Officers	557	44	150	58	53	14	252	1,128
								weighted avg.
Borrowers per staff	158	127	131	154	105	400	36	130
Loans per staff	214	127	131	154	105	400	48	161
Borrowers per loan officer	240	319	170	237	115	857	50	193
Loans per Loan Officer	325	319	170	237	115	857	66	239
Savers Per staff	126	-	-	154	-	-	34	79
Saving accounts per staff	126	-	-	154	-	-	34	79
Personnel Allocation Ratio	65.8%	40.0%	76.9%	65.2%	91.4%	46.7%	72.8%	67.3%

Figures in (PKR 000)

Productivity

	RSPs					Others			
	NRSP	PRSP	SRSP	TRDP	SUB	TF	ORIX	SUB	TOTAL
Number of Active Borrowers	190,846	41,860	-	42,932	275,638	12,203	3,630	15,833	835,460
Number of Active Loans	190,846	41,860	-	42,932	275,638	12,203	3,630	15,833	887,108
Number of Active Savers	667,079	270,000	-	196,854	1,133,933	27,088	-	27,088	1,364,470
Number of Saving Accounts	52,686	270,000	-	196,854	519,540	27,088	-	27,088	750,077
Total Number of Staff	1,836	546	-	107	2,489	162	20	182	7,342
Total Number of Loan Officers	1,495	398	-	80	1,973	63	10	73	4,513
					weighted avg.			weighted avg.	weighted avg.
Borrowers per staff	104	77	-	401	111	75	182	87	114
Loans per staff	104	77	-	401	111	75	182	87	121
Borrowers per loan officer	128	105	-	537	140	194	363	217	185
Loans per Loan Officer	128	105	-	537	140	194	363	217	197
Savers Per staff	363	495	-	1,840	456	167	-	149	186
Saving accounts per staff	29	495	-	1,840	209	167	-	149	102
Personnel Allocation Ratio	81.4%	72.9%	-	74.8%	79.3%	38.9%	50.0%	40.1%	61.5%

9. Risk

Figures in (PKR 000)

Risk

Risk	MFBs						
	KB	TMFB	POMFB	FMFB	RMFB	NMFB	SUB
Portfolio at Risk > 30 days	46,674	-	-	5,482	7,299	4,067	63,523
Portfolio at Risk > 90 days	26,058	-	-	2,526	3,288	1,286	33,157
Adjusted Loan Loss Reserve	65,128	7,895	1,279	12,693	3,546	3,424	93,966
Loan written off during the year	146,520	46	-	2,934	731	1,146	151,377
Gross Loan Portfolio	2,147,612	526,097	85,292	686,909	40,490	51,433	3,537,832
Average Gross Loan Portfolio	2,035,429	263,049	42,646	524,801	30,056	45,143	2,941,123
							weighted avg.
Portfolio at Risk(>30)-to-Gross Loan Portfolio	2.2%	0.0%	0.0%	0.8%	18.0%	7.9%	1.8%
Portfolio at Risk(>90)-to-Gross Loan Portfolio	1.2%	0.0%	0.0%	0.4%	8.1%	2.5%	0.9%
Write off-to-Average Gross Loan Portfolio	7.2%	0.0%	0.0%	0.6%	2.4%	2.5%	5.1%
Risk Coverage Ratio (Adjusted Loan Loss Reserve-to-Portfolio at Risk>30days)	139.5%	0.0%	0.0%	231.5%	48.6%	84.2%	147.9%
Non earning liquid assets-to-total assets	0.1%	0.6%	0.6%	0.6%	0.9%	2.9%	1.1%

Risk

Risk	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Portfolio at Risk > 30 days	789	3,043	11,306	1,207	251	478	-	17,074
Portfolio at Risk > 90 days	-	1,943	7,887	239	-	-	-	10,069
Adjusted Loan Loss Reserve	30,904	1,711	6,890	2,194	291	-	2,208	44,198
Loan written off during the year	2,126	521	3,307	-	35	1,896	-	7,885
Gross Loan Portfolio	1,530,321	88,729	169,332	109,689	38,295	95,806	110,281	2,142,452
Average Gross Loan Portfolio	1,152,375	65,960	131,185	86,017	28,241	79,916	79,479	1,623,174
								weighted avg.
Portfolio at Risk(>30)-to-Gross Loan Portfolio	0.1%	3.4%	6.7%	1.1%	0.7%	0.5%	0.0%	0.8%
Portfolio at Risk(>90)-to-Gross Loan Portfolio	0.0%	2.2%	4.7%	0.2%	0.0%	0.0%	0.0%	0.5%
Write off-to-Average Gross Loan Portfolio	0.2%	0.8%	2.5%	0.0%	0.1%	2.4%	0.0%	0.5%
Risk Coverage Ratio (Adjusted Loan Loss Reserve-to-Portfolio at Risk>30days)	3916.6%	56.2%	60.9%	181.8%	116.1%	0.0%	0.0%	258.9%
Non earning liquid assets-to-total assets	3.7%	0.1%	0.6%	0.6%	12.5%	18.5%	11.9%	9.3%

Figures in (PKR 000)

Risk	RSPs					Others			
	NRSP	PRSP	SRSP	TRDP	SUB	TF	ORIX	SUB	TOTAL
Portfolio at Risk > 30 days	16,284	6,874	-	46,505	69,662	42,560	2,002	44,562	194,821
Portfolio at Risk > 90 days	14,240	-	-	19,375	33,615	30,846	1,838	32,685	109,525
Adjusted Loan Loss Reserve	78,019	76,324	-	34,428	188,771	49,762	2,018	51,781	378,716
Loan written off during the year	22,251	-	-	23,704	45,955	-	-	-	205,216
Gross Loan Portfolio	1,993,573	260,389	-	339,502	2,593,464	97,573	73,778	171,351	8,445,099
Average Gross Loan Portfolio	1,612,885	271,064	-	313,260	2,197,210	187,905	74,182	262,086	7,023,593
					weighted avg.			weighted avg.	weighted avg.
Portfolio at Risk(>30)-to-Gross Loan Portfolio	0.8%	2.6%	-	13.7%	2.7%	43.6%	2.7%	26.0%	2.3%
Portfolio at Risk(>90)-to-Gross Loan Portfolio	0.7%	0.0%	-	5.7%	1.3%	31.6%	2.5%	19.1%	1.3%
Write off-to-Average Gross Loan Portfolio	1.4%	0.0%	-	7.6%	2.1%	0.0%	0.0%	0.0%	2.9%
Risk Coverage Ratio (Adjusted Loan Loss Reserve-to-Portfolio at Risk>30days)	479.1%	1110.4%	-	74.0%	271.0%	116.9%	100.8%	116.2%	194.4%
Non earning liquid assets-to-total assets	12.3%	33.1%	-	0.0%	28.3%	13.9%	0.0%	0.0%	18.1%

Reporting Organizations

Category	MFP	Reporting Period		
		2006	2005	2004
MFB Microfinance Bank licensed and prudentially regulated by the State Bank of Pakistan to exclusively service microfinance market	Khushhali Bank (KB)	✓	✓	✓
	Network MicroFinance Bank Ltd. (NMFB)	✓	✓	X
	Pak- Oman Microfinance Bank Ltd. (POMFB)	✓	X	X
	Rozgar Microfinance Bank Ltd. (RMFB)	✓	✓	X
	Tameer Microfinance Bank Ltd. (TMFB)	✓	X	X
	The First MicroFinanceBank Ltd. (FMFB)	✓	✓	✓
MFI Microfinance institution providing specialized microfinance services	Akhuwat	✓	✓	X
	Asasah	✓	✓	✓
	Community Support Concern (CSC)	✓	X	X
	Development Action for Mobilization and Emancipation (DAMEN)	✓	✓	✓
	Kashf Foundation	✓	✓	✓
	Orangi Pilot Project (OPP)	✓	✓	✓
	Sindh Agricultural and Forestry Workers Cooperative Organization (SAFWCO)	✓	✓	✓
RSP Rural support programme running microfinance operation as part of multi-dimensional rural development programme	National Rural Support Programme (NRSP)	✓	✓	✓
	Punjab Rural Support Programme (PRSP)	✓	✓	✓
	Sarhad Rural Support Programme (SRSP)	X	✓	✓
	Thardeep Rural Development Programme (TRDP)	✓	✓	✓
Others All institutions that do not fall within the above three categories	Sungi Development Foundation (SDF)	X	✓	✓
	Taraqee Foundation (TF)	✓	✓	✓
	Bank of Khyber (BOK)	X	✓	✓
	ORIX Leasing Pakistan (OLP)	✓	✓	✓

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