Pakistan
Microfinance Network
Achieving Together

PAKISTAN MICROFINANCE
REVIEW 2019

Annual State of The Industry Report
Pakistan Microfinance Network

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Highlights

YEAR	2019	2018	2017	2016	2015
Active Borrowers (in Millions)	7.4	6.7	5.5	4.2	3.6
Gross Loan Portfolio (PKR Billions)	302	256	196	132	90
Active Women Borrowers (in Millions)	3.8	3.5	2.7	2.3	2
Branches	3,802	4,102	3,533	2,367	2,754
Total Staff	46,163	42,048	36,053	29,413	25,560
Total Assets (PKR Billions)	493	427	330	225	145
Deposits (PKR Billions)	266	239	186	118	60
Total Debt (PKR Billions)	105	90	74	55	45
Total Revenue (PKR Billions)	111	89	66	42	33
Operational Self Sufficiency OSS (percentage)	97	119	125	127	124
Financial Self Sufficiency FSS (percentage)	95	109	122	124	121
PAR > 30 (percentage)	3.9	1.6	0.5	1.2	1.5

Acronyms & Abbreviation

AC &MFD	Agricultural Credit and Microfinance Department
ADB	Asian Development Bank
Advans	Advans Microfinance Bank Ltd.
AMFB	Apna Microfinance Bank Ltd.
AML	Anti-Money Laundering
AMRDO	Al-Mehran Rural Development Organization
B2B2C	Business-to-Business-to-Consumer
B2C	Business-to-Consumer
BPS	Basis Points
CAF	Conduct Assessment Framework
CAR	Capital Adequacy Ratio
CDD	Customer Due Diligence
CFT	Combating the Financing of Terrorism
CGAP	Consultative Group to Assist the Poor
CGL	Credit Guarantee Limits
CIB	Credit Information Bureau
CMC	Collateral Management Company
CNIC	Computerized National Identity Card
CPC	Consumer Protection Code
CPI	Consumer Price Index
CPP	Client Protection Principles
DFI	Development Financial institute
DFID	Department for International Development, UK
DPC	Deposit Protection Corporation
DPF	Depositor's Protection Fund
ESM	Environment and Social Management
EUR	Euro
EWR	Electronic Warehouse Receipt
FATF	Financial Action Task Force
FCP	Financial Consumer Protection
FINCA	FINCA Microfinance Bank Ltd.
FIP	Financial Inclusion Program
FMFB	First Microfinance Bank Ltd.
FSS	Financial Self Sufficiency
FTC	Fair Treatment of Consumer
FY	Financial Year
G2P	Government to Person
GBP	Great Britain Pound
GDP	Gross Domestic Product
GLP	Gross Loan Portfolio
GNI	Gross National Income
GoP	Government of Pakistan
GRS	Grievance Redressal System
IAFSF	Improving Access to Financial Services Support Fund
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
JWS	Jinnah Welfare Society
KBL	Khushhali Bank Ltd.
KF	Kashf Foundation
KfW	Kreditanstalt für Wiederaufbau ("Credit Institute for Reconstruction")
KIBOR	Karachi Inter-Bank Offering Rate
KP	Khyber Pakhtunkhwa
KYC	Know Your Customer
LCPS	Low Cost Private Schools
MCGF	Microfinance Credit Guarantee Facility
MCR	Minimum Capital Requirement
MENA	Middle East and North Africa
MFB	Microfinance Bank
MFCG	Microfinance Consultative Group
MF-CIB	Microfinance Credit Information Bureau
MFI	Microfinance Institution
MFP	Microfinance Providers
MFT	Microfinance Transparency
MIS	Management Information System
MIV	Microfinance Investment Vehicle
MIX	Microfinance Information Exchange
MMFB	Mobilink Microfinance Bank Ltd.
MO	Micro-Options
MSME	Micro, Small and Medium Enterprises
NADRA	National Database and Registration Authority
NBMFC	Non-Bank Microfinance Corporation
NFIS	National Financial Inclusion Strategy
NFLP	National Financial Literacy Program
NGO	Non-Governmental Organization
NPLs	Non-Performing Loans
NRSP	National Rural Support Programme
NRSP-B	NRSP Bank Ltd.
OPD	Organization for Participatory Development
OSS	Operational Self-Sufficiency
P2G	Person to Government
P2P	Person to Person
PAR	Portfolio at Risk
PBA	Pakistan Bankers Association
PBS	Pakistan Bureau of Statistics
PKR	Pakistan Rupee
PMIC	Pakistan Microfinance Investment Company
PMN	Pakistan Microfinance Network
PO	Partner Organization
POMFB	Pak-Oman Microfinance Bank Ltd.
PPAF	Pakistan Poverty Alleviation Fund
PPTFC	Privately Placed Term Finance Certificate
PRISM	Programme for Increasing Sustainable Microfinance
PRSP	Punjab Rural Support Programme
PTA	Pakistan Telecommunication Authority
RCDP	Rural Community Development Programmes
ROA	Return on Assets
ROE	Return on Equity
RSP	Rural Support Programme
SBP	State Bank of Pakistan
SC	The Smart Campaign
SECP	Securities and Exchange Commission of Pakistan
SHF	Smallholder Farmer
SME	Small and Medium Enterprise
SMFB	Sindh Microfinance Bank Ltd.
SPTF	Social Performance Task Force
SRDO	Shadab Rural Development Organization
SRSO	Sindh Rural Support Organization
SSSF	Shah Sachal Sami Foundation
SVDP	Soon Valley Development Program
TMF	Thardeep Microfinance Foundation
TMFB	Telenor Microfinance Bank Ltd.
Ubank	U Microfinance Bank Ltd.
UBL	United Bank Limited
USD	United States Dollar
USSPM	Universal Standards for Social Performance Management
VDO	Village Development Organization
WHRF	Warehouse Receipt Financing
WPI	Wholesale Price Index

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SECTION ONE

THE YEAR IN REVIEW

The year 2019 was a challenging one for the microfinance industry since the prevailing macroeconomic instability adversely impacted the microfinance players and their clients. After witnessing economic growth in the last few years, the national economy showed signs of heating with the twin deficits i.e. fiscal and current account deficits rising. In order to address this imbalance monetary policy was tightened and currency depreciation took place. The resulting inflation and economic slow-down also slowed microfinance growth which fell to single digits, the lowest in the last seven years. Economic troubles also hurt borrowers' repayment capacity contributing to an increase in Non-Performing Loans (NPLs). The rise in NPLs also raised questions about discipline among microfinance players - quality of credit underwriting, multiple lending, concentration and internal controls.

Despite these challenges the industry continued to be sustainable and profitable. It continues to be recognized as an important player in the financial landscape of the country and plays a crucial role in furthering the financial inclusion agenda since a majority of the microfinance clients belong to marginalized segments like small farmers and women.

In order to meet financial inclusion goals, the industry has adopted responsible finance practices. Last year, it also adopted a Microfinance Industry Code of Conduct to ensure the same at the institutional level. In addition, practitioners have been digitizing operations in order to reduce costs and have been experimenting with digital credit.

Overall, the players remain optimistic about the resilience of the industry in overcoming the adverse macroeconomic challenges and the impending implications of the COVID-19 pandemic.

Macro-Economy & Microfinance Industry

The financial year (FY) 2019 was challenging for the economy. The growth in real GDP declined to 3.3 percent compared to 5.5 percent in the prior year, well below the target of 6.2 percent, while inflation increased from 3.9 percent in FY 2018 to 7.3 percent during the year under review (see Table 1). Monetary policy tightened as interest rates increased Despite these tumultuous conditions, the microfinance industry continued to grow as outreach increased by five percent while the outstanding loan portfolio grew by 11 percent[1] (see Table 2).

The end of FY 2018 indicated that significant adjustments needed to be made in the upcoming year in order to manage the impending twin deficit crisis. The economy slowed down as FY 2019 saw the central bank adopt measures including tightening of the monetary policy as interest rates increased by a cumulative of 575 basis points (bps) during the year and the Pakistani Rupee was left to align with macroeconomic factors while imports were contained and exports encouraged. By the end of the fiscal year, the International Monetary Fund (IMF) approved an Extended Fund Facility (EFF) worth USD 6 billion to support the government's economic reform program.

Macroeconomic Idicators	FY 16	FY 17	FY 18 (Revised)	FY 19	
				Target	Actual (Provisoinal)
Real GDP	4.6	5.2	5.5	6.2	3.3
Agriculture	0.2	2.2	3.9	3.8	0.8
Industry	5.7	4.6	4.9	7.6	1.4
Services	5.7	6.5	6.2	6.5	4.7
Private Sector Credit	11.2	16.8	14.9		11.6
CPI Inflation	2.9	4.2	3.9	6.0	7.3
	Percent of GDP				
Current Account Balance	-1.7	-4.1	-6.3	-4.0	-4.8
Fiscal Balance	-4.6	-5.8	-6.6	-4.9	-8.9
Gross Public Debt	67.6	67.0	72.1	68.0	84.8

Source: State of Pakistan's Economy 2019 (SBP)

Table 1: Selected Macroeconomic Indicators[2]

Moreover, growth in the agriculture sector declined due to a shortage of water and a surge in the prices of fertilizers leading to relatively low yields during the year. Marginalized growth in the services and commodity-producing sectors contributed further to this deterioration, while the livestock sector was able to sustain its growth momentum. The manufacturing sector was impacted the most due to higher inflation, the tightening of the monetary policy and exchange rate depreciation, and the impact was reflected in retail prices for consumers. Despite such demanding macroeconomic conditions, the microfinance industry experienced growth in all major indicators. By the end of 2019, the number of borrowers stood at 7.25 million while the gross loan portfolio (GLP) increased by 11 percent to reach PKR 305.75 billion (see Table 2). The number of active savers increased by 35 percent to stand at 47.6 million clients while the corresponding value of savings was over PKR 267.6 billion. In terms of microinsurance, the total number of policy holders increased by 23 thousand to reach 8.5 million with the total sum insured of over PKR 266 billion. These numbers indicated that the total penetration stood a little over 35 percent nationally.

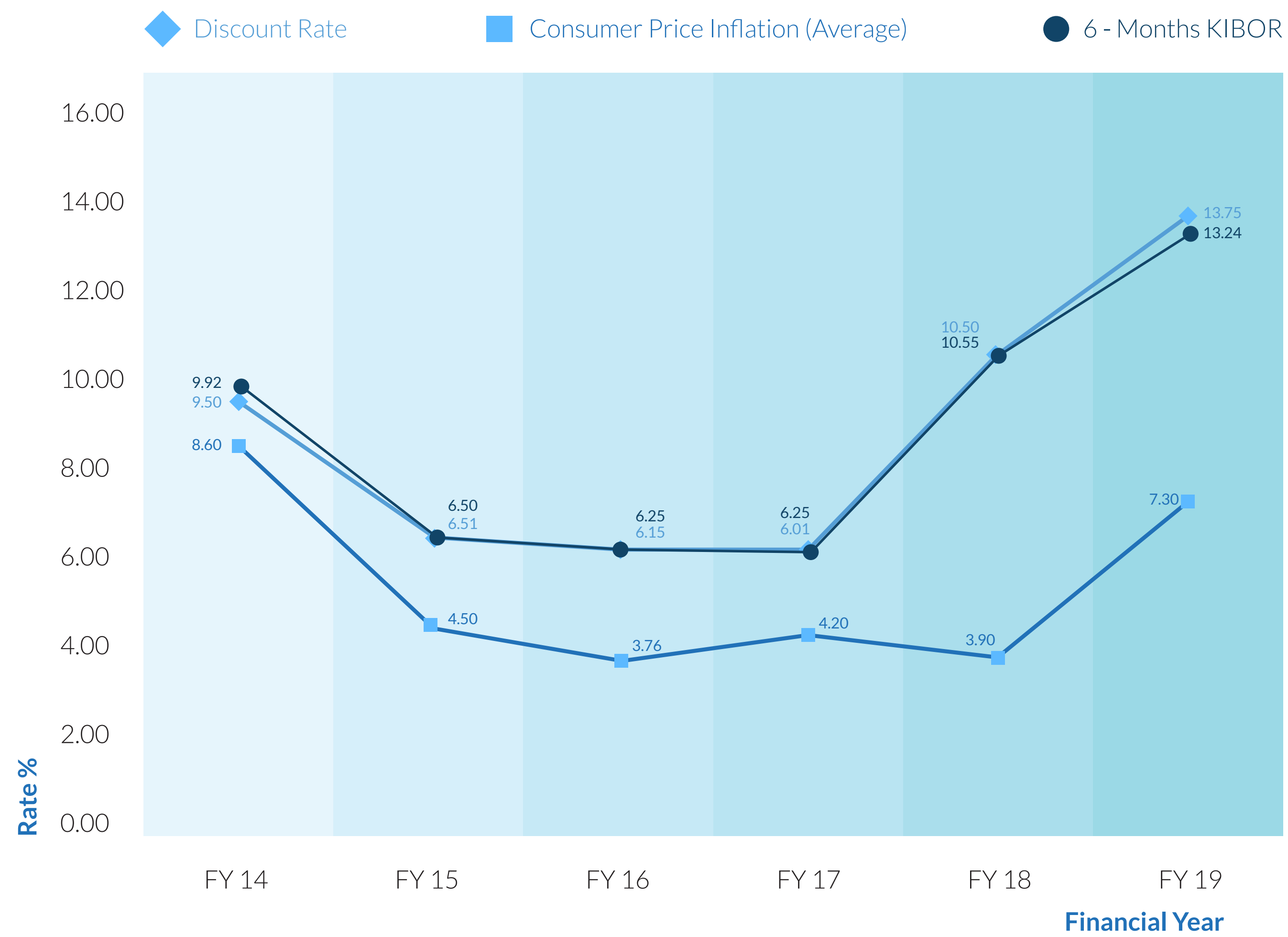


Exhibit 1.1: Historic Trend in Macroeconomic Indicators

1. MicroWatch, A quarterly update on microfinance outreach in Pakistan
2. Annual Report 2018-2019 (State of the Economy) by the State Bank of Pakistan (SBP)

Upon analyzing the macroeconomic conditions and indicators, it is evident that a severe balance of payment crisis has been averted. Towards the end of the year, indicators depicted stabilization within the economy with the primary focus shifting from consumption to growth in exports, investment and productivity which is also evident in the monetary and fiscal policy. The effect of these factors has also significantly impacted the performance of the microfinance sector. Although the sector indicates stability, vulnerabilities have appeared. A general increase in NPLs was observed during 2019 as the PAR 30 (percentage of total loan portfolio at risk due to open loans overdue by 30 days) increased from 2.2 percent in the last quarter of 2018 to 4.8 percent by the end of 2019, reflecting a slowdown in growth as NPLs in the small and medium enterprise (SME) sector and agriculture remained high. The increase in inflation, commodity price volatility, and rising interest rates have already affected the ability of microfinance providers' (MFPs') clients to service their liabilities. Additionally, the adversity faced within the agriculture sector due to water shortage, low yields and climate change poses a threat to the industry as half of the outreach and portfolio is directly related to this sector.

Moving forward, while the measures at the macroeconomic front have started

Details	Micro-Credit		Micro-Savings		Micro-Insurance	
	Active Borrowers	Value (PKR Million)	Active Savers	Value (PKR Million)	Policy Holders	Sum Insured (PKR Million)
2019	7,249,943	30,753	47,642,271	267,591	8,479,576	266,748
2018	6,936,554	274,707	35,293,602	239,963	8,456,430	248,783
Change (Net)	313,389	31,046	12,348,669	27,628	23,146	17,965
Change (%)	5%	11%	35%	12%	0%	7%

Table 2: Growth in the Microfinance Industry

to show stability, economic activity is expected to remain subdued. Due to the deterioration in the repayment capacity of borrowers and the recent increase in NPLs, MFPs may remain risk averse in their lending behavior. Additionally, the increase in credit risk because of the decline in asset quality will likely put earnings under pressure. Moreover, the adherence to an Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) framework would bring additional costs of compliance to MFPs and customer due diligence may restrict formal financial services from reaching the target segment. The key would be to find a balance between regulation, sustainability and client needs.

Policy & Regulatory Environment

The microfinance industry is considered an integral component for achieving sustainable and inclusive economic growth in Pakistan keeping in view its ability to reach out to marginalized segments across the country. Financial inclusion continues to remain high on the agenda of the current administration, which took office in August 2018 and released an enhanced National Financial Inclusion Strategy (NFIS) Action Plan within its first 100 days. The industry is being effectively regulated by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Some of the key policy and regulatory changes initiated in 2019 are summarized below:

National Financial Inclusion Strategy (NFIS) 2023 Action Plan

The NFIS was formally launched and adopted by the government of Pakistan in 2015 with the vision for achieving universal financial inclusion in Pakistan. The Action Plan highlighted high-level measures to address the enablers and drivers of the NFIS and covered the period 2015-2020. As most targets were achieved before 2020, the newly formed government in 2018 developed an amended Action Plan as part of its 100-day agenda and set new targets to be achieved by 2023. The targets of the NFIS 2023 are as follows:

1. Enhanced usage of digital payments (65 million active digital transaction accounts, with at least 20 million accounts held by women)
2. Enhanced deposit base (deposit to GDP ratio of 55 percent)
3. Promotion of SME finance (extended to 700,000 SMEs; 17 percent of private sector credit)
4. Increased agricultural finance (6 million farmers served through digitalized solutions; annual disbursement enhanced to PKR 1.8 trillion)
5. Enhanced share of Islamic banking (25 percent of the banking industry; branches of Islamic banks increased to 30 percent of the banking industry)

The Action Plan is intended to lead to the creation of 3 million new jobs and additional exports of USD 5.5 billion. Enhanced access to finance for SMEs would also help achieve sustainable development. Progress against these objectives is to be monitored by the NFIS Council, co-chaired by the federal Finance Minister and the Governor of the SBP, while the NFIS Secretariat housed at the SBP is responsible for ensuring effective coordination among the relevant stakeholders and implementation of the proposed actions. The NFIS 2023 includes a large number of external stakeholders with the involvement of around thirty implementing agencies in the implementation of the Action Plan. The implications of the amended Action Plan are considerable for the microfinance industry given its clear advantages over traditional commercial banks and financial institutions in terms of access to the unbanked and underbanked population. Given the sector's presence at the grassroot level, its lending methodologies to address the needs of the marginalized, and its technical expertise in dealing with such a niche segment, the microfinance industry is a vital stakeholder and implementation partner for the NFIS. The sector is therefore poised to contribute to these developments substantially, provided it can deepen its reach by investing in capacity building and embracing technological solutions.

Warehouse Receipt Financing and Collateral Management Companies

As defined by the SBP, "Warehouse Receipt Financing (WHRF) is a mechanism whereby farmers, traders and processors may avail financing facility from banks while collateralizing their produce and agricultural commodities as a security stored in accredited warehouses."4

This methodology is a proven tool for allowing the low-income segment, i.e. agricultural and rural communities, to obtain financing secured by their produce deposited or stored in a warehouse. This model is particularly useful as it allows access to funds to this marginalized segment who may lack conventional loan collateral required by traditional financial institutions.
While the prudential regulations for agriculture financing, SME financing, and corporate and commercial banking have been in place for some time, the SBP issued amendments to these in the last quarter of 2019, allowing banks to accept EWRs as collateral for lending against storage of agriculture produce and commodities5. Similarly, the SECP also notified the Collateral Management Companies Regulations, 2019 under the Companies Act, 2017 to promote the concept of warehousing of agricultural produce and electronic warehouse receipt (EWR), which is transferrable and tradable at future exchange and can be pledged with financial institutions to obtain finance. Under these Regulations, with the prior permission of the SECP a public limited company with a minimum paid-up capital of PKR 200 million may be incorporated and registered as a collateral management company (CMC) by the SECP. A CMC can engage in warehousing of agricultural commodities, issuance of EWRs, devising a mechanism for pledging, audit of stocks and accreditation of warehouses. A robust regime for monitoring and audit is also in place to safeguard the interest of stakeholders. Adopting a EWR system will allow CMCs to issue EWRs which can be used by SHFs and depositors of agricultural products to access formal financial service providers. This move would be beneficial as it aims to increase access to formal financial services such as credit facilities while significantly condensing losses incurred due to the inefficiencies of crops/commodities once harvested. This would also lead to an increase in the profitability of the market segment that relies solely on agricultural activities as it allows for alternative means of collateral for traditional banks and financial institutions. Moreover, with the already available refinance scheme for facilities set up by the SBP, this initiative would encourage potential investment in modern warehouses by private investors, further allowing growth within the environment. Looking forward, this initiative would also lead to trading at the commodity exchange as new markets are tapped globally.

NRSP Pilot Warehouse Receipt Financing Project

The National Rural Support Programme (NRSP) has been working on warehousing in Hafizabad through silo-based storage for rice since 2017. At the moment, the organization is working with approximately 2,200 SHFs with landholding below 15 acres due to the fixed capacity of the warehouse. In order to scale up their operations, the NRSP established a for-profit subsidiary: NRSP Agriculture Processing Company Limited, with a capital of PKR 1.5 billion. The subsidiary has also attracted investment from Karandaaz Pakistan for enhancing the storage capacity of the facility and establishing two more such facilities at other locations. The NRSP warehousing facility also links smallholder farmers to the markets where the commodities could be traded.

The key takeaway from this setup by the NRSP indicates that the productivity of smallholder farmers has increased substantially through social mobilization, the provision of technical inputs, microcredit services, storage facilities and the provision of market linkages. Additionally, the NRSP model enables SHFs to gain inputs at a control price while allowing for higher monetary benefit on the sale of their harvest.

Industry Initiatives

Pakistan Microfinance Industry Code of Conduct

With the growth of the microfinance sector, the expectations and demands from the industry have also increased given the rising benchmarks set internationally for the microfinance industry overall. Given the operational, legal and reputational risks the microfinance industry faces, there was a need for a revamped code of conduct which considers the evolving needs of the industry and its customers. The increasing competition in the industry requires improved systems and mechanisms for disclosures by MFPs, in terms of disclosing lending costs, reasons for rejection of loan applications, reporting systems and data privacy clauses, internal audit and compliance. Moreover, there is a need for more disclosing lending costs, reasons for rejection of loan applications, reporting systems and data privacy clauses, internal audit and compliance. Moreover, there is a need for more robust rules pertaining to interaction with clients and loan collection practices.

In 2009 the Pakistan Microfinance Network (PMN) developed a Code of Conduct focused on greater transparency, dignified treatment of customers, fair practices, accountable and robust governance, ensuring client satisfaction, and a need to maintain privacy and fair disclosure. The new 2019 Code of Conduct builds upon and expands the contours of the code, by including best practices borrowed from countries with a flourishing microfinance industry, such as Mexico, Philippines, South Africa, India, Bangladesh and Sri Lanka. Seeing the need for a better system and mechanism for disclosures by MFPs, PMN drafted and circulated an updated Code of Conduct (see Exhibit 1.2) in 2019. The Code includes clauses on transparency, responsible pricing, fair practices and disclos ures, respectful treatment of clients, fair employee recruitment practices and client grievance redressal mechanisms. It further includes provisions pertaining to protection of whistle blowers and peer reporting mechanisms, certification of field staff to ensure client protection and establishment of processes to monitor and enforce the code. The new code also includes rules pertaining to over-indebtedness, which includes proper due diligence as per internal credit policies and regular checks with credit bureaus. The code is introduced as a selfregulatory mechanism and it specifies that signatory institutions have internal audit functions which ensure its compliance. Regular monitoring and reporting are to be conducted and submitted to the Board of Directors.

Core Values – Code of Conduct

Core Value # 1: Transparency
To disseminate transparent and truthful information to clients

Core Value # 2: Fair Practices
To provide services to clients in a manner that is legal, ethical, nondiscriminatory and free of deception

Core Value # 3: Responsible Pricing
To set prices that are not too excessive or beyond a certain threshold while allowing for the financial institution to operate sustainably.

Core Value # 4: Dignified Treatment
To realize the necessity of preserving clients' dignity always, as well as being respectful of cultural and gender differences.

Core Value # 5: Privacy and Fair Disclosure
To safeguard client information and to maintain client privacy and uphold fair disclosures

Core Value # 6: Governance
To pursue the highest standards of governance and management.

Core Value # 7: Client Satisfaction
To have formal channels of communication in place for clients to provide their feedback to track client satisfaction.

Core Value # 8: Disclosures by MFPs
To ensure self-reporting on social performance indicators and to provide information regarding the presence of various client protection measures

Core Value #9: Rules Pertaining to Over-Indebtedness:
To promote a framework for making investment decisions in a responsible way in order to avoid contributing to potential overindebtedness

Core Value #10: Recruitment Policies:
To encourage free and just recruitment, which is free from discrimination and harassment based on age, ancestry, citizenship, religion, complexion, ethnic origin, family status, gender, race, sex and any other personal characteristics

Core Value #11: Client Awareness
To enhance awareness which gives clients the knowledge, skills and confidence to understand and evaluate information they receive and to empower them to make the right financial choices for themselves based on their needs.

Core Value # 12: Feedback/Grievance Redressal Mechanism
To lay down an appropriate grievance redressal mechanism within the sector to resolve disputes arising, so they are addressed within a promised time by all actors involved.

Pakistan Microfinance Investment Company (PMIC)

The year 2019 was an eventful year for the Pakistan Microfinance Investment Company (PMIC), which showed resilience in the face of several challenges. The economic slowdown, significantly high policy rates, and inflationary pressures impacted the PMIC as well as its clients. However, PMIC remained well capitalized and equipped to ensure strong internal controls and maintained a robust risk management framework to mitigate risks associated with its portfolio.

PMIC disbursed an additional PKR 3 billion to ten partner financial institutions, including three MFBs, as its gross financing portfolio grew by 15 percent on a year-on-year basis to PKR 23.86 billion. It made a debut in the local debt capital market by winning two financial advisory mandates to provide subordinated loan facility and Tier II Privately Placed Term Finance Certificates (PPTFCs) to FINCA Microfinance Bank Ltd and Khushhali Microfinance Bank Ltd respectively. PMIC borrowed Rs 1.8 billion at K-1% from the SBP under its Financial Inclusion and Infrastructure Program. PMIC also signed a subordinated loan agreement of EUR 15 Million with KfW - one of its shareholders - which will be used primarily for a renewable energy program for provision of solar equipment to private households and micro and small enterprises in rural and peri-urban areas through on-lending the funds to microfinance partners. Further, with its prudent lending practices, by the end of 2019, PMIC was able to extend the width of its financial services to reach almost 800,000 end user clients (62 percent of which reside in rural areas and 83 percent are women).

Driven by its mission and thematic focus of supporting the underserved and marginalized segments of the society, PMIC continued to create impact through an array of Microfinance Plus interventions. These interventions included the Crop Productivity Enhancement Initiative, Renewable Energy (PRIME), Livestock Value Chain, Education through Microfinance, Enterprise Development Initiative, and Graduation Out of Poverty, impacting more than 35,000 individuals.

Pakistan Credit Guarantee Company (PCGC)

PCGC is the country's premier risk-sharing institution instituted to develop the SME sector and to promote access to finance especially for collateral-deficient SME borrowers. It has been playing a critical role in employment generation, business activities and economic growth in Pakistan. It acts as a catalyst for:

- Increasing SME lending
- Reducing collateral constraints for small farmers and small enterprises
- Increasing quality of SME credit granting and risk monitoring
- Mitigating against business cycles and external shocks
- Rnhancing public information dissemination
- Facilitating access to reinsurance capital
- Improving treatment of risk weighted assets
- Reducing risk perception / increasing risk appetite of banks
- Lowering financing cost for SMEs

Innovations in Digital Finance Services

Pakistan is home to over 164 million cellular subscribers with a teledensity7 of approximately 78 percent. Of these, 74 million have subscribed to 3G/4G services. 8 The country has a high cellphone penetration rate with significant internet usage. This digital technology had made it possible to accelerate the fight against poverty. By leveraging these technologies coupled with electronic money issuers and an enabling regulatory environment, it is proven that these make up the essential ingredients required for increasing access and usage of affordable, secure formal financial services that contribute to the nation's development objectives. 2019 witnessed two such initiatives which explore emerging technologies to better understand how they will shape the future of microfinance and development:

CreditFix

CreditFix Financial Service Limited, an artificial intelligence lending fintech in Pakistan, commenced its pilot operations in 2019. It offers Shariah-compliant and use-case based digital credit services, primarily focusing on the youth in the gig economy. CreditFix is in the process of becoming a non-bank microfinance company with the SECP. The organization is funded through private equity and is currently raising its seed round funds from domestic and international venture capital/impact investors. CreditFix extends digital financial services under smart business-to-business-to-consumer (B2B2C) and business-to-consumer (B2C) models focusing on economic uplift of low-income microentrepreneurs – both male and female. It leverages strategic relationships with partner organizations (e.g. BYKEA, FoodPanda, Careem, etc.) to access potential clients. Additionally, CreditFix also entertains online applications and referral clients. CreditFix finances revenue generating assets such as business equipment and machinery, business inventories, motorbikes, smartphones and sewing machines, etc., thus adopting a no-cash approach. For a client, the financing process begins and ends with the CreditFix Mobile Application – the client submits an online application through the app, which takes less than 10 minutes to complete. If the financing is approved, the selected asset is delivered to the client. All repayments are made using a digital payment channel.

Tez Financial Services

Tez Financial Services started its operations in 2018 and is the first fully digital non-bank microfinance company (NBMFC) in Pakistan. The organization aims of providing seamless financial access to the unbanked and under-banked population by a simple smartphone application with the help of powerful algorithms, data analytics and artificial intelligence. By aggregating credit, savings, insurance, and investments into a single platform, Tez aims to reduce the financial vulnerability of many underserved customers. What sets Tez apart from other service providers is that the service is almost instantly available (turnaround time of 15 minutes) and their service charges are calculated on a flat basis.
The organization was set up to cater to customers that are traditionally underserved – such as microentrepreneurs, blue collar workers, students (consumption), stay-at-homes – with the purpose of addressing their short-term liquidity needs. Tez offers credit of up to PKR 10,000 for a maximum period of one month. The procedure is simple (unlike traditional loan applications) and does not require bank statements, salary statements, guarantees or collateral. Instead, the only requirement is to have a smartphone and users give Tez consent to access data in their smartphone, which is used to determine the eligibility of the applicant. The loan application process is conducted with the help of artificial intelligence to analyze consumers' digital footprint trends, social behavior and consumption patterns in order to customize its offerings to meet the applicant's needs. Once approved, the mobile wallet (mwallet) accounts of applicants are instantly credited.

To provide their customers with an agent network, Tez has partnered with different m-wallet operators such as Easypaisa and UBL Omni. Given the nature of their services it is difficult to compare Tez with traditional microfinance institutions (MFIs). The service provider has a low average portfolio but high disbursements.

Advancements in Responsible Finance

Fair Treatment of Consumer (FTC) Regime – State Bank of Pakistan

The SBP has long had a Financial Consumer Protection (FCP) 9 objective and is in the process of further evolving its Fair Treatment of Customer (FTC) regime – particularly consumer empowerment. The SBP is looking beyond financial inclusion to focus on a "remedial and proactive approach" 10 to empower and engage with consumers. The bank is currently in the process of further evolving its FTC regime with a strategic focus on improving the efficiency, effectiveness and fairness of the banking system. The main components of the FTC include:
a) Enhancement of a Conduct Regulatory Corridor: This involves developing a culture of enhancing supervisory and enforcement frameworks while upgrading the existing regulatory complaint handling framework. Within this, in order to promote responsible banking, the SBP has developed a Conduct Assessment Framework (CAF), a mechanism for self-assessment by the banks. The purpose of this is to develop a periodic, reliable, diagnostic and comparable mechanism for banks to help them comply with their FTC commitments. The tool consists of three modules: i) Culture, ii) Product/Service Design and Disclosures, and iii) Consumer Grievance Handling Mechanism/Complaint Handling11.
b) Consumer Empowerment: In addition to financial inclusion, the SBP has prioritized consumer empowerment and will be devoting adequate resources for the implementation of this strategy.
c) Capacity Building and Stakeholder Engagement: The SBP aims to improve the outcomes of conduct regulation by engaging with stakeholders and building the capacity of conduct supervisors.

Consumer Protection Regime – Securities and Exchange Commission of Pakistan

With visible growth over the past many years, the NBMFC has emerged as a promising sector that provides impetus to financial inclusion. Protecting consumers of the NBMFC sector has become even more important and gained attention as a key area of focus for the SECP. Protecting the rights of microfinance consumers, who represent the underprivileged and underserved strata of society, against possible malpractices is considered vital by the SECP for promoting sustainable financial inclusion in Pakistan. To effectively implement consumer protection measures, SECP has adopted a multipronged approach, as highlighted below:

a) Grievance Redressal Mechanism - To ensure effective redressal of complaints from borrowers of NBMFCs, the SECP in 2018 issued guidelines on Grievance Redressal System (GRS) for NBMFCs. Subsequently, a specific legal cover has been provided to the guidelines by including an enabling provision in NBFC Regulations 2008. SECP regularly monitors and follows up with NBMFCs to gauge effectiveness of the mechanism and has plans to introduce systematic reporting by NBMFCs for more efficient monitoring of compliance.

b) Capacity building of NBMFCs – SECP plans to support and launch initiatives in collaboration with other stakeholders with focus on areas including capacity building and training of NBMFCs' staff, translation of GRS requirements in regional languages, code of conduct for sales' staff and raising customer awareness etc.

c) Enhanced and Transparent Disclosure Regime – Recently, the SECP has made it mandatory for NBMFCs to highlight to prospective clients the key contractual terms and conditions and disclose precisely details including fixed and variable mark-up rate, amount, term and number of loan installments, lock-in period, charges, fees, collateral and contact details. The NBMFCs are further required to adopt continuous disclosure by giving notice of any change in the terms and conditions, rates, charges, fees etc.

Client Awareness Campaign

In 2019, PMN launched a comprehensive Client Awareness Campaign focusing on inclusive finance for marginalized groups (including women, people with disabilities and transgendered persons). The campaign included a focus on rights and responsibilities of consumers, complaint mechanisms, role of credit information bureaus (CIBs), credit application processes, and responsible use of microfinance services for positive impact on financial wellbeing.

The campaign reached a mass figure of 14,532,857 beneficiaries across Pakistan through different modes including television commercials, animated videos, posters and street theater. The following figures indicate the impact of the campaign.

- Two television commercials on financial literacy and inclusion were aired on two leading TV channels for fifteen days.
- The outreach from ARY News was 7,750,000 and 6,780,000 from Samaa TV for a collective reach of 14,530,000 audience members.
- Animated videos were advertised on 76 cable channels through the support of different MFPs.
- The videos are also shown through tabs during community sessions and are now being displayed on LCD screens in offices.
- Campaign posters have been displayed in most branches of participating MFPs and are creating financial awareness regarding rights and responsibilities among the borrowers.
- The roll out of street plays was successfully initiated and completed in Punjab and Sindh. A total number of 47 street plays of 35-40 minutes for potential and existing borrowers were planned both for Punjab and Sindh.

Conclusion

While growth and profitability slowed due to the prevailing macroeconomic challenges and COVID-19, they stayed in the positive. Financial inclusion continued to be on the agenda of the policy makers and regulators.

Another pertinent issue that has resulted in high PAR has been rapid growth that was not matched with robust compliance of internal control policies and risk management. However, most of the institutions have now reviewed the same and are bringing changes and better systems. In order to keep their operations aligned with best practices, practitioners have adopted the industry Code of Conduct and participated in a nationwide client awareness campaign. The Code encourages transparency, responsible pricing, fair practices and disclosures, respectful treatment of clients, fair employee recruitment practices, and client grievance redressal mechanisms. Importantly, the new Code also includes rules pertaining to over-indebtedness, which is an issue being faced by the microfinance industry as it expands, thereby making it imperative for MFPs to conduct proper due diligence as per their internal credit policies. In addition, PMN launched an industry client awareness campaign focusing on inclusive finance for marginalized groups (including women, people with disabilities and transgendered persons). The campaign included a focus on rights and responsibilities of consumers, complaint mechanisms, role of CIBs, credit application processes, and responsible use of microfinance services for positive impact on financial wellbeing. Furthermore, the industry is keenly adopting digitization to shift their transactions from cash to cashless. Digital credit and renewable energy remain other new avenues that are rising in popularity with MFPs.

Overall, MFPs have mature business models and possess strong balance sheets. Moreover, the resilience shown previously by the industry, whether it was during natural calamities or delinquency crises, proves its strength in managing upcoming macroeconomic challenges and the uncertain situation presented by the COVID-19 pandemic.

SECTION TWO

FINANCIAL PERFORMANCE REVIEW

This section provides a detailed analysis of the financial performance of Pakistan's microfinance industry in 2019. The performance has been assessed on three levels: industry wise, across peer groups and institution wise. The analysis is backed by 88 financial indicators, calculated from the audited financial statements of the reporting organizations. These indicators have been compared across time and regions to develop a reliable and fair assessment of sector.

Detailed financial information is provided in the Annex A-I and A-II of the PMR. Aggregate data has been reproduced for five years, while peer group and institution specific data has been made available only for the year 2019.

A total of 38 MFPs submitted their audited financial statements for PMR 2019. For a complete list of reporting organizations refer to Annex B.

Industry players are categorized into three groups for benchmarking and comparison purposes:Microfinance Banks (MFBs), Microfinance Institutions (MFIs) and Rural Support Programmes (RSPs). See Box 2.1 for detailed definitions.

Microfinance Institution:
A non-bank microfinance company (NBMFC) providing microfinance services. With the introduction of the non-bank microfinance regulatory framework by SECP in 2015, the institutions carrying out microfinance services are required to be registered with the SECP as NBMFCs. Presently, 17 MFIs have obtained the NBMFC license: one is an NBMFC operating with an investment finance service license, three are licensed under section 42 of the Companies Act as not-for-profit companies, while six MFIs are in the process of obtaining licenses.

Microfinance Bank:
A bank licensed and prudentially regulated by the SBP to exclusively service the microfinance market. The first MFB was established in 2000 under a presidential decree. Since then, 11 MFBs have been licensed under the Microfinance Institutions Ordinance, 2001. MFBs are legally empowered to accept and intermediate deposits from the public.

Rural Support Programme:
A non-bank microfinance company (NBMFC) providing microfinance services. Although an NBMFC, a rural support programme (RSP) is differentiated from the MFI peer group based on the purely rural focus of its credit operations. As of now, all six PMN members classified as RSPs have obtained the NBMFC license.

Box 2.1: Peer Groups

The distribution of respondents (number of reporting organizations) by peer group is given in Exhibit 2.1. The MFI peer group comprises of the largest number of respondents, followed by MFBs and then RSPs.

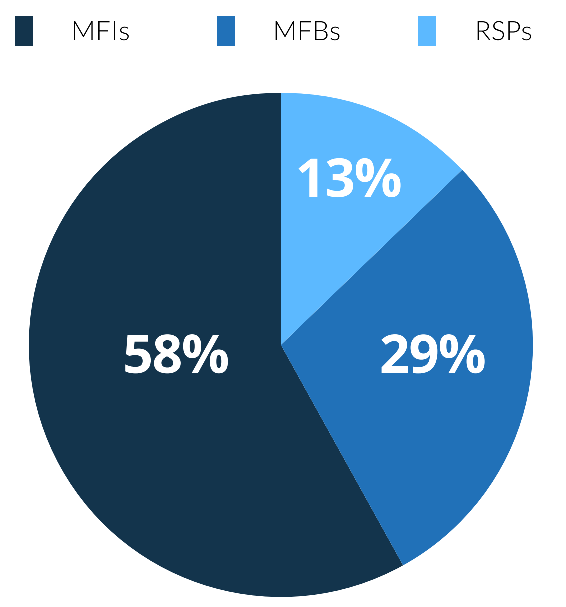


Exhibit 2.1: Distribution of Respondents by Peer Group

Scale & Outreach

This section focuses on outreach indicators to provide performance analysis of the industry in terms of credit growth and composition, deposit mobilization, depth of outreach and gender.

Scale & Outreach: Breadth

Outreach witnessed growth in all key indicators in 2019. Microfinance borrowers increased by 11 percent from 6.69 million in 2018 to 7.44 million, while GLP grew from PKR 256 billion to PKR 302 billion, an increase of 18 percent (Exhibit 2.2). Comparatively, the commercial banking GLP stood at PKR 8,147 billion with 3.2 million borrowers. 12 This surge comes on the back of the top ten MFPs once again, which

performed better despite adverse economic conditions. It is worth mentioning that the outreach figures are different from the ones reported in the MicroWatch due to difference in reporting dates. The data compiled for the PMR is based on the respective year-ends of PMN members as all SECP regulated entities have a year end of June, while SBP regulated MFBs have a year-end of December. Due to the two different reporting dates for financial statements, the outreach numbers are different in MicroWatch and the PMR.

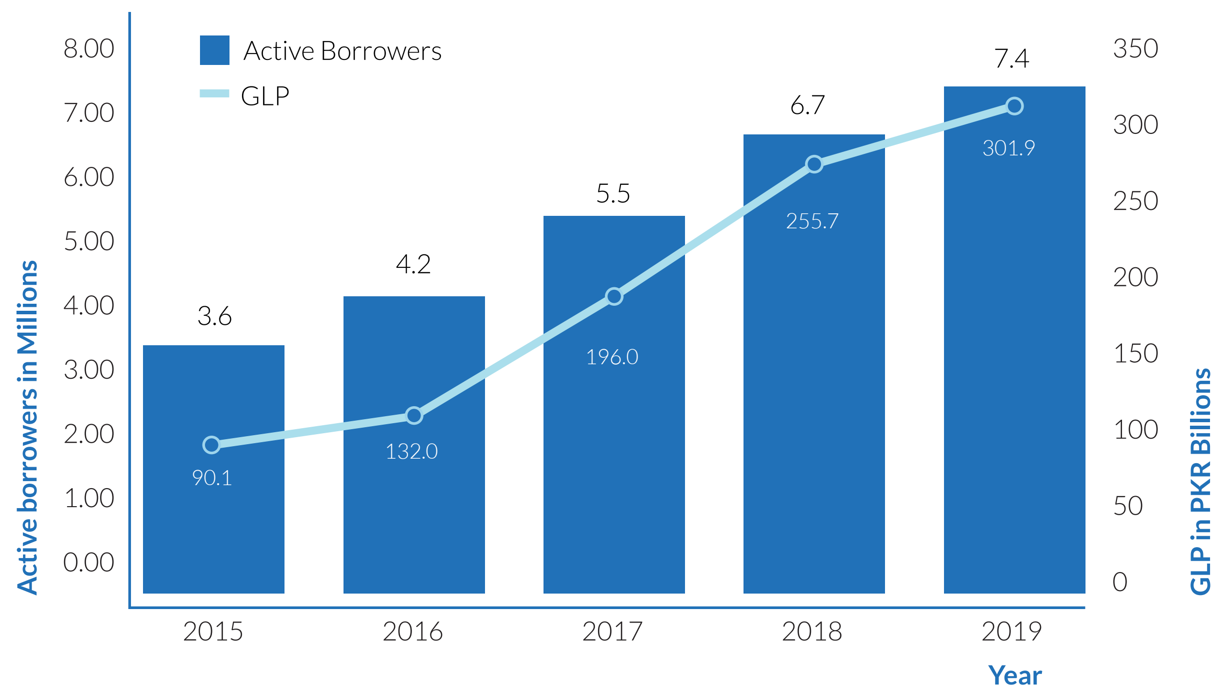
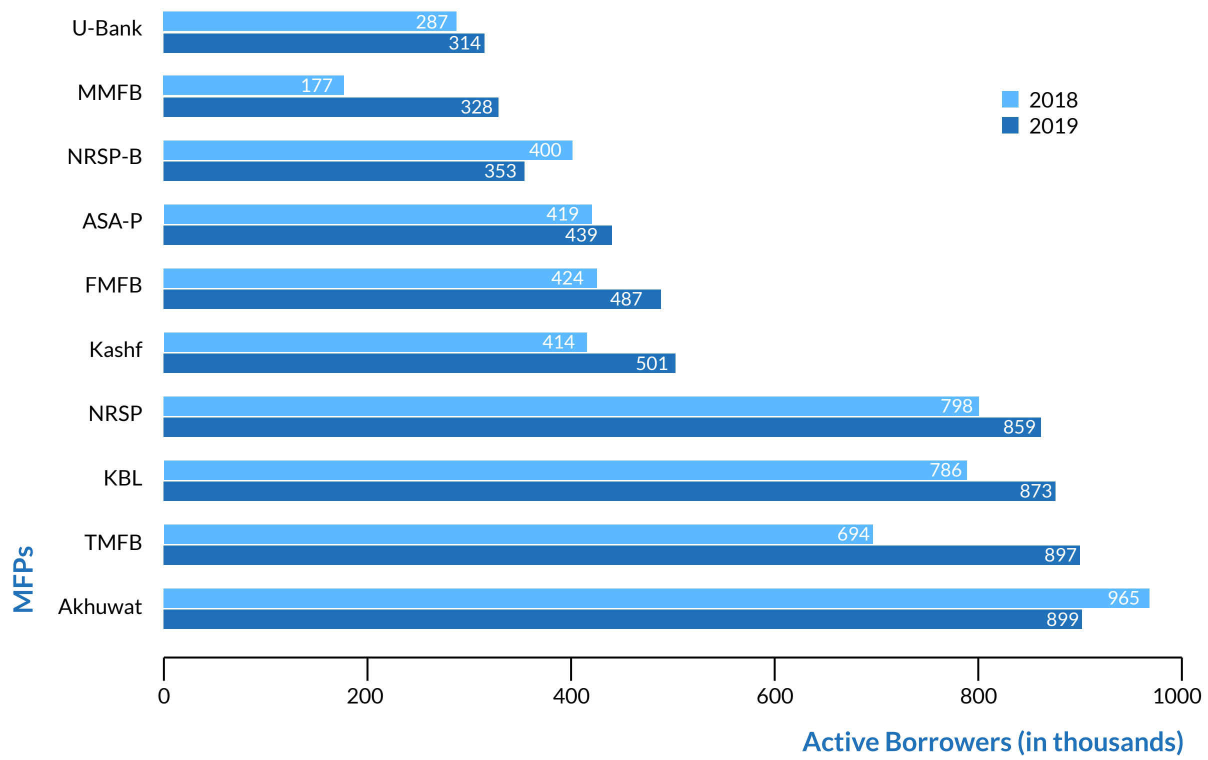


Exhibit 2.2: Growth in Number of Active Borrowers and GLP

Among the MFPs, growth in borrowers was once more led by Telenor Microfinance Bank (TMFB) which contributed over 202,000 additional borrowers. Mobilink Microfinance Bank (MMFB) and Khushhali Microfinance Bank (KBL) also recorded significant growth by adding over 151,000 and 88,000 new clients respectively. By their respective year-ends, the largest MFPs in terms of active borrowers were: Akhuwat (over 898,000), TMFB (over 896,000), KBL (over 873,000) and the NRSP (over 858,000).

The year-end figures indicated that the largest 10 MFPs continue to hold 80 percent of the total outreach of the industry, a decrease of two percent compared to the prior year (Exhibit 2.3). The top five are comprised of Akhuwat, TMFB, KBL, NRSP and Kashf Foundation with a combined outreach of 54 percent of the industry. The year also saw Kashf replace First Microfinance Bank (FMFB) as the fifth largest MFP in terms of borrowers.

Exhibit 2.3: Active Borrowers of Largest MFPs



Among the peer groups, MFBs remained market leaders and witnessed an increase in their market share in terms of active borrowers from 48 percent in the prior year to 50 percent by the end of 2019. This was the result of both MFIs and RSPs experiencing a decline of one percent in their market shares which saw them close at 34 percent and 16 percent respectively (Exhibit 2.4). The surge in the proportion of MFBs is courtesy of the telco-led banks, TMFB and MMFB, which aim to improve outreach via digital means by providing nano and micro loans under their respective brands EasyPaisa and JazzCash. These products have exhibited wide reach to a large customer base by leveraging the high teledensity in the country while offering the convenience of m-wallet acquisition.

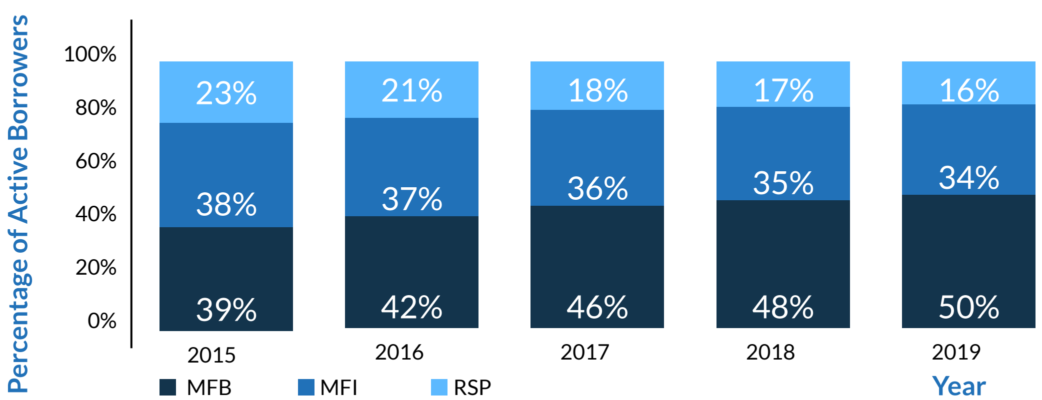


Exhibit 2.4: Share in Active Borrowers by Peer Group

In terms of GLP, MFBs account for 71 percent of the total GLP, followed by MFIs with 19 percent and RSPs with a share of 10 percent (Exhibit 2.5). The overall GLP of the sector increased by 18 percent to touch PKR 302 billion by the end of the year.

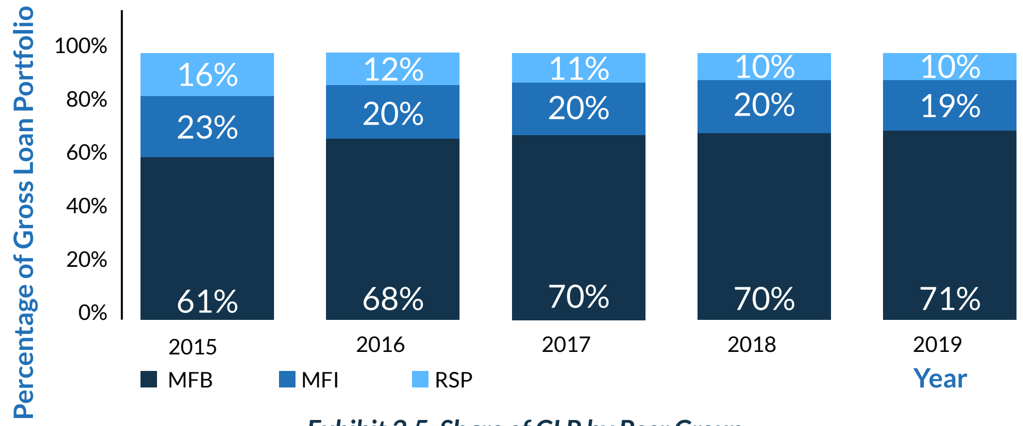


Exhibit 2.5: Share of GLP by Peer Group

This surge of PKR 46 billion was led by MFBs which added close to PKR 35 billion. The drivers of this increase were KBL, Apna Microfinance Bank (AMFB) and FMFB as they accumulated an impressive PKR 11.3 billion, PKR 8 billion and PKR 7.7 billion respectively. The GLP of MFIs increased by PKR 5.4 billion while RSPs added PKR 5.9 billion to their portfolio. Exhibit 2.6 shows the trend in GLP by peer groups over the last five years. The average loan size of the industry increased from PKR 38,339 to reach PKR 40,578. MFBs maintain the largest average loan size, which increased from PKR 56,691 in 2018 to PKR 57,781 in 2019, while MFIs saw their loan size increase from PKR 21,422 to PKR 22,319, and RSPs from PKR 22,166 to PKR 25,600. This indicates that MFBs have been catering to the upper segment in terms of income of the market while NBMFCs have been successful in tapping into the lower income segment. Moreover, considering the effect of rising inflation, the loan sizes have also increased in order to cater to the needs of the underprivileged which could previously be addressed with a lower loan size.

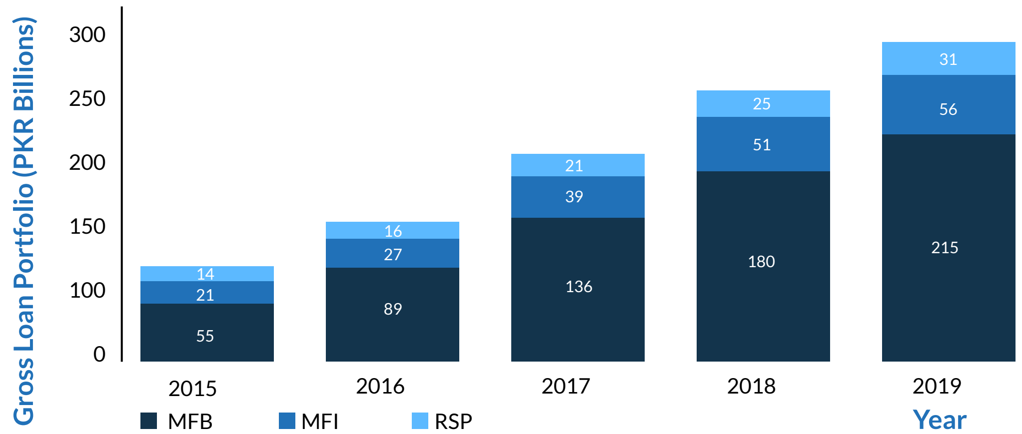


Exhibit 2.6: GLP by Peer Group

In terms of GLP, the largest providers were mostly the MFBs led by KBL (PKR 54.8 billion), FMFB (PKR 31.6 billion), NRSP Bank (PKR 28 billion), TMFB (PKR 27.5 billion) followed by NRSP (PKR 23.3 billion). TMFB slipped from second largest provider in 2018 to the fourth largest while NRSP replaced FINCA as the fifth largest provider during the year under review (Exhibit 2.7). Of the MFIs, Kashf and Akhuwat remain in the top 10 while NRSP remained the only RSP in the list. It is pertinent to mention that the largest 10 providers in terms of GLP account for 84 percent of the total portfolio in the sector as compared to 87 percent in the previous year.

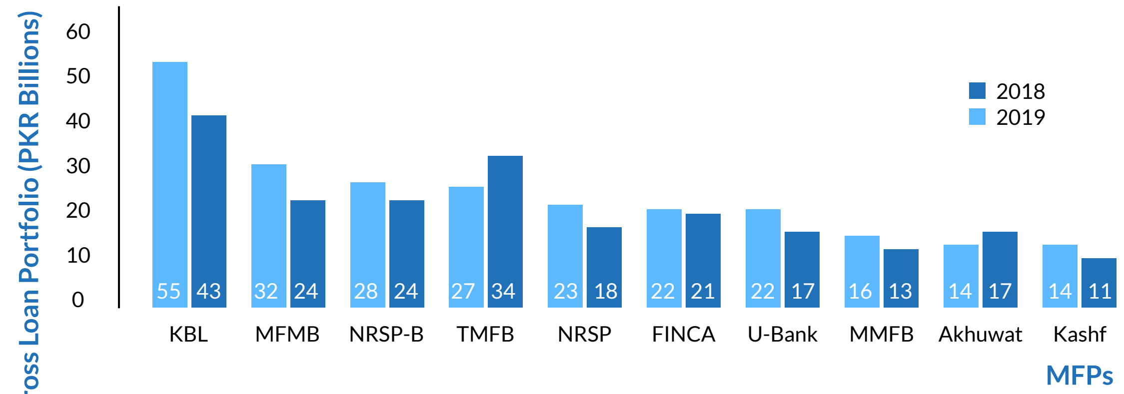


Exhibit 2.7: GLP of top 10 Largest MFPs

In the year under review, the sector experienced an impressive increase in depositors by 38 percent, from 32 million in 2018 to almost 44 million by the end of 2019.[13] Correspondingly, the value of deposits also grew by 11 percent in the same period, from PKR 239 billion to PKR 266 billion (Exhibit 2.8). The bank deposits for commercial banks in the same time period stood at PKR 14,350 billion with more than 54,731 million depositors. With these numbers, deposits now represent 81 percent of the total liabilities of MFBs as compared to 86 percent in the prior year.

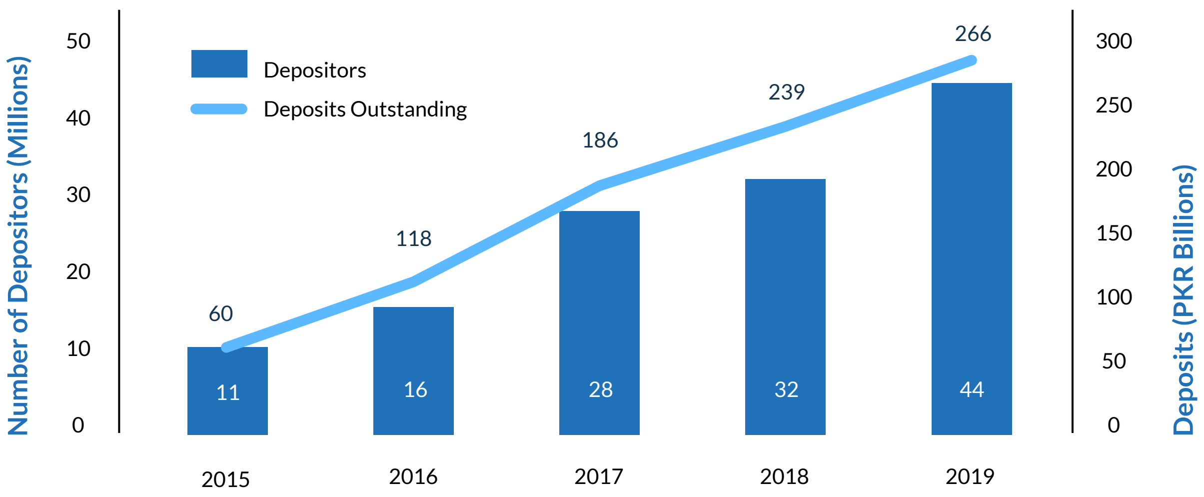


Exhibit 2.8: Growth in Deposits and Number of Depositors

The growth in the number of depositors was led by TMFB which added almost 8 million new depositors. TMFB was followed by MMFB which contributed over 3 million new depositors. Branchless banking activities, particularly m-wallet accounts, along with increasing government disbursements for safety net programs significantly contributed to this growth. Moreover, the provision of value-added services such as debit cards for cash withdrawal, utility bills payments, funds transfer facilities and home remittance services have also been pivotal while improving mWallet usage. The telco-backed banks, MMFB and TMFB, remain the largest providers of microsavings in terms of depositors with an outreach of 19.6 million and 17.1 million clients respectively, followed by KBL with 2.3 million depositors. In terms of the value of deposits, KBL accumulated the most deposits with PKR 7.8 billion followed by FMFB and MMFB which contributed over PKR 7 billion each. KBL remains the largest provider of microsavings in terms of value of deposits with a balance of PKR 64 billion, followed by TMFB and FMFB with deposits worth PKR 41 billion and PKR 38 billion respectively by the end of 2019 (Exhibit 2.9 (a)). With deposits worth PKR 29 billion, MMFB jumped from being the seventh largest to fourth largest during the last year.

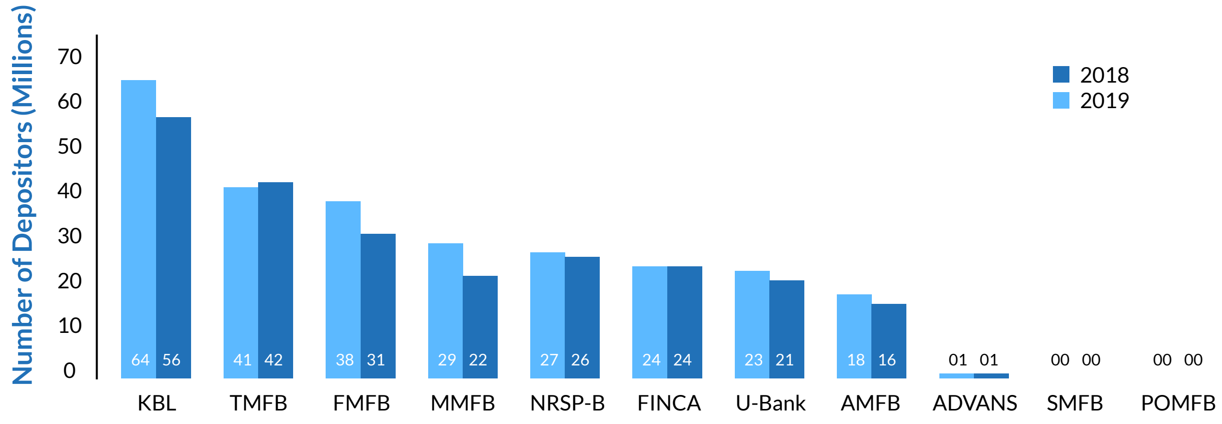


Exhibit 2.9 (a): Deposit Growth by MFB

The average deposit size of MFBs fell from PKR 7,488 in 2018 to PKR 6,049, a decline of 19 percent.

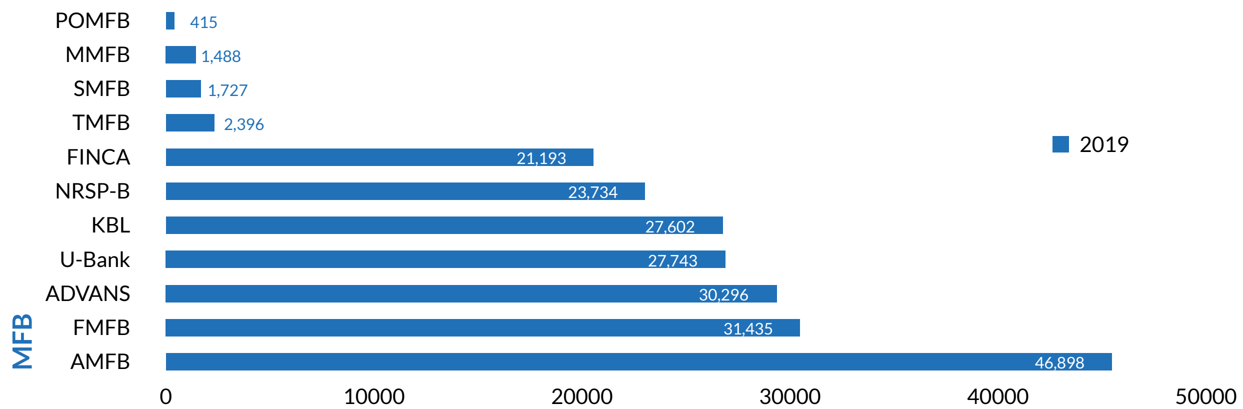


Exhibit 2.9 (b): Average Deposit Size of MFBs

The numbers indicated that deposits continue to outgrow the loan portfolio of MFBs. This is evident from the deposits-to-gross loan portfolio ratio which currently stands at 123 percent despite declining from 133 percent in the previous year (Exhibit 2.10). The ratio highlights the reliance of MFBs on deposits as a primary source of financing, especially during the difficult economic conditions faced during the year. This was also reflected when analyzing the cost of fund for MFBs, which grew from six percent in 2018 to nine percent by 2019.

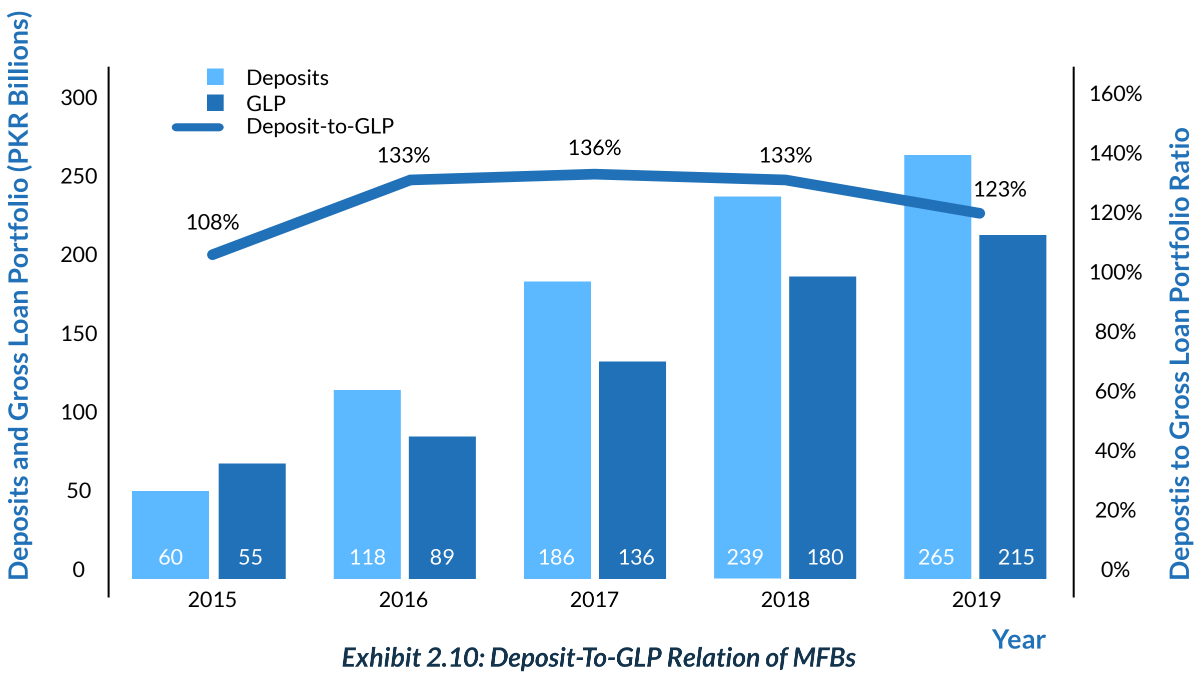


Exhibit 2.10: Deposit-To-GLP Relation of MFBs

Microinsurance indicators also showed improvements during the year under review. While the sum insured increased by seven percent, growth in the number of policy holders was marginal. By the end of the year, the total number of policy holders stood at 8.48 million with the sum insured at PKR 267 billion as compared to PKR 249 billion previously (Exhibit 2.11). MFIs held the largest share in terms of the number of policy holders with 50 percent. The share of MFBs stood at 32 percent after declining from 34 percent previously, while the market share of RSPs increased from 17 percent to 18 percent by the year-end. The increase in policy holders was driven by Kashf as it added over 142,000 new clients, followed by NRSP and KBL as their contribution was 125,000 and 63,000 clients respectively. The three also remained the largest provider of microinsurance in terms of policy holders as Kashf accounted for 2.6 million policy holders, NRSP 1.3 million and KBL over 998,000.

In terms of the sum insured, the market shares of each peer group remained unchanged. MFBs held 51 percent of the total sum insured in the industry, followed by MFIs at 34 percent and RSPs at 14 percent. The growth in the insurance portfolio was led by KBL, FMFB and Kashf as they accumulated PKR 8.7 billion, PKR 6.7 billion and PKR 4.2 billion each. Kashf proved the largest provider in terms of sum insured once more, as its insurance portfolio stood at PKR 65.6 billion by the year end, followed by KBL and NRSP which stood at PKR 59.4 billion and PKR 36.6 billion as they made up the top three with the most sum insured.

Among the types of insurance policies, credit life insurance policies constitute almost 53 percent of total policies compared to 55 percent in the prior year, while health insurance policies comprised of 46 percent compared to 44 percent previously.

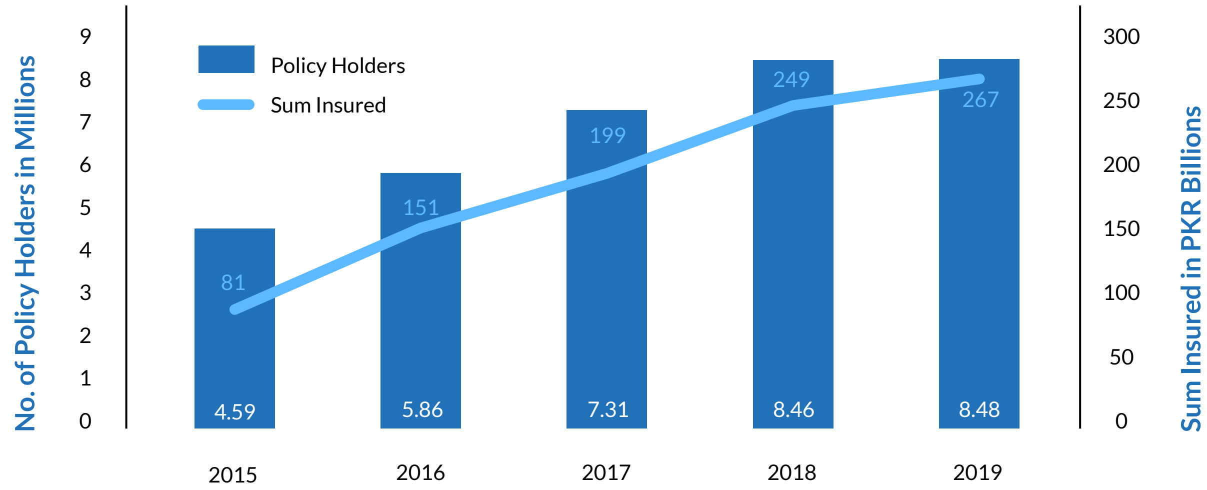


Exhibit 2.11: Growth in number of Policy Holders & Sum Insured

Banking Sector Indicators	2017	2018	2019
Total Assets (PKR Billions)	**24,619**	**28,815**	**29,842**
of which advance (PKR Billions)	6,047	7,201	8,147
total borrowers (000)	3,327	3,298	3,239
Total Equity (PKR Billions)	**1,297**	**1,293**	**1,423**
of which Capital (PKR Billions)	658	519	546
of which Reserves (PKR Billions)	640	774	877
Total Liabilities (PKR Billions)	**23,322**	**27,522**	**28,419**
of which Deposits (PKR Billions)	11,742	12,800	14,350
total depositors (000)	49,006	53,112	54,731

Table 2.1: Key Indicators of the Banking Sector

Scale & Outreach: Depth

The depth of outreach is associated with the quality of outreach. Thus, outreach depth concerns the measure of the most underprivileged in a society that have been served. In microcredit operations, it is measured by a proxy indicator: average loan balance per borrower in proportion to per capita gross national income (GNI). A value of below 20 percent of GNI is assumed to mean that the industry is poverty focused.

The comparison of this indicator revealed an increase in the value of the industry from 24 percent previously to 25 percent by 2019 (Exhibit 2.12). The historic trend over the last five years also depicts a gradual rise in the overall value of the industry as well as individual peer groups. Comparison among peer groups indicated that while MFIs and RSPs remained below the cut-off mark of 20 percent at 14 percent and 16 percent respectively, the increase over the benchmark was due to the growth in MFBs, which peaked at 36 percent. This suggests that MFIs and RSPs continue to target the underprivileged, while MFBs have been catering to the relatively developed segment of the same market. Another interpretation of this ratio depicts the implications of loan sizes as a demand for higher loans has been witnessed due to inflation.

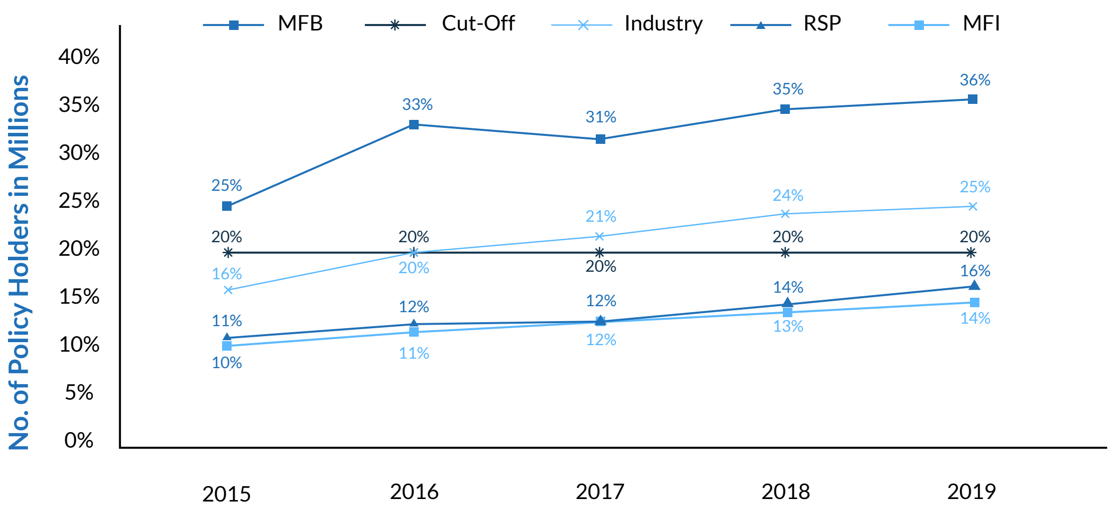


Exhibit 2.11: Growth in number of Policy Holders & Sum Insured

Lending Methodology

The historic trend highlights how the sector has transitioned from the predominant group lending methodology to individual lending. Over the years MFPs have shifted their focus from the traditional group lending to individual lending, as it increased gradually. A comparison of the year-end figures indicated that 65 percent of the clients were based on individual lending in 2019 as compared to 59 percent last year (Exhibit 2.13). The push towards this mode was driven by the MFB peer group, particularly TMFB, NRSP-B, and FMFB. On the other hand, some MFIs still focus on group lending such as Ghazi Barotha Tariqiati Idara (GBTI) and Rural Community Development Programmes (RCDP) and Safco Support Foundation (SSF).

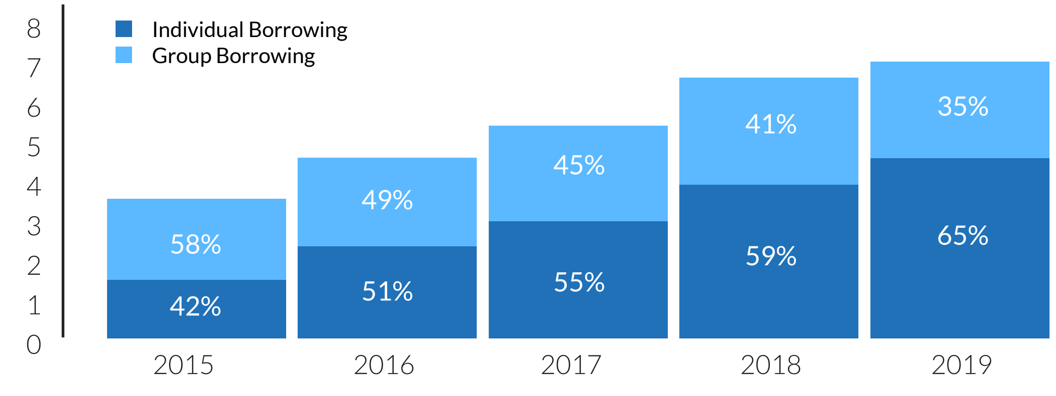


Exhibit 2.13: Trend in Lending Methodology

Gender Distribution

The year-end figures for women borrowers indicated a declining trend in the proportion of women borrowers in the industry. Women borrowers accounted for 51 percent of total borrowers compared to 53 percent in the last year (Exhibit 2.14 (a)). In contrast, the proportion of women depositors increased from 19 percent in 2018 to 20 percent by the end of the year under review. The breakdown of the total outreach by peer groups depicts that 25 percent of the total credit outreach of MFBs were women clients compared to 77 percent of the total credit outreach MFIs and 78 percent of the credit outreach of RSPs (Exhibit 2.14 (b)). NRSP, KBL and MMFB contributed the most to this increase in women borrowers while Kashf, Damen Support Program, Sindh Microfinance Bank (SMFB), Sarhad Rural Support Programme (SRSP) and FFO Support Program lend exclusively to women.

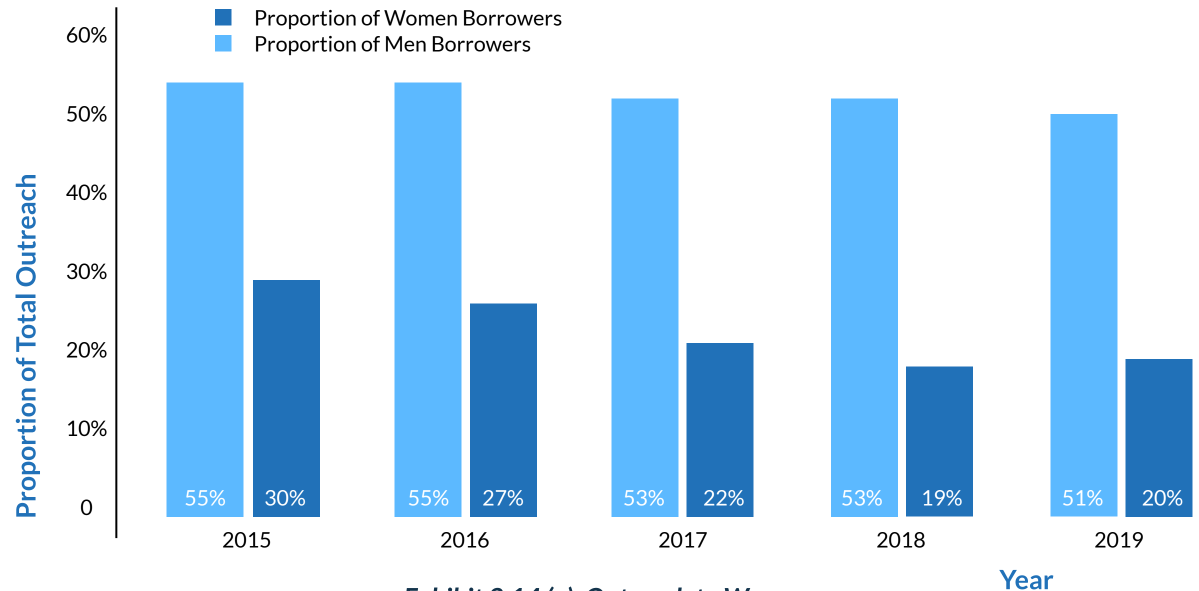


Exhibit 2.14 (a): Outreach to Women

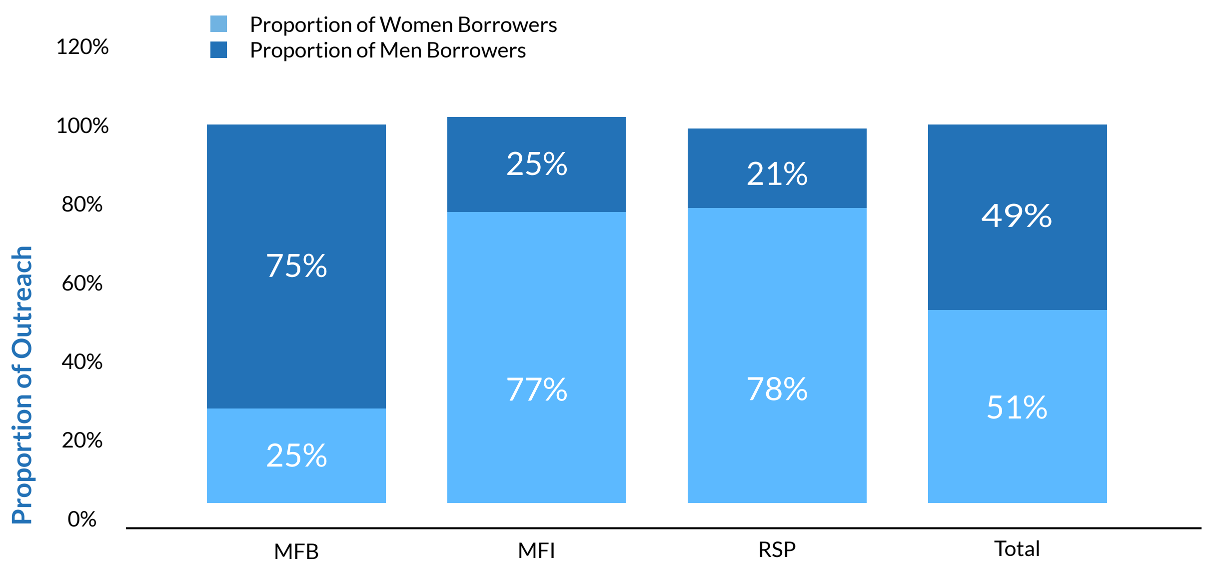


Exhibit 2.14 (b): Gender Distribution of Outreach by Peer Groups

Portfolio Distribution by Sector

The distribution of the industry credit portfolio by sector indicated little difference when compared with last year. The share of the trading sector declined by four percent to reach 21 percent, the agriculture and manufacturing/production sectors experienced a decrease of one percent each which brought their proportion to 15 percent and five percent respectively, while the livestock/poultry sector remained unchanged with 27 percent of the total credit portfolio, which was the highest. In contrast, the services sector experienced a slight increase of three percent to close at 12 percent and the housing sector grew to one percent as some MFPs started exploring this sector.

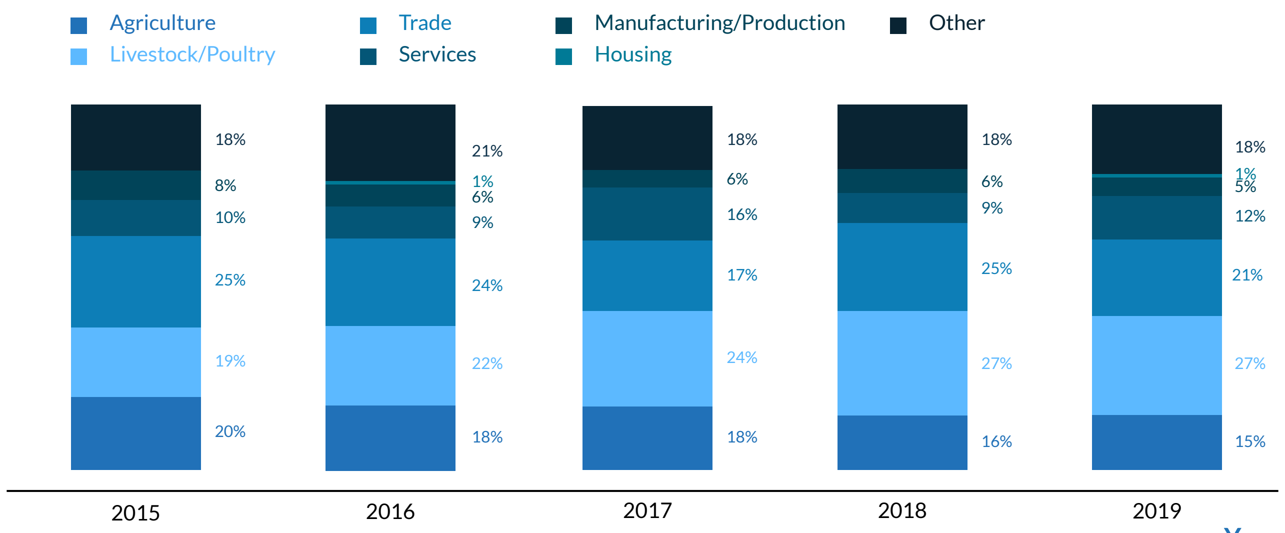


Exhibit 2.15: Active Borrowers by Sector

Rural – Urban Lending

Towards the end of 2019, rural clients continued to dominate the industry. The breakdown indicated that 53 percent of the total microfinance clientele was comprised of rural clients, an increase of two percent compared to the prior year, while the remainder 47 percent were based out of urban districts. KBL, NRSP and FMFB were the largest providers to rural clients, with a combined rural outreach of 1.8 million by the end of 2019. On the other hand, the largest providers of urban clients were Akhuwat, TMFB and Kashf, as their combined outreach surpassed 1.9 million clients in these districts. Nevertheless, it is evident the industry continues to focus on the underprivileged in underdeveloped regions.

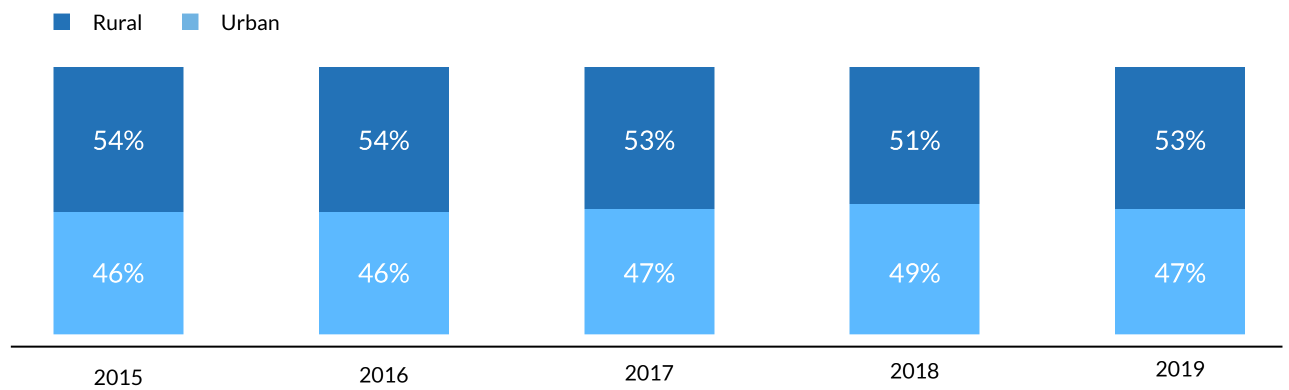


Exhibit 2.16: Active Borrowers by Urban/Rural Areas

Financial Structure

Asset Base

The asset base of the industry grew from PKR 426.6 billion in 2018 to PKR 493.3 billion by the end of 2019, showing an impressive growth of 16 percent. The proportion of the total asset base remained unchanged compared to the previous year as MFBs, MFIs and RSPs continue to maintain a share of 76 percent, 15 percent and nine percent respectively (Exhibit 2.17 (a)).

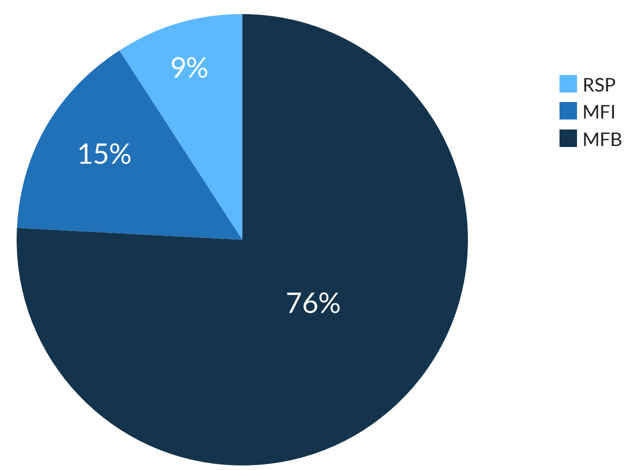


Exhibit 2.17 (a): Proportion of Asset Base by Peer Group

The increase in the asset base was primarily due to the growth in the asset base of MFBs by PKR 47.7 billion as the figure closed at PKR 374 billion. MFIs saw their assets grow by over PKR 12 billion to PKR75.2 billion, while RSPs witnessed a growth of PKR 6.7 billion to close at PKR 43.9 billion (Exhibit 2.12(b)).

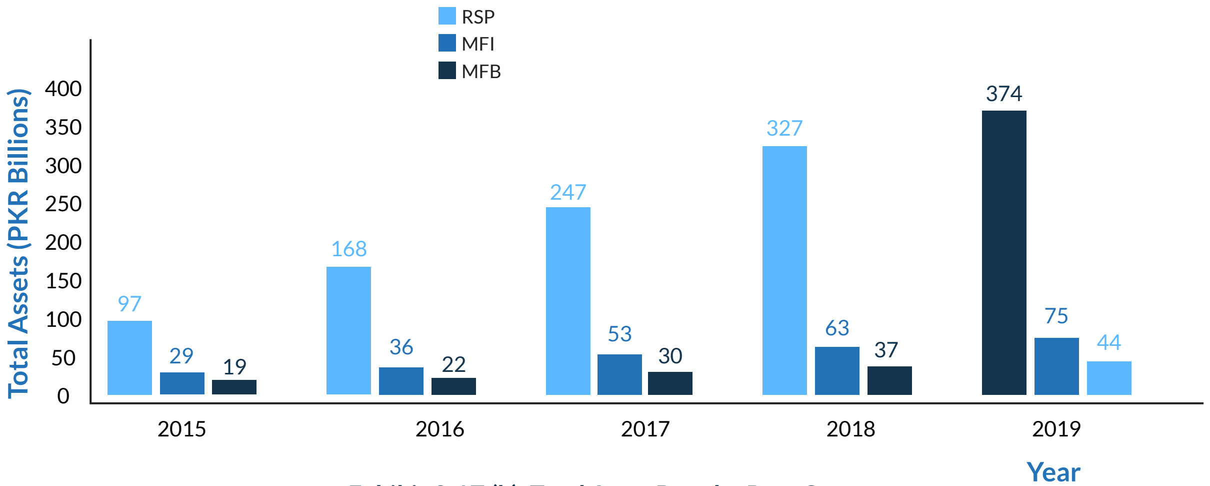


Exhibit 2.17 (b): Total Asset Base by Peer Group

Among the individual MFPs, KBL continued to be the largest in the industry with a balance sheet of PKR 81 billion compared to PKR 70 billion in the prior year. TMFB maintained its spot as the second largest MFP in terms of total assets, despite experiencing a decline in the total asset base of almost PKR 1 billion to close at PKR 61 billion. The third largest MFP was now FMFB with PKR 47 billion in assets compared to PKR 38 billion previously (Exhibit 2.18).

The industry continues to be dominated by the top 10 largest MFPs which account for 84 percent of the total assets of the sector, compared to 82 percent previously. Out of these 10, eight were MFBs while the remainder were one MFI and RSP each as Akhuwat dropped out of the 10 largest MFPs.

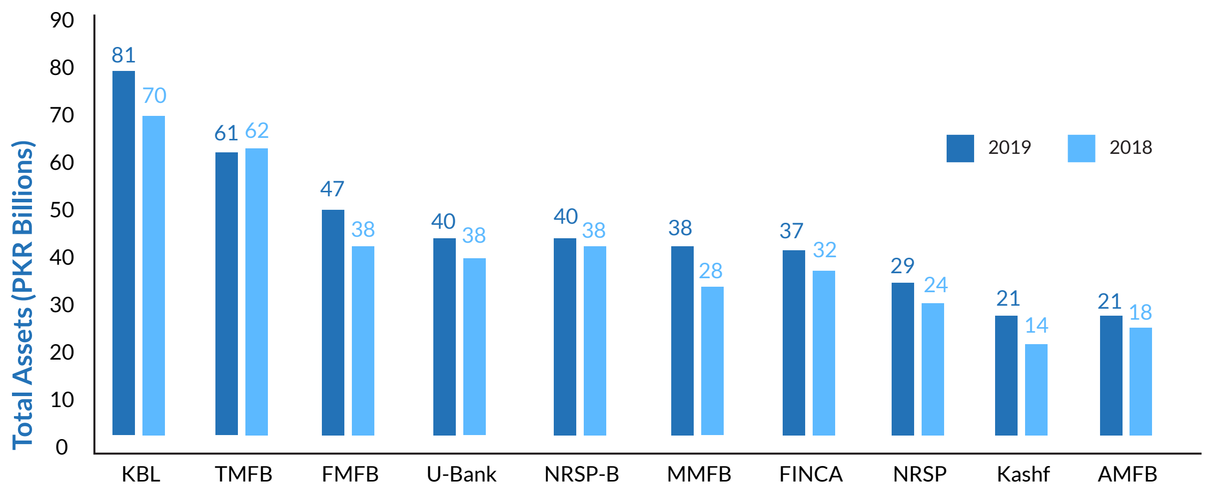


Exhibit 2.18: Asset Base of Larger MFPs

MFP

Funding Profile

The capital structure of the industry observed marginal change. While the deposits maintained 59 percent of the total capital structure, a slight decline in equity and an increase in debt saw their proportion change to 17 percent and 24 percent respectively (Exhibit 2.19). The trend of the past three years indicates that the overall proportion of the capital structure has remained the same with marginal changes in the proportion of individual categories. The reliance of MFBs on deposits have resulted in the total deposit base rising to almost PKR 265 billion in 2019 from PKR 238.6 billion previously.Consequently, debt of the sector rose from PKR 90.7 billion to over PKR 105 billion, while equity grew from PKR 71.9 billion to PKR 76.3 billion by the end of 2019.

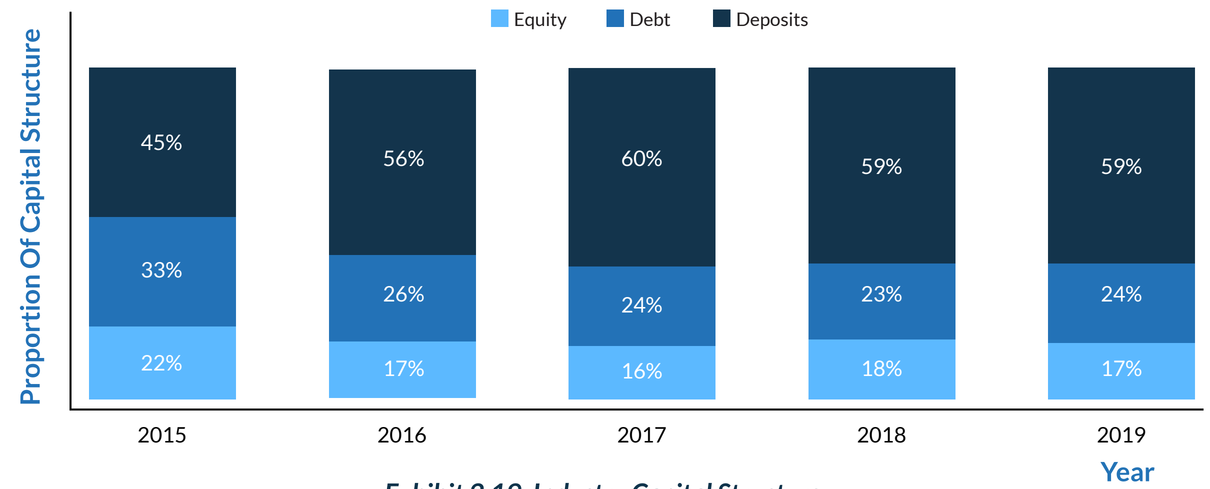
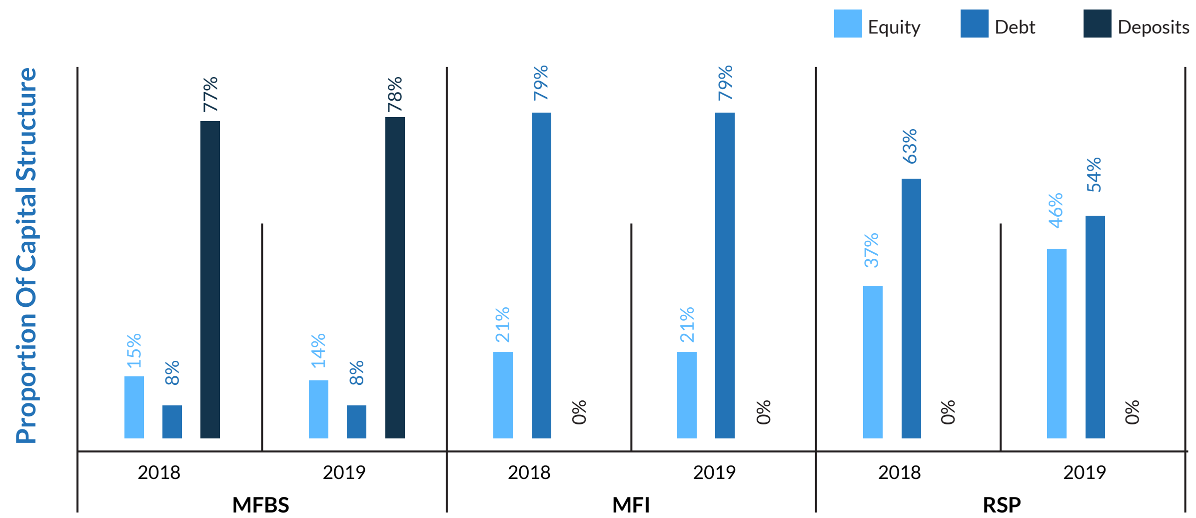


Exhibit 2.19: Industry Capital Structure

Apart from this marginal change which saw the deposit base of MFBs increase by one percent at the cost of equity, the proportion of debt remained unchanged. The MFI peer group saw no change within their proportion of debt and equity, which remained at 79 percent and 21 percent respectively. In the case of RSPs, they experienced a considerable change within their capital structure, as equity increased from 37 percent to 46 percent while debt declined from 63 percent to 54 percent.



Year And Peer Group

Profitability & Sustainability

The total revenue for the industry increased by 24 percent from last year to close at around PKR 111 billion. Unfortunately, the year also experienced a significant decline in the net income from PKR 10 billion previously to a loss of PKR 5.8 billion (Exhibit 2.21 (a)). The decrease in the overall profitability of the sector was caused due to TMFB which incurred a loss of over PKR 16 billion during the year, while other MFBs and most NBMFCs remained profitable. A major part of TMFB's net loss can be attributed to investments in expanding the digital payments business, the other contributor is credit impairment loss, for which a provision of PKR 8.9 billion was made by taking into account expected losses and credit irregularities that also include fraud. It is worth mentioning that the total revenue of the industry stood at PKR 92 billion with a profitable net income of PKR 10.5 billion excluding the financial effect of TMFB.

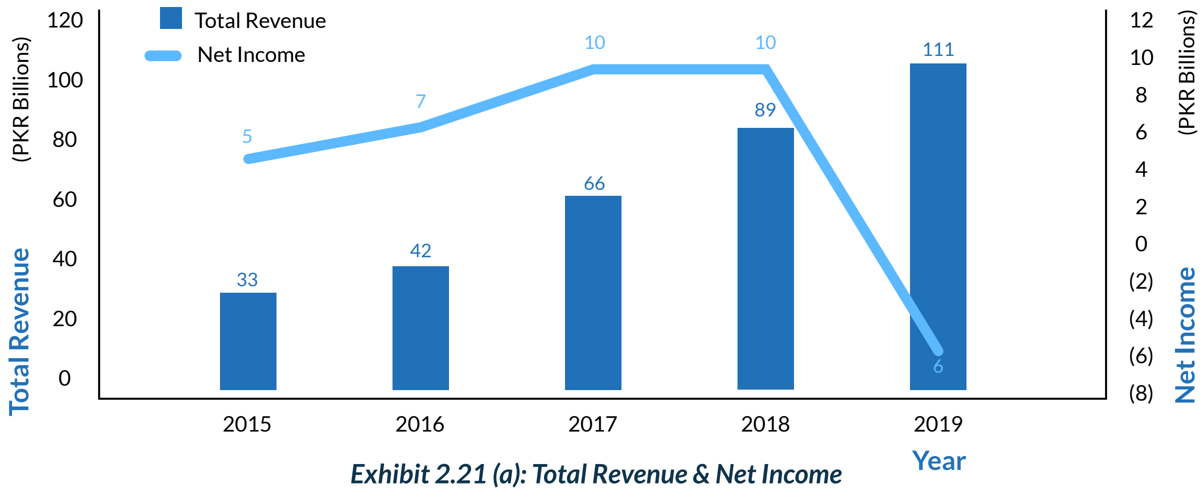


Exhibit 2.21 (a): Total Revenue & Net Income

The overall loss within the industry also affected the already declining adjusted return on assets (ROA) and adjusted return on equity (ROE). The adjusted ROA declined from 0.7 percent in 2018 to -1.8 percent, while the adjusted ROE dropped from 4.3 percent to -7.4 percent during the year under review. It is noteworthy that the adjusted ROA and ROE of the industry stood at two percent and 7.8 percent respectively without considering TMFB.

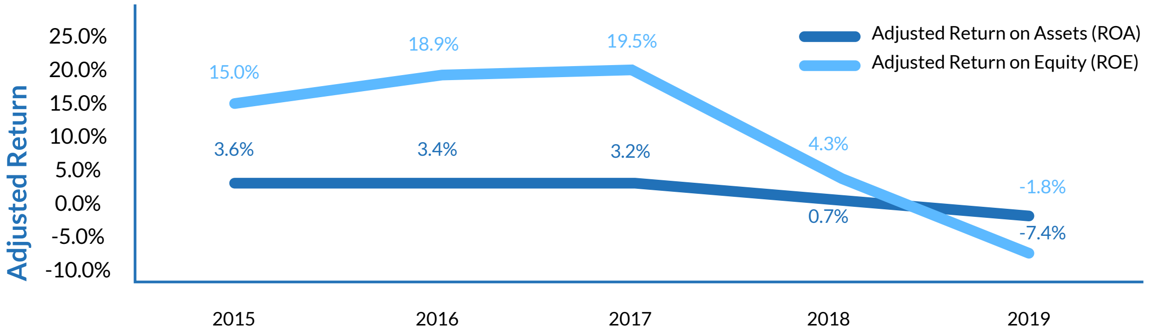


Exhibit 2.21 (b): Adjusted Return on Assets & Return on Equity

In terms of peer groups, both MFIs and RSPs had an adjusted ROA of 3.6 percent and 3.8 percent respectively, while the indicator for MFBs dropped to -3.5 percent. The adjusted ROE of MFIs and RSPs also remained positive with 17.2 percent and 7.3 percent respectively compared to the -16 percent of MFBs.

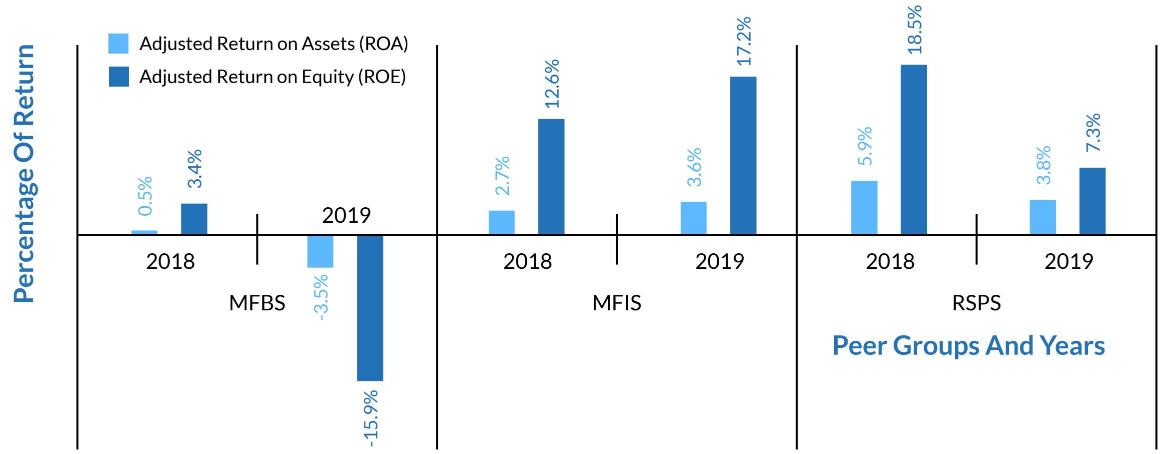


Exhibit 2.21 (c): Adjusted Return on Assets & Return on Equity by Peer Group

The industry experienced a decline in operational self-sufficiency (OSS), which dropped below 100 percent (Exhibit 2.21 (d)). The OSS of the industry stood at 97 percent from 119 percent in the previous year. If we leave out the losses from TMFB, the OSS of the industry stood at 116 percent. This decline in the OSS was due to losses suffered by TMFB which adversely affected the bottom line of the industry. Out of the 38 reporting organizations, only three had an OSS less than 100 percent i.e. TMFB, Saath Microfinance Foundation Pakistan (Saath) and Punjab Rural Support Programme (PRSP). Among the peer groups, MFBs had an OSS of over 89 percent, while both MFIs and RSPs boasted an OSS of over 100 percent, with 137.5 percent and 117.5 percent respectively. The financial self-sufficiency (FSS) of the industry also witnessed a decrease from 109 percent in the previous year to 95 percent by the end of 2019. However, the FSS without the effects of TMFB, witnessed an increase to 112 percent. FSS remained the highest for MFIs with 119.4 percent, followed by RSPs with 116.5 percent and 89 percent for MFBs.

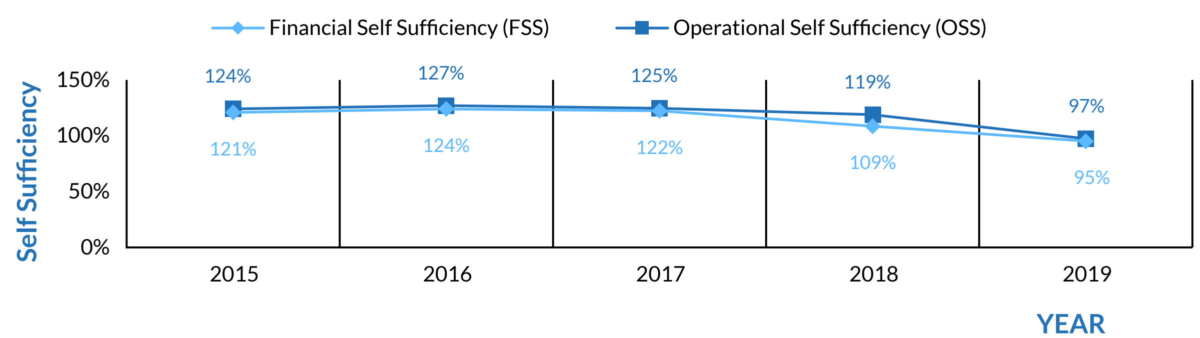


Exhibit 2.21 (d): OSS and FSS Trend 0.5%

The total revenue ratio of the industry improved from 22 percent to 24 percent during the year under review. The yield on portfolio (nominal) stood at 35 percent in 2019 compared to 38 percent in 2018. While the revenue from loan portfolio increased by 20 percent to close at over PKR 99 billion, this was met by a subsequent increase of 30 percent in the average GLP during the year, which stood at over PKR 283 billion, leading to a decline in the yield. This reveals that the pricing of assets has plateaued in 2019 despite increasing revenues, which can be improved with increased loan sizes and improvement in efficiency.

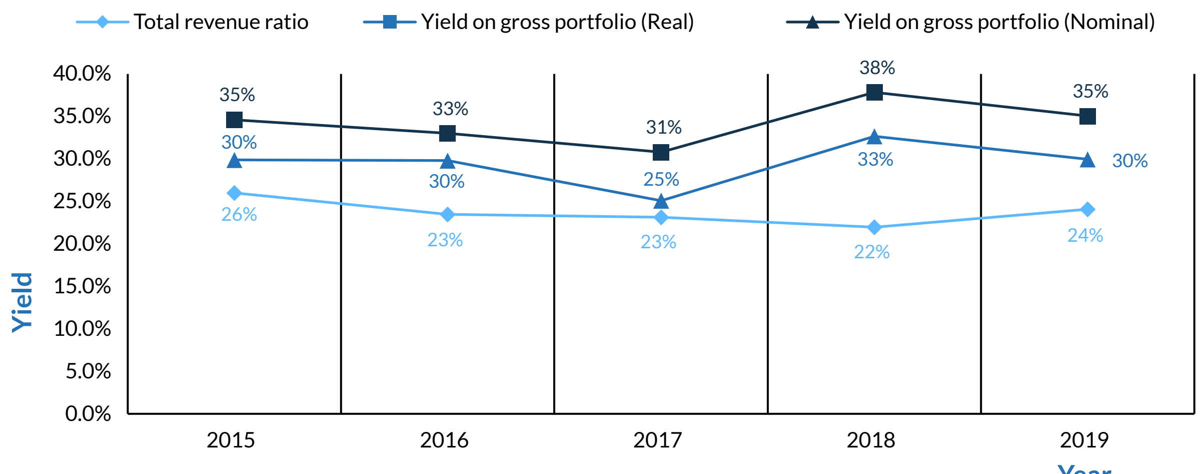


Exhibit 2.22: Yield on Portfolio Trend

The total revenue of the sector stood at over PKR 110.7 billion during the year under review (Exhibit 2.23). Of this figure, PKR 81.2 billion was attributable to MFBs, PKR 18.6 billion to MFIs while the remainder PKR 10.9 billion was attributable to RSPs. Most of the revenue of the industry continues to come from earnings on the loan portfolio which comprised 90 percent of the total revenue of the sector, which translates into over PKR 99.2 billion. However, this year also saw the proportion of revenue from investments in financial assets improve from two percent previously to six percent of total revenue or PKR 7 billion. The remainder PKR 4.5 billion or four percent of total revenue was associated with income from financial services.

The increase in the income from loan portfolio was driven by MFBs as they added over PKR 11 billion to stand at PKR 74 billion by the end of 2019. MFBs were followed by MFIs and then RSPs which added PKR 4.2 billion and PKR 1.4 billion each to close at PKR 16.9 and PKR 8.2 billion respectively. The investment in financial assets was also led by MFBs as they placed surplus funds into financial assets to improve their financial cushion and meet liquidity needs. This resulted in a sizeable increase in the income from investments of MFBs to surpass PKR 5 billion during the year.

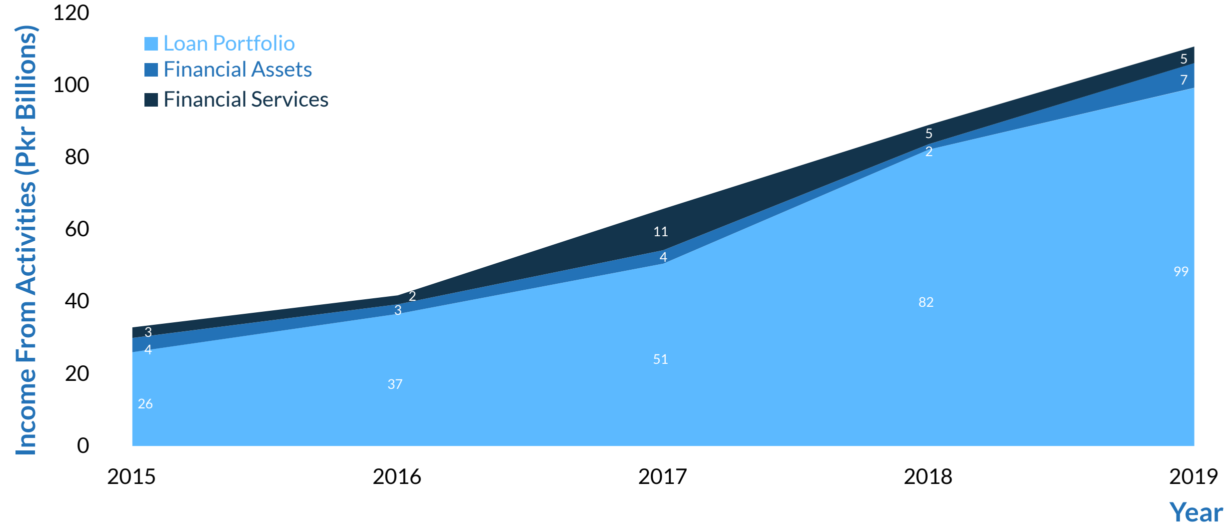


Exhibit 2.23: Revenue Streams

The total expense for the industry stood at PKR 113.7 billion out of which PKR 57.1 billion was classified as operating expenses. This was followed by financial expense of PKR 34.2 billion and loan loss expense of PKR 17.7 billion. The expense to assets ratio continued to rise for the last two years (Exhibit 2.24) as the ratio increased to 25.2 percent from 20.1 percent previously. The increase is largely due to the increase in the Loan Loss Provision expense from 5.5 percent last year to 7.9 percent in the year under review. Additionally, the considerable increase in the non-operating expenses also led to this surge in total expenses which was due to rising inflation and the consequent cost of doing business in the industry.

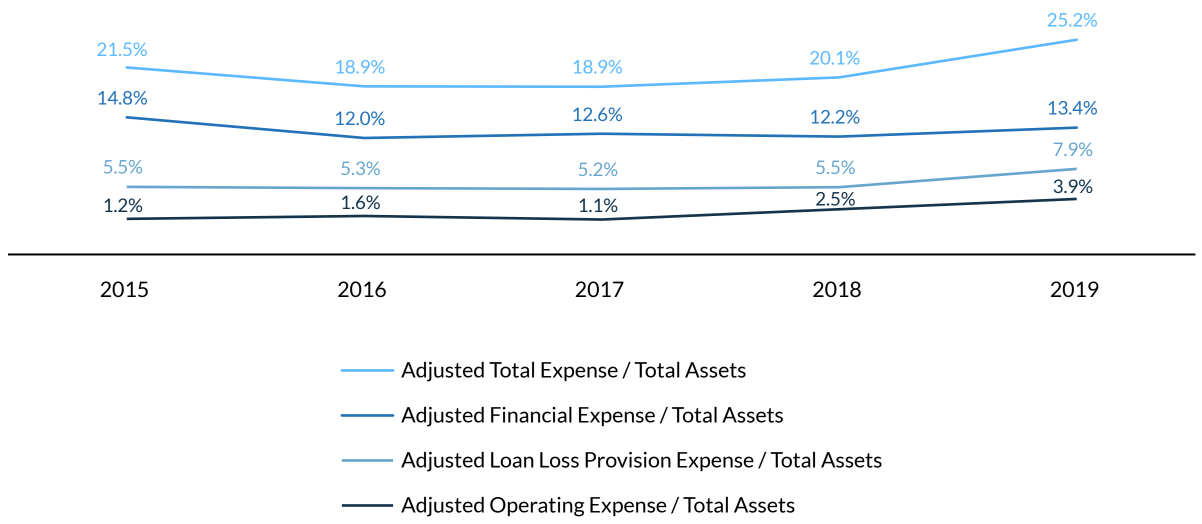


Exhibit 2.24: Expense Ratio Trends

The operating expense to GLP and personnel expense to GLP ratios continued to decline for consecutive years (Exhibit 2.25). Operating expense to GLP ratio decreased from 22.4 percent last year to 20.2 percent in this year, whereas the personnel expense to GLP ratio increased from 8.7 percent to 9.1 percent in the same time period. The year also saw a decline in admin expenses as they fell to 11.1 percent from 13.8 percent previously.

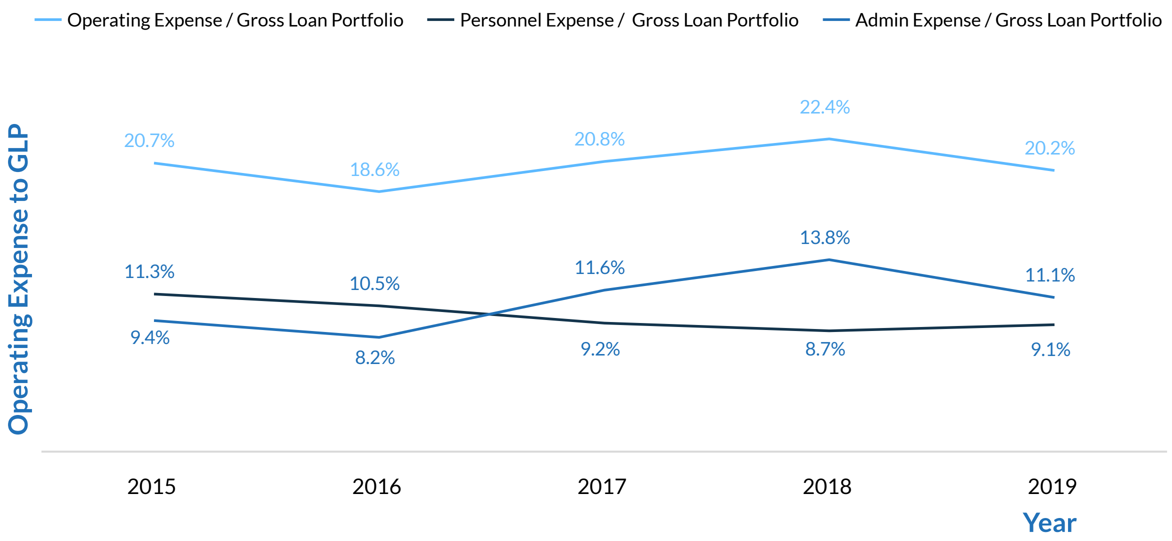


Exhibit 2.25: Operating Expense to GLP

Productivity

The total staff in the industry increased by 10 percent in 2019 to stand at 46,163 of which 23,870 were loan officers compared to 21,614 in the prior year. The Personnel Allocation ratio remained unchanged this year when compared with 2018 (Exhibit 2.26). By the end of the year, the ratio for MFBs declined from 45.5 percent in the preceding year to 44.3 percent, followed by RSPs which dropped from 73.8 percent to 69.3 percent. MFIs were the only peer group that experienced a growth in the ratio from 51.3 percent to 57.1 percent.

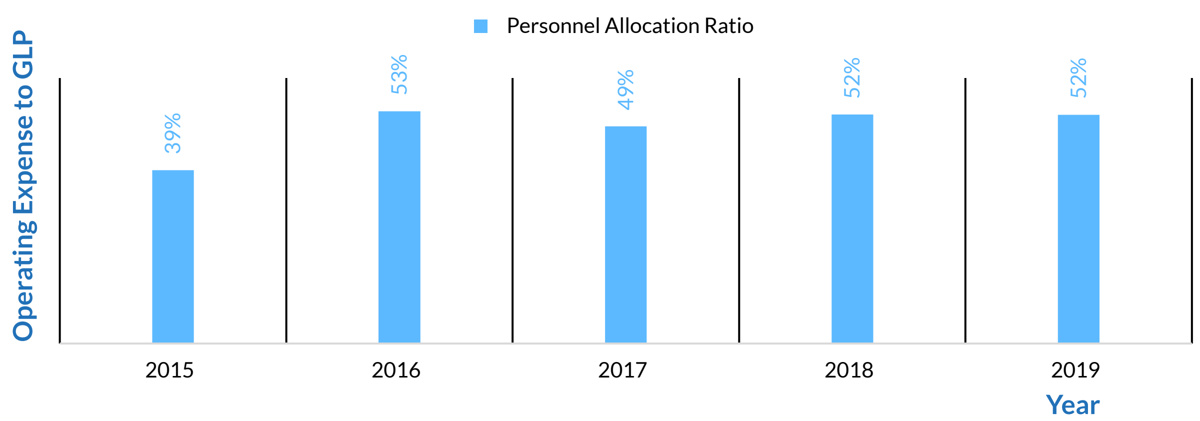


Exhibit 2.26: Personnel Allocation Ratio

The productivity indicators over the last five years indicate a general growth, while some indicators represented stability in the ratios (Exhibit 2.27). The borrowers per staff ratio increased from 159 to 161 while the borrowers per loan officer rose from 309 to 312 in 2019. The loans per staff grew from 159 in the prior year to touch 161 loans per staff during 2019. Similarly, the number of loans per loan officer depicted substantial growth as they improved from 758 in 2018 to 952 loans per loan officer by the end of the year under review. On the deposit side, the depositors per staff remained somewhat stable by increasing only marginally from 307 to 312. In terms of peer groups, RSPs had the highest loans per staff ratio with 184, followed closely by MFIs with 182, while MFBs had 144 loans per staff. MFBs maintained the highest loans per loan officer with 326 compared to 318 for MFIs and 265 for RSPs. It is anticipated that the productivity of MFPs, based on these indicators, will improve considerably when considering the impact of digital credit. This is observed when analyzing these indicators for the telco-led banks currently involved in digital lending. In 2018, the borrowers per staff stood at 195 for TMFB and 152 for MMFB. These indicators experienced significant increase by the end of 2019 as they stood at 243 for TMFB and 227 for MMFB. In terms of savings, the depositors per staff ratio also increased from 2,585 in 2018 to 4,651 in 2019 for TMFB, while it declined from 4,248 to 13,593 during the same period for MMFB.

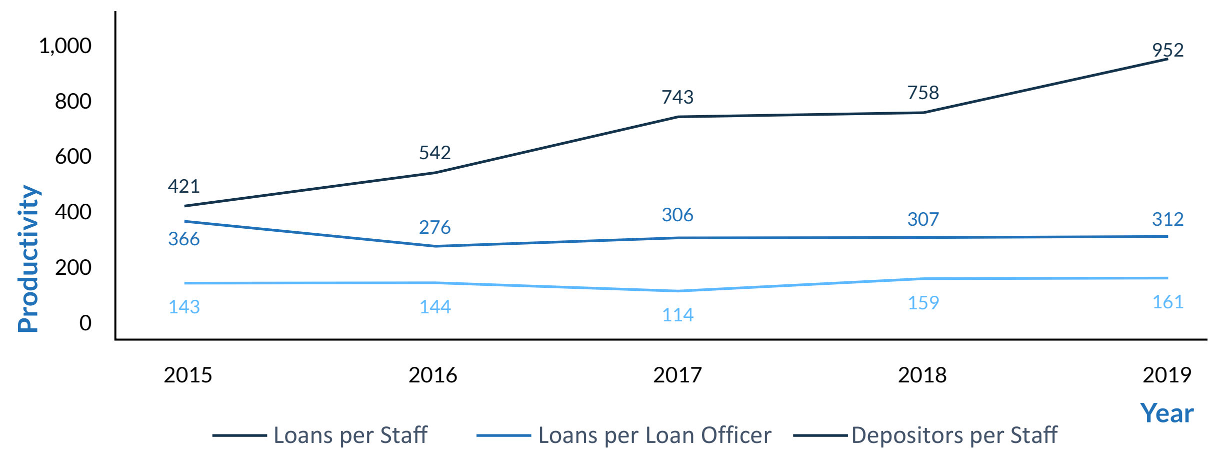


Exhibit 2.27: Productivity of MFPs

Credit Risk

The PAR 30 remained below the five percent benchmark despite increase in the ratio. The year saw the PAR 30 to GLP ratio jump from 1.6 percent previously to 3.9 percent while the PAR 90 (percentage of total loan portfolio at risk due to open loans overdue by 90 days) increased from 0.8 percent to 2.6 percent. Similarly, a surge in write-offs was also observed as the write-offs to GLP ratio increased to 3.1 percent compared to 0.5 percent previously (Exhibit 2.28 (a)).

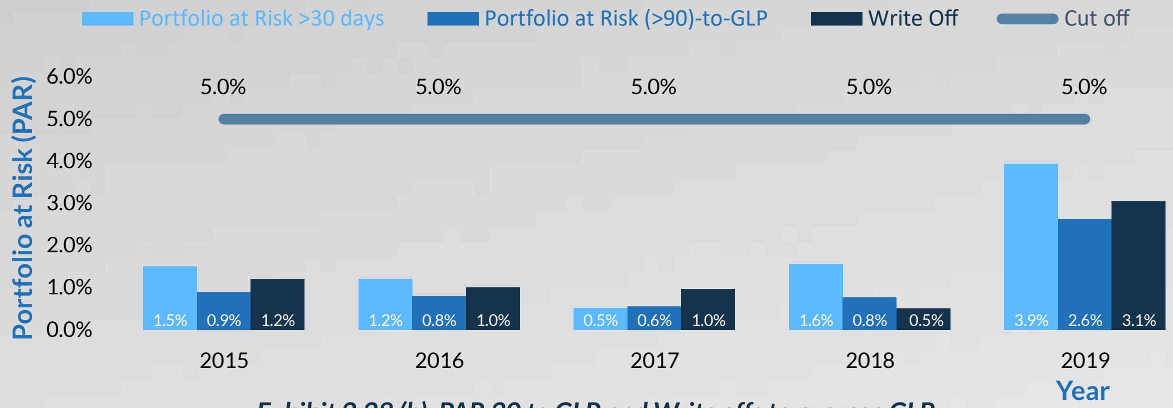


Exhibit 2.28 (b): PAR 30 to GLP and Write offs to average GLP

The increase in the PAR 30 indicator was primarily due to MFBs as they experienced a considerable rise in the ratio to 5.1 percent by the end of the year compared 0.9 percent and 1.3 percent for MFIs and RSPs respectively. PAR for MFBs was higher due to higher reported PAR by TMFB or Correspondingly, the PAR 90 days ratio also increased for MFBs to touch 3.5 percent while MFIs and RSPs managed to contain it at 0.5 percent and 0.8 percent each. MFBs also contributed to the increase in write offs as they saw their write offs to GLP close at 4.1 percent compared to 0.3 percent and 0.8 percent for MFIs and RSPs.

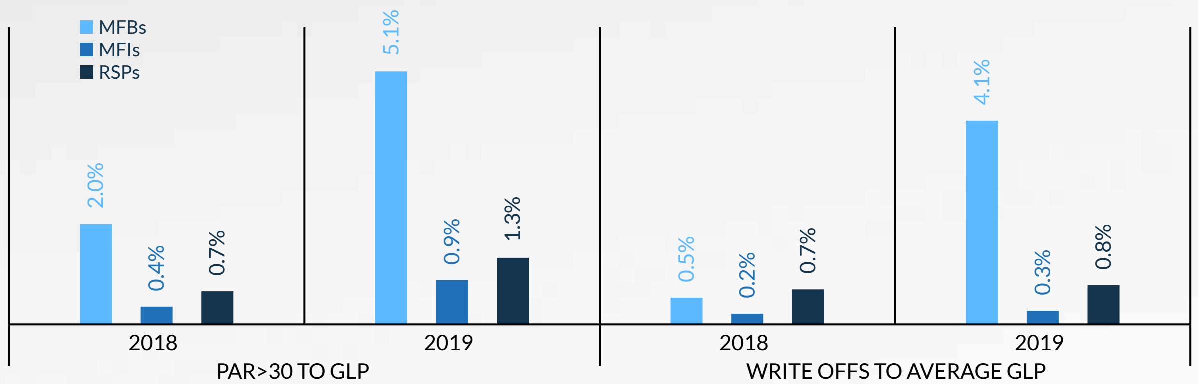


Exhibit 2.28 (b): PAR 30 to GLP and Write offs to average GLP

Conclusion

Microfinance industry witnessed another year of growth in outreach despite macroeconomic challenges. The industry continued to serve marginalized segment with women and rural borrowers making up most of the borrowers. The sector balance sheet is nearing PKR 500 billion marks and is dominated by the FB peer group. The sector risk witnessed an increase which was natural given the adverse economic conditions, however, it remained below the five percent benchmark. Also, sector profitability and sustainability also took a hit. However, the decrease was due to one MFP reporting a loss while the rest of the sector remained profitable and sustainable. Expenses rose over the year mainly due to increase in borrowing costs and loan loss provision.

The sector looks towards the year 2020 with looming challenges included macro-economy, COVID-19 epidemic and locust attack on crops which will test its business models, financial sustainability and management acumen.

The microfinance sector in Pakistan has shown constant and consistent commitment in incorporating Social Performance Management in its processes, operations and practices and there has been an increasing focus on balancing social performance with financial sustainability. Social Performance Management broadly is an indication of how well a microfinance institution meets the social goals outlined in its mission and vision. Social performance is reflected in a wide range of indicators, including an MFI's policies towards its target market, its policies of governance and for its employees, credit policies, level of transparency in interest rates and loan terms, client protection and policies on environmental conservation. MFPs have been engaged in pursuing a range of social and development goals, which include increasing access to financial services, development of start-up and existing enterprises, poverty alleviation, employment generation, promoting gender equality and empowerment. These development goals form the foundation of the microfinance sector and are significant for MFPs to gauge their progress towards achieving their respective social goals. This is done by using social performance indicators in the same way as financial data is used to manage the financial bottom line. The following section will outline key social performance indicators as monitored across the Pakistan microfinance landscape. We will attempt to analyze industry trends across various Social Performance (SP) indicators, including social goals, poverty targets, governance & HR, diversity in financial and non-financial service provision, client protection and environmental protection.

SECTION THREE

SOCIAL PERFORMANCE REVIEW

Analysis of the Sector's Social Performance Indicators

The Microfinance Information eXchange (MIX), in collaboration with the Social Performance Task Force (SPTF), has developed an annual social performance reporting framework for MFPs. The framework categorizes social performance into five main categories and includes a comprehensive set of indicators on institutions' social goals, target segments, governance and HR practices, financial and on-financial services and environmental safeguard. As self-reported data, the MIX framework allows MFPs to select multiple categories that are applicable to their respective institution. For example, within the 'target population subsection, an MFP may report to targeting all or none of the following; 'women', 'clients living in the urban area', 'youth and adolescents' and 'clients living in the rural areas' categories if those are applicable to their practices.

At the time of this publication, 33 PMN members have reported their organizational data using the new MIX social performance framework. The PMN members that have reported the data include 11 Microfinance Banks (MFBs), 17 Microfinance Institutions (MFIs) and five Rural Support Programs (RSPs).

Social Goals

Target Market

The target market defines the type of clientele being served by the MFPs. The social performance reporting framework highlights four main categories in the target market section which are "clients living in rural areas", "clients living in urban areas", "women", and "adolescent and youth".

Having a target market helps the organization channel its overall goal and mission in a focused manner and can help to optimize the use of their limited resources. Providing services that are relevant, client oriented and effective in serving an organization's mission requires a thorough identification of the target market.

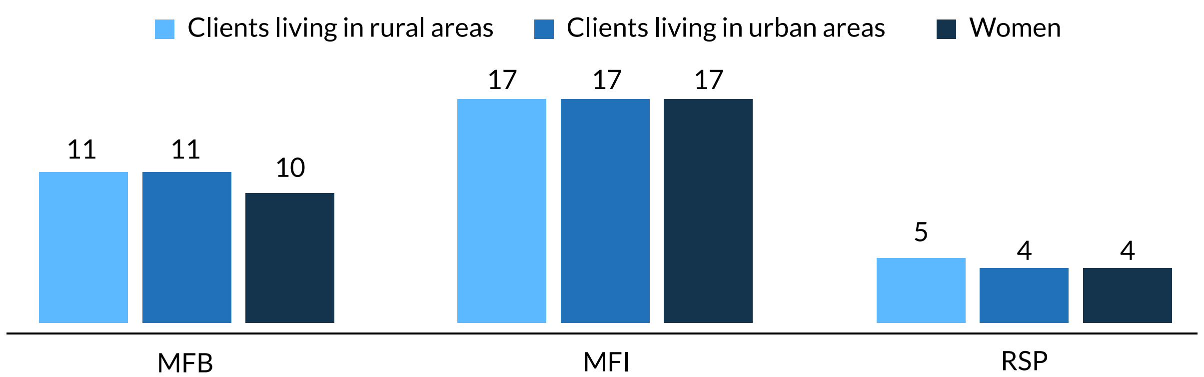


Exhibit 3.1: Target Market for Peer Groups

MFPs target markets by peer group which are highlighted in Exhibit 3.1. Out of 11 reporting MFBs, the majority cited multiple targets, including clients living in rural areas and clients living in urban areas. 10 of the 11 also reported extending services to women. Of the 17 reporting MFIs, all 17 of them target clients in rural areas, clients in urban areas and women. Out of the five reporting RSPs, five cater to clients in rural areas, while four have also expanded operations to clients in urban areas and four prioritize lending to women. Overall, clients are targeted based on gender and location, with a specific preference for women in most cases, with some institutions lending exclusively to women. There is 100 percent coverage of rural areas by all MFPs, 96 percent outreach to urban areas and 94 percent outreach to women as a specific target market.

Development Goals

The data analysis of MFPs' social performance indicators shows that all MFPs have social development goals at the foundation of their mission. The most common mission statements include a focus on expanding the reach of quality financial services to the lower-income population, contributing to poverty eradication, spurring employment generation and jumpstarting business and enterprise growth. By focusing on these medium-term goals, the overarching goal is to improve the quality of life of the population, socially and economically. Themes of poverty alleviation, increased access to finance and expansion of economic opportunities are more common elements in non-bank MFPs. Women empowerment is also seen as a frequently occurring theme as well. The MFPs are seen to have explicitly designed products, services and procedures to achieve their social goals.

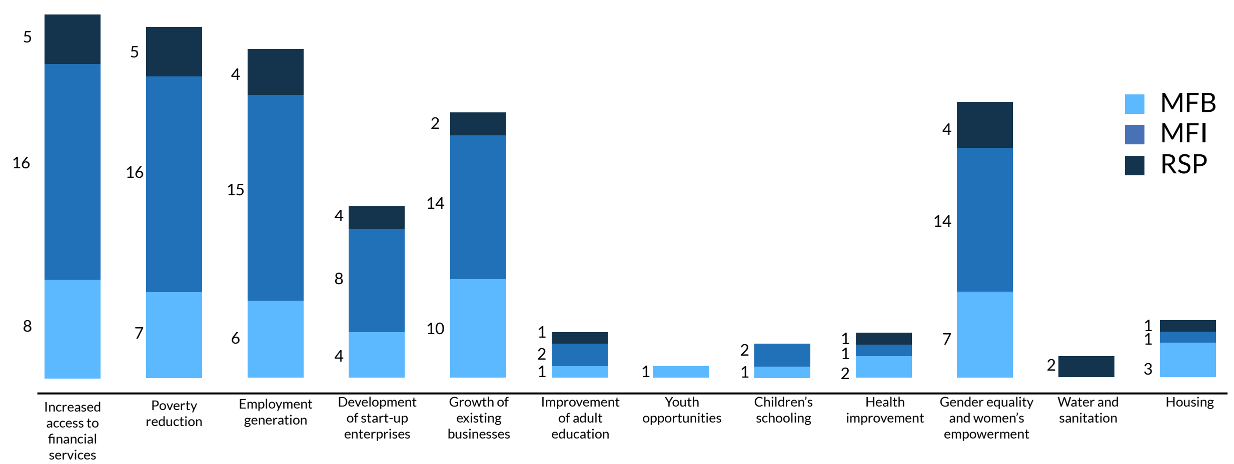


Exhibit 3.2: Development Goals

The most common objectives were found out to be increased access to financial services by 29 MFPs closely followed by poverty reduction by 28 MFPs. Other commonly cited objectives included employment generation (25), growth of existing businesses (26) and gender equality and women's empowerment (25). A rising trend can be seen for development of start-up enterprises (14) as a higher number of MFPs report it as part of their development goals. In addition, the government is increasingly focusing on low-cost housing projects, which could indicate an increase in housing finance in the upcoming years.

Poverty Targeting

Almost all reporting MFPs target more than one segment of the marginalized population. Overall, the most common target market for the sector in terms of income is low income clients with 30 reporting MFPs citing this as their target market. A smaller number of 24 reporting MFPs is seen to target poor clients, while only eight MFPs reported targeting very poor clients. A relatively higher number of MFBs are seen to lend primarily to low-income clients while MFIs and RSPs are seen to be targeting poor and very poor clients visà-vis MFBs.

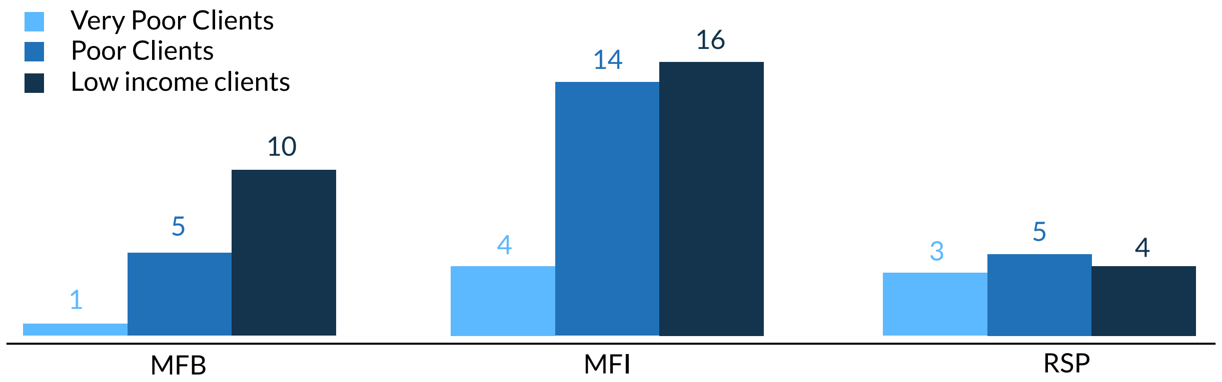


Exhibit 3.3: Poverty Targets

Poverty Measurement Tools

Many MFPs in Pakistan's microfinance sector have established poverty measuring processes in their operations. These tools measure the intensity of poverty within a defined area by using a relevant dimension and indicator, determining a threshold level and selecting a poverty measure for reporting. Various tools collect economic, social, and/or other types of wellbeing indicators from clients for the purpose of determining and/or tracking these clients' poverty levels.

Assessing and analyzing the poverty level of clients helps guide client targeting, establish baselines of client poverty for subsequent impact evaluations, appraisal of financial services to better suit needs of clients and overall measurement of the program's effectiveness.

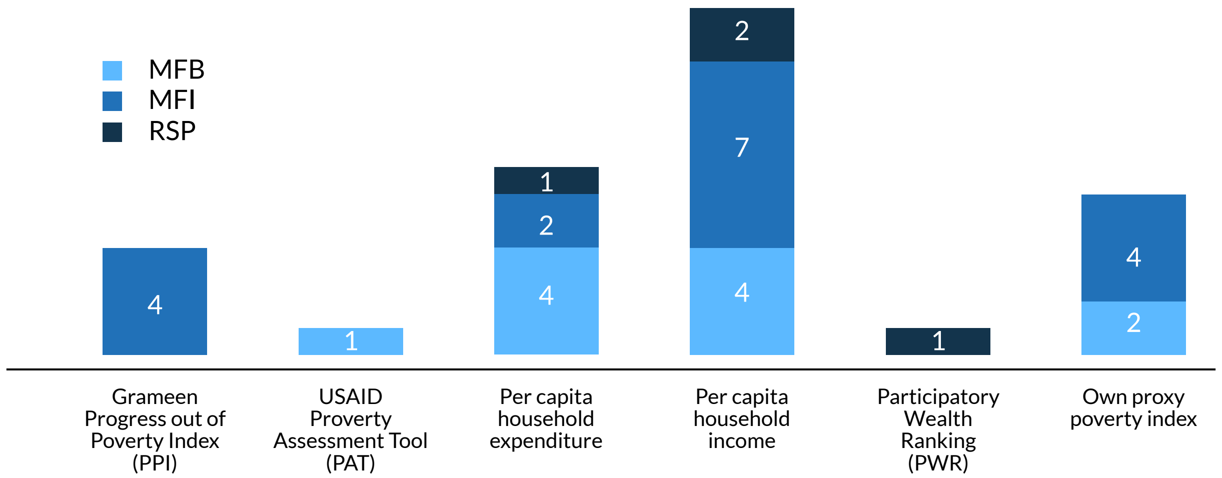


Exhibit 3.4: Poverty Assessment Tools Used by MFPs

Some reporting MFPs employ only one method to measure poverty levels while others use multiple assessment tools, as shown in Exhibit 3.4. A higher number of MFPs report use of the per capita household income metric (13), followed by per capita household expenditure (7) and the use of their own proxy poverty index (6). Other infrequent but used measures include Grameen Progress out of Poverty Index, Participatory Wealth Ranking and the USAID Poverty Assessment Tool.

Governance and HR

Governance and HR practices are considered imperative to complement the overall social mission of MFPs. Two standards of the USSPM pertain to Governance and Human Resource (HR) Management, indicating policy design to further the organizations' social goals. The rationale behind incorporating social performance indicators in governance and HR structures is to allow MFPs to gauge commitment to their social development goals at the institutional level.

Ensuring commitment to social goals in the governance structure entails sensitization of board members to the social mission of the MFP, the presence of a Social Performance (SP) champion at the board level and board members with relevant experience in Social Performance Management.

To this end, majority of the reporting institutions have reported conducting board orientation for their respective social missions.

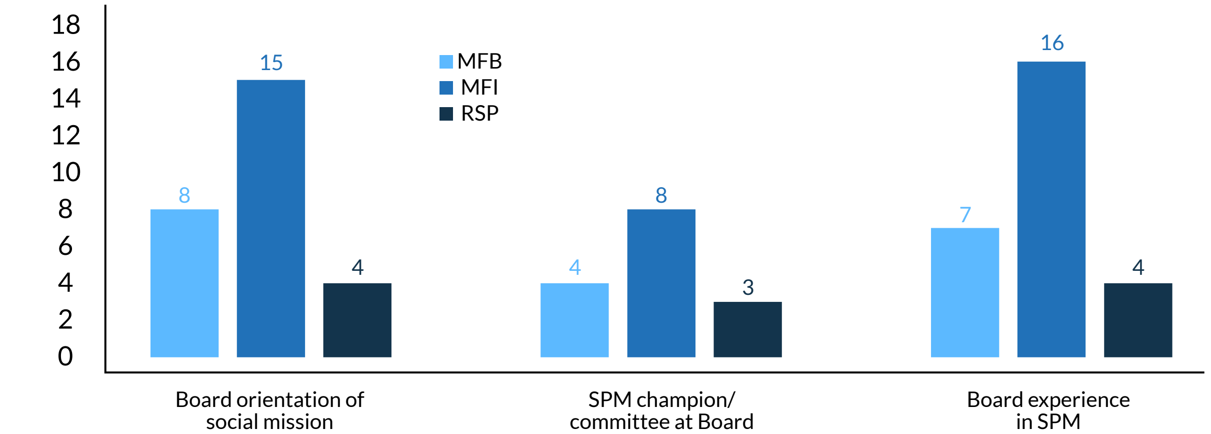


Exhibit 3.5 : Board Commitment to Social Performance Management

8 of the 11 reporting MFBs said that their board members are oriented on the organization's social mission while 15 out of 17 MFIs reported that orientation session is carried out for their board members. Four out of five RSPs also reported conducting orientation sessions for their board members.

Similarly, four out of 11 MFBs reported that they have an SPM champion or a committee at the board level whereas only eight out of 17 MFIs and three out of six RSPs have an SPM champion or a committee at the board level. Regarding the experience of board members in SPM, seven of 11 MFBs, 16 out of 17 MFIs and four out of five RSPs reported compliance on this indicator.

HR Practices

About HR practices pertaining to social goals, this assessment tool measures if staff incentives are related to social performance, how number of clients are incentivized and whether HR policies are related to Social Performance. The last section shows the average percentage of female representation at different levels in the microfinance institutions (MFBs, MFIs and RSPs).

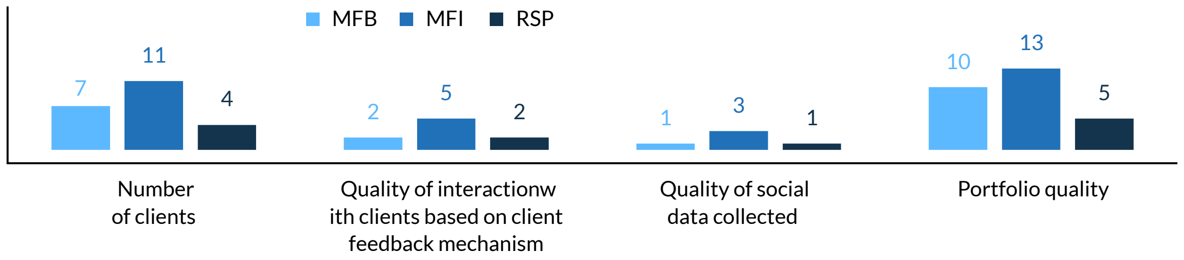


Exhibit 3.6: Staff Incentives Related to SPM

Staff incentives measure the MFPs' adherence to social performance as per the number of clients entertained by the field staff, the quality of interaction with clients based on client feedback mechanisms, quality of social data collected and/or the portfolio quality maintained by field staff.

Amongst the MFB peer group, seven out 11 MFBs reported that their staff incentive was linked to the number of clients and 10 MFBs reported that their incentive structure was linked to portfolio quality. Only two MFBs reported that the quality of interaction of their staff with the clients was also linked to staff incentives while only one MFB reported in the affirmative for quality of social data collected for the same.

Amongst the MFI peer group, 11 out of 17 MFIs reported that their incentive structure was linked to the number of clients while 13 MFIs reported that the incentive structure was linked to the portfolio quality. Amongst the RSP peer group, all of them reported that their incentive structure was linked to the portfolio quality while four RSPs have also deployed the indicator of number of clients to incentivize their staff.

Exhibit 3.7: Methods for Calculating Staff Incentives

The second aspect measures how MFPs reward staff based on metrics of social performance; incentives or bonus systems are tied (in whole or in part) to the number of clients in field officers' portfolios. These can be based on the total number of clients, number of clients meeting specific criteria and/or retaining existing clients.

Exhibit 3.7 shows that all MFPs use a combination of these measures for calculating staff incentives, with the most common being incentives related to "total number of clients" followed by number of new clients and client retention.

Exhibit 3.8: HR Policies Related to Social Performance

The third indicator encompasses the USSPM standards for responsible treatment of employees.

Exhibit 3.8. shows that all reporting MFPs have effective HR policies related to Social Performance with strong reporting on anti-harassment, staff grievance resolution, social protection and non-discrimination.However, there appears to be a gap in policies pertaining to safety of staff members since only 18 of the reporting 33 MFPs cited having any safety mechanism in place.

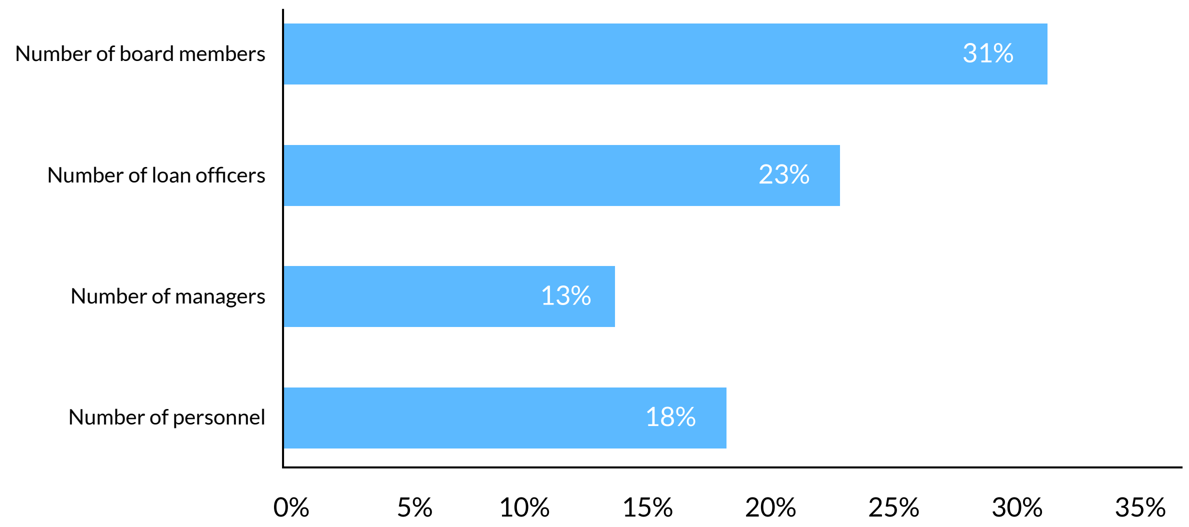


Exhibit 3.9 shows that there are on average 31 percent females who are board members, 23 percent females who are loan officers, 13 percent females who are managers and an overall 18 percent females form part of the personnel. The data for this section was available for 28 MFPs, but it can be considered a representative sample since it includes the major players in the industry. Given that the microfinance industry is largely geared towards women borrowers, the sector itself doesnot have an adequate representation of women in day-to-day operations and management, even though it fares slightly better at the board level.

Products and Services: Financial

Microfinance encompasses a range of financial services for the low income and poor households, including savings, insurance and money transfer services along with credit. This section describes the further subdivision of these products to examine the level to which the financial products and services are adapted to serve the client needs.

Credit

All reporting organizations offer microcredit services, for income generating purposes as well as for nonincome generating (consumption) purposes.

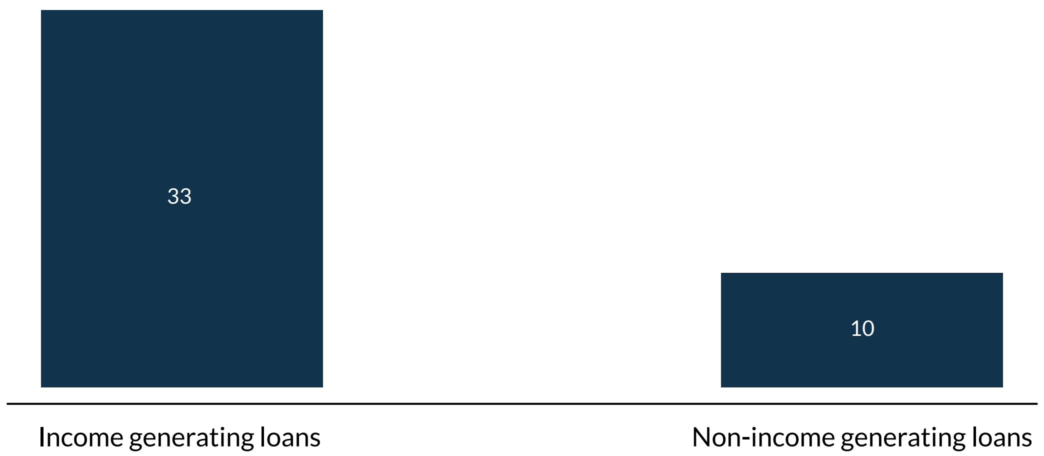


Exhibit 3.10: Types of Credit Products Offered by MFPs

As Exhibit 3.10. shows, all the reporting MFPs offer income-generating loans, while only 10 MFPs offer non-income generating loans in addition to income-generating ones.

The income generating loans extended by MFPs include microenterprise loans, SME loans, agriculture/livestock loans and express loans. While for the non-income generating loans offered, the main categories include education loans, emergency loans, housing loans and other household consumption loans.

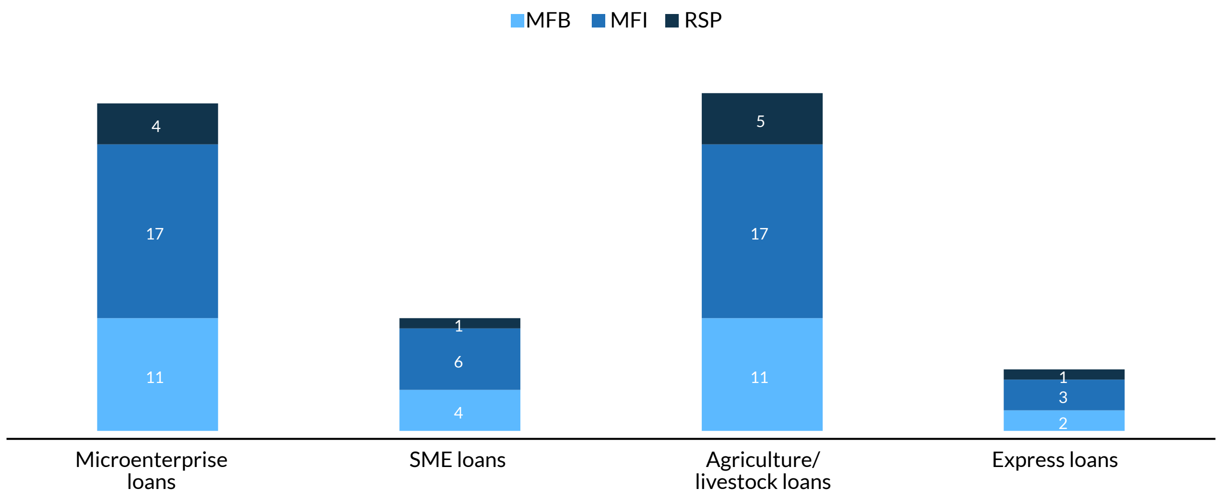
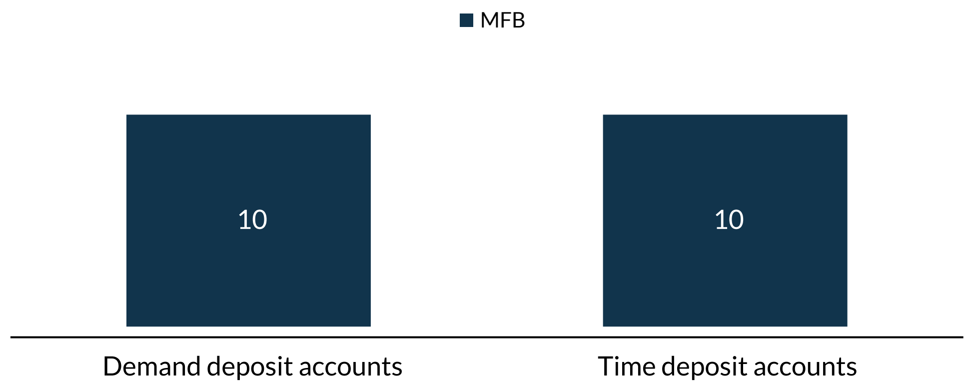


Exhibit 3.11: Credit Offerings by Peer Groups

Exhibit 3.11 shows the comparison of MFBs, MFIs and RSPs with respect to the category of income generating loans offered to their clientele. Almost all reporting MFPs offer microenterprise loans whereas most of them also extend credit for agriculture/livestock loans while a growing number of MFPs offers SME and express loans.

Deposits

Given the regulatory structure in Pakistan for savings product/deposits, only MFBs can intermediate deposits and hence offer voluntary deposit accounts (both demand deposit accounts and time deposit accounts). Exhibit 3.12. shows that 10 of the 11 reporting MFBs offer either demand or time deposits or both.



All MFBs, being regulated banks, can intermediate client deposits, and thus all reporting MFBs can take deposits. Non-bank MFPs can only mobilize deposits.

Insurance

Insurance products are increasingly gaining popularity among clients of the microfinance sector and there is enough demand for MFPs to offer these services. Various micro-insurance products are being developed and offered to serve the base of the pyramid. Most of the reporting MFPs offer insurance products to meet their clients' needs and to protect them against the risk of losses.

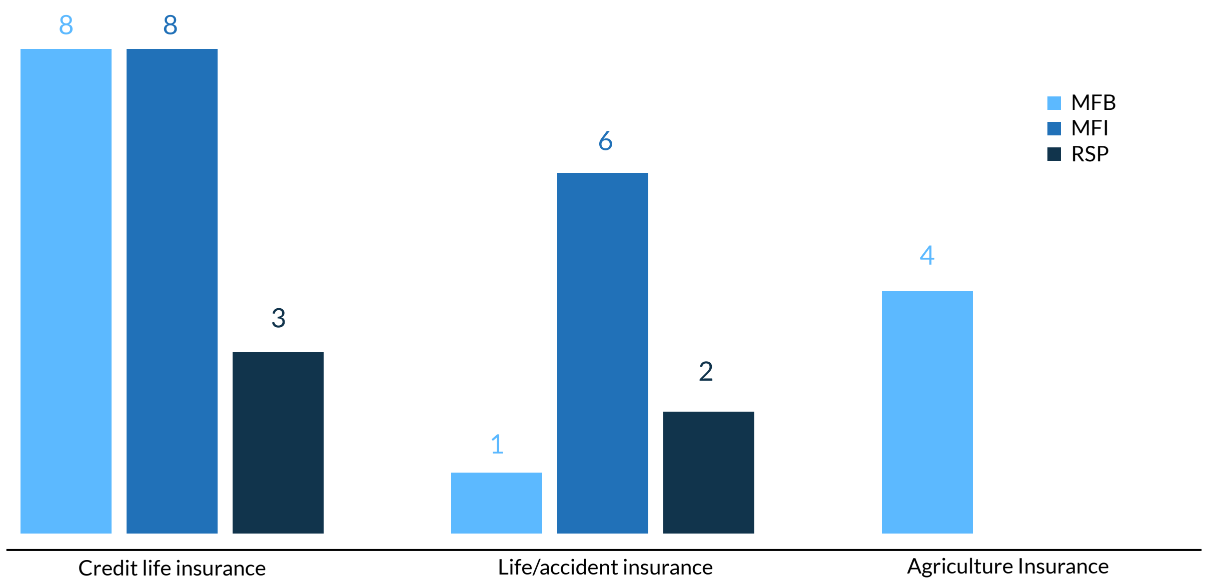


Exhibit 3.13: Types of Compulsory Insurance

As Exhibit 3.13 shows the most common compulsory insurance product offered by MFPs to its clients is the credit life insurance product, with 19 of 33 MFPs offering it. Other compulsory insurance products include life/accident insurance and agriculture insurance. Some MFPs offer voluntary insurance products on a needs-basis to customers through partnerships with insurance providers. While most MFBs offer compulsory insurance, there are a few that offer voluntary insurance products.

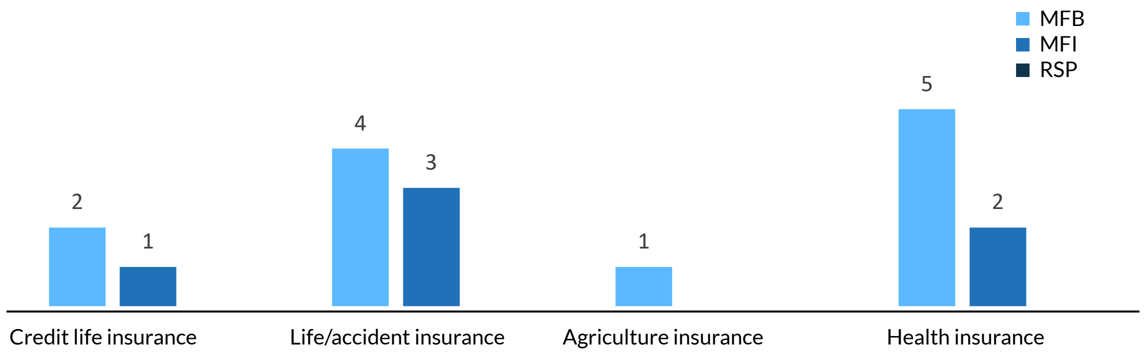


Exhibit 3.14: Types of Voluntary Insurance

Exhibit 3.14 shows that voluntary insurance products include credit life insurance, life/accident insurance, agriculture insurance and health insurance.

Other Financial Services Offered

Other financial services offered by MFPs include provision of debit/credit card, mobile/branchless banking services, savings facilitations services, remittance/money transfer services, payment services, micro-leasing and scholarship/educational grants. Exhibit 3.15 shows that amongst the MFPs, the main provider of these financial services is the MFB peer group with the most common financial services of debit/credit card, branchless banking, payment and money transfer service being extended to the clients.

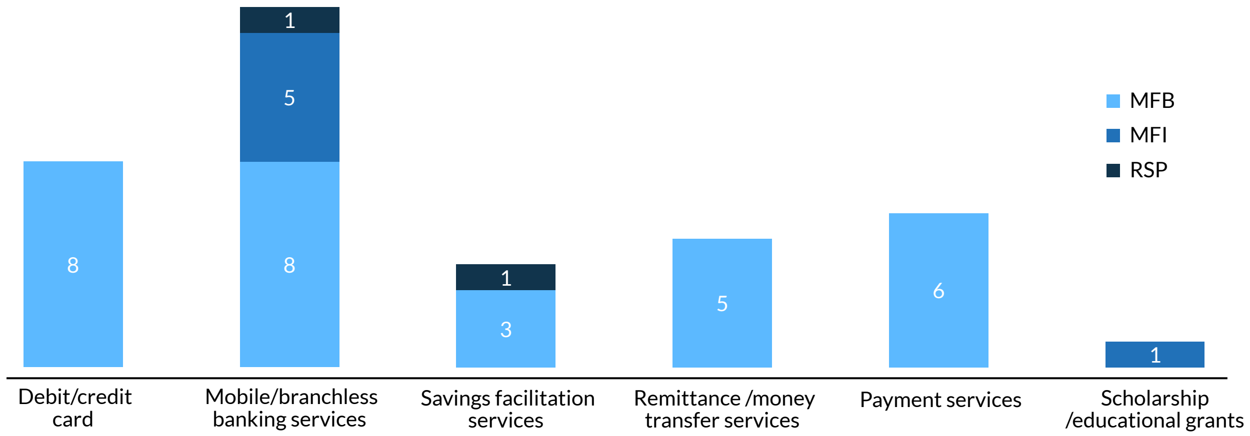


Exhibit 3.15: Types of Financial Services Offered

However, some MFIs and RSPs are now offering clients other services such as, mobile/branchless banking services while some are extending support to clients through savings facilitation and educational grants/scholarships.

Products and Services: Non-financial

MFIs usually provide non-financial services to their clients, in addition to financial services. These nonfinancial services are offered by MFPs to build the capacity of their clients to fight poverty and strengthen their livelihoods. These services can include education related to running a business, provision of entrepreneurial skills and women empowerment among others. Nonfinancial services can be offered by the institution directly or through a partnership. The range of skills given differs for each institution, depending on their capacity and vision, but the overarching purpose remains helping clients develop additional skills in supporting their enterprises. These can take the form of provision of basic services like health and education or business and/or technical skills trainings. For the purpose of this analysis, such services are grouped into four main categories: enterprise, education, health and women's empowerment.

Contrary to the MFBs having a lead in provision of other financial services, in this domain, MFIs and RSPs are more active in providing all types of non-financial services in the market; especially those committed to a particular social mission (see Exhibit 3.16.).

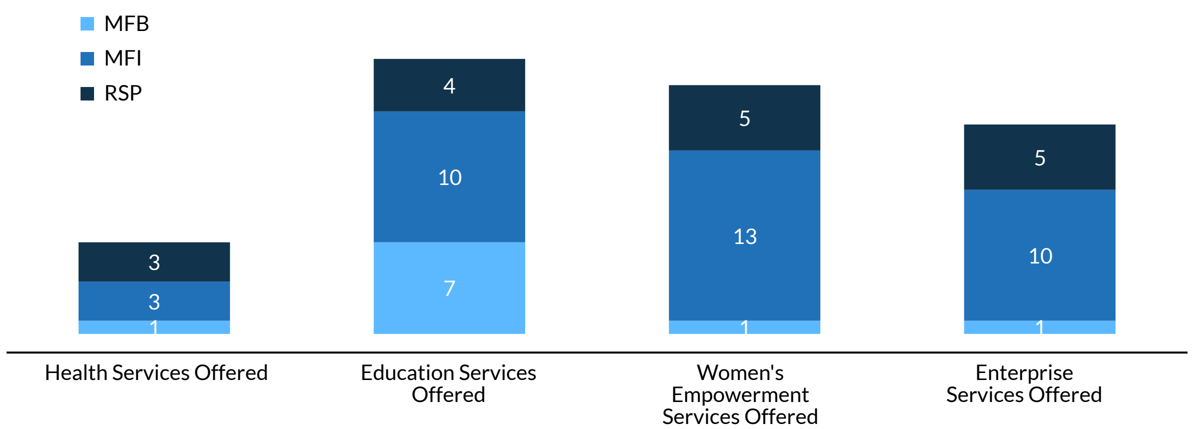


Exhibit 3.16: Non-Financial Services Offered

The MFB peer group has primarily concentrated its efforts in provision of education services with a focus on financial literacy education. The most common service provided by MFIs includes women's empowerment services followed by education and enterprise services. RSPs are also actively providing enterprise, women empowerment and education services. A handful of MFIs and RSPs also offer health services like basic medical and special medical services for women and children.

Transparency of Cost

Ensuring pricing transparency is a primary responsibility of the financial service provider. It is considered an essential requisite for sound consumer protection, social performance and responsible microfinance. The microfinance sector at large is making efforts to disclose this information to the borrowers in a standardized way which allows comparison and simplifies the process of decision making.

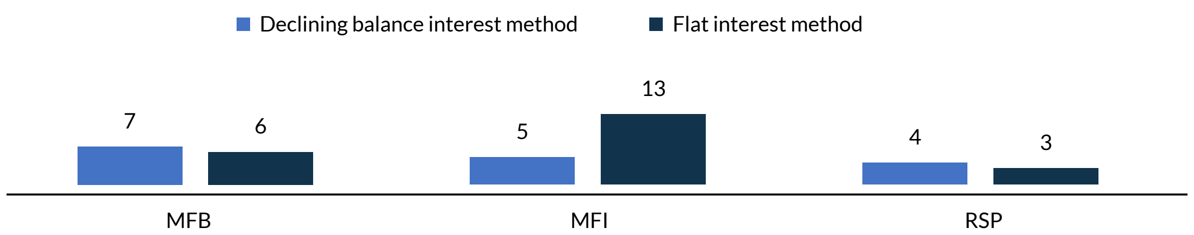


Exhibit 3.17: Method to State Service Cost by Peer Group

As of 2019, 16 MFPs reported using the declining balance method for calculating interest rates while 22 reported using the flat methodology for interest rate calculation. It is seen that a significant number of MFPs in Pakistan continue to use the flat methodology to communicate prices to clients – where interest rate is communicated based on the stated initial principal amount of the loan irrespective of the payment plan. A relatively smaller number of MFPs report the use of a declining balance method – which means interest is communicated on the amount of the loan principal which the borrower has not yet repaid. All MFBs in Pakistan are required by the SBP to disclose the interest cost to the borrower. Exhibit 3.17 shows that seven MFBs use the declining balance interest method and six MFBs use the flat interest method. It is also seen that five MFIs and four RSPs use the declining balance interest method while 13 MFIs and three RSPs use the flat interest method.

Client Protection (CP)

There are seven all-encompassing principles of client protection developed by the SMART Campaign14, an international consortium of microfinance stakeholders, in the area of pricing transparency, which include:

- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Mechanisms for complaint resolution

For analysis of the sector with respect to client protection, the parameters included presence of olicies supporting good repayment capacity analysis, internal audit compliance, full pricing terms disclosure, APR disclosure, CP code of conduct violations, clear reporting systems and data privacy clauses.

Overall, the sector shows positive compliance to CP principles, particularly with all reporting MFPs showing compliance on disclosure of prices and APR and contracts including data privacy clauses. A majority of MFPs also have defined codes of conduct and clear reporting systems for clients' complaints.

Due to the regulatory framework, instituted by State Bank, under which MFBs fall, all reporting banks show full compliance to the basic CP indicators. With MFIs now falling under the regulatory framework of SECP, any shortfalls in compliance are likely to be removed.

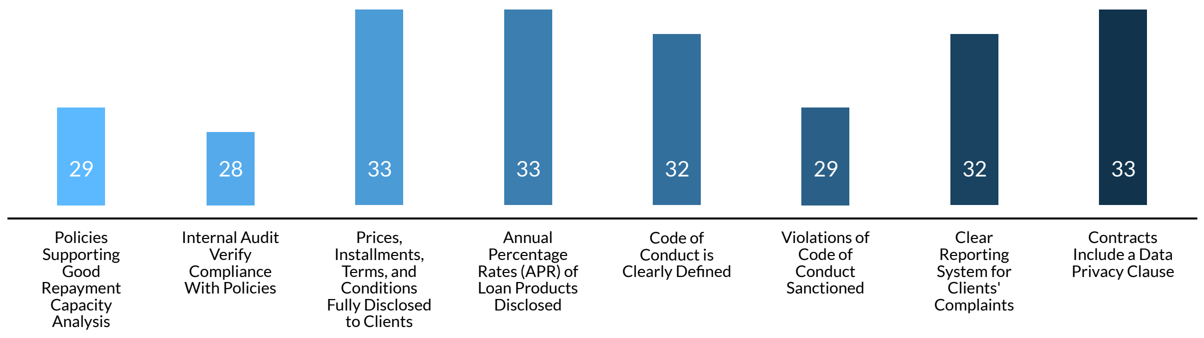


Exhibit 3.18: Client Protection Indicators

Environmental Policies

In recent years, the objective of achieving a triple bottom-line by incorporating environmental and social performance management in addition to the financial goals has gained traction; this incorporates meeting a target of environmental and social goals in addition to the financial targets. This assessment looks at indicators which are broadly classified into two main categories, namely the presence of environmental policies and types of environmentally friendly products and/or services offered. These environmental policies refer to MFPs promoting awareness on environmental impacts, having the necessary tools to evaluate environmental risks of client's activities and products including clauses in loan contracts to ensure mitigation of environmental risks through the clients' businesses and specific loans linked to environmentally friendly products.

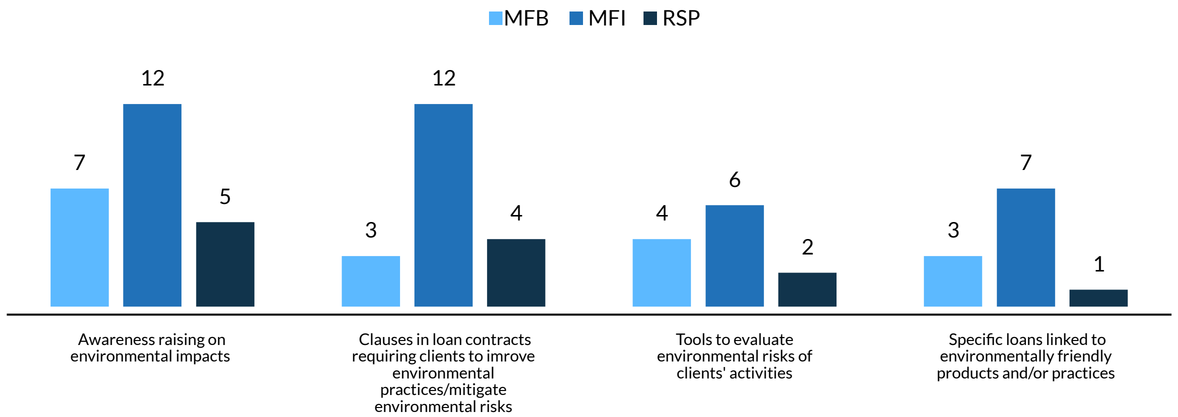


Exhibit 3.19 shows that a significant number of MFIs have policies in place to promote environmental protection. The most common area within the domains of environment being addressed by MFIs are 'awareness raising on environmental impacts' and requiring clients to improve environmental practices as a total of 12 MFIs out of 17 MFIs are working on this. Seven out of 11 MFBs and all five RSPs are seen to be focusing on awareness raising.
At sector level, as evident from Exhibit 3.19 there is a growing focus on developing tools to evaluate environmental risks of clients as well as on provision of specific loans linked to environmentally friendly products and/or practices.

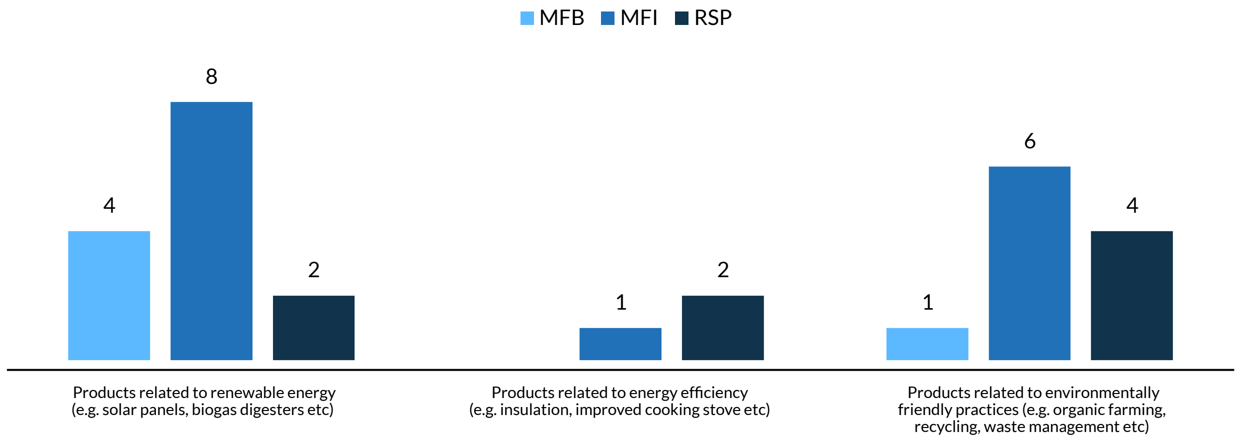


Exhibit 3.20 shows that within the category of providing environmentally friendly loans, the most common loan product being offered relates to renewable energy with a total of 14 MFPs focusing on this aspect. A rising number of MFPs is also focusing on loan products for adopting environmentally friendly practices.

Conclusion

The analysis of the MFPs with respect to their social performance shows there is strong commitment to improve on the indicators to address the needs of the various marginalized segments of the society. The sector shows positive trends for social performance management at the board levels and the HR policies in place also show compliance on most social performance indicators. This implies regular oversight and reporting on social performance metrics at the highest level which is likely to ensure compliance in management and operations. There is, however, a need for the sector to pursue an active policy of increasing representation of women at all levels of operations. This would not only increase women employment, but it will strengthen microfinance industry image as an equal employment opportunity sector.

Regarding the target market, microfinance covers a significant portion of the poor and low-income segments in urban and rural areas and there is an explicit focus on women borrowers as well. However, there are certain segments that are still underrepresented and underserved such as the adolescent and youth, transgenders and persons with disabilities. There is a significant market particularly in the youth cohort to expand to and customizing products and services for these segments could go a long way in meeting the goal of universal financial inclusion.
The sector can also play an instrumental role in providing the lower-income sector with insurance products. There is a need to expand insurance services to cover the wider set of risks that vulnerable clients face, particularly in the agricultural sector, where due to climate change, the vulnerabilities of poor farmers are exacerbated manifold. This can be done my MFPs increasing the range and volume of insurance products offered and by raising awareness around the benefits of existing insurance products.

The microfinance sector should expand operations and target markets to include a focus on impactoriented businesses and social enterprises. These generally include investments in low-cost private schools, low-cost housing, renewable-energy projects, agricultural value chains, micro-enterprise lending etc. This would not only increase outreach and provide a diversified mix of products but also positively impact the triple-bottom line goals of the MFPs.

SECTION THREE

THE WAY FORWARD

The challenges and opportunities facing the microfinance industry in Pakistan in the coming years are discussed below.

Financial Inclusion in Pakistan: The Road Ahead

Financial inclusion has remained a key agenda of policy makers in Pakistan for more than two decades now. MFPs are recognized as one of the key pillars in expanding access to finance in the country.

In order to facilitate access to finance, rules and regulations have not been stringent especially in case of MFPs as compared to their bigger financial institution counterparts. However, exogenous changes likeinclusion of Pakistan in the Financial Access Task Force (FATF) Grey List and push for greater transparency and disclosures due to the introduction of new accounting standards has increased the compliance requirements for the MFPs.

For the year 2019, added regulations such as AML/CFT and sanctions compliance, along with the introduction of new accounting standards, are considered to be among the bigger challenges facing themicrofinance industry.

Impact of AML/CFT Regulations

With Pakistan under enhanced scrutiny by the FATF and its regional Asia Pacific Group (APG), the country has established laws like Anti-Terrorist Act 1997, Anti Money Laundering Act 2010, National Counter Terrorism Act 2013, and prepared the National Action Plan. Moreover the regulators, SBP and SECP, have periodically proposed amendments in their AML/CFT frameworks in order to align existing regulations with FATF recommendations. While these developed amendments are focused on preserving the integrity and soundness of the financial systems in place, they have posed certain risks to the unbanked population and financial service providers. In response to the AML/CFT regulations, MFPs have faced increased compliance costs, adopted sound internal control practices, established enhanced KYC and CDD measures, and in some cases, been forced to end their elationships with certain clients where compliance costs were deemed to outweigh potential profits. It is rational to conclude that these increased costs of compliance are necessary, given the economic situation of the country and the risks faced by the financial system. Moreover, enforcement and penalties faced by service providers amplify the regulatory ambiguity, contributing to a risk-averse attitude from financial institutions. From the perspective of the client, the additional costs associated with the compliance of AML/CFT regulations are borne by the entity, which bite into the profitability of these entities. 15 However, it could be argued that the cost of AML/CFT compliance goes past the increased operational costs for MFPs, and regulations need to be evaluated in the context of the costs borne by the society.

Such high costs may encourage clients to rely on informal means that are relatively affordable and convenient. Furthermore, the absence of appropriate identification documents and insufficient financial information, in the case of the underprivileged, present further barriers to financial inclusion. For these clients, the informal economy is much more attractive for legitimate transactions, which test AML/CFT efforts.

For MFPs, there are other challenges apart from the obvious financial implications of non-compliance. This is particularly true for small to medium sized NBMFCs which struggle with setting up the resources and technological infrastructure needed to ensure adequate compliance. One of the basic challenges faced by these MFPs is the continued scarcity of skilled compliance personnel. While the demand for these skilled resources is high, it comes at a cost which smaller MFPs are unable to afford. Another challenge faced by MFPs is the technological infrastructure to tackle the increased regulatory changes and assist in managing the many facets of organization-wide compliance. The need for a robust, compliance-driven platform with governance capabilities is proving to be critical in order to remain relevant today.

With an increase in compliance-related costs and rising associated risks, MFPs look to prioritize how to best allocate existing resources in order to remain compliant and mitigate risks. While MFBs and large NBMFCs have been successful, smaller entities have been unable to take complete advantage of the existing technologies that could prove vital to effectively leverage their operations. The formulation and execution of a clear strategy for the adoption of new technology and the development of existing resources must take precedence in order to remain relevant in the industry.

New Accounting Standards

Pakistan has been proactive towards the adoption of all effective International Financial Reporting Standards (IFRS) for accounting. The year 2019 saw developments from the regulators for the implementation of IFRS 9: financial instruments, and IFRS 16: leases to replace their dated versions. While the SECP has authority to notify accounting standards for all companies, the SBP being the banking regulator has a role in prescribing the ccounting and reporting requirements for banks and certain categories of financial institutions.

IFRS 9: Financial Instruments

The SECP had notified all registered entities of the replacement of International Accounting Standard (IAS) 39: “Financial Instruments – Recognition and Measurement” with IFRS 9: “Financial Instruments” effective 1 st of July 2018. However, the regulator moved to defer the effective date of IFRS 9 for the reporting period or year ending on or after 30 June 2021 for all NBFCs, while allowing early application of the accounting standard. 16 Similarly, upon the request of the banking sector, the SBP also deferred the implementation of the standard till December 31st, 2020 for all banks and financial institutions under its regulatory ambit after the review of the impact assessment and stakeholder representation17. This was subject to certain conditions which stated that banks were to perform parallel runs of IFRS 9 implementation starting from Jan 1, 2020 to test the IFRS 9 outcomes, submit quarterly reports on the status of IFRS 9 implementation to the regulator, review internal systems and procedures, put in place required governance structures, processes and systems for implementation of the standard, and establish a subcommittee at the board level to ensure oversight and appropriate compliance. The circular also prescribed deadlines for each activity to be conducted within that timeframe.

The major distinction between IAS 39 and its superseding standard IFRS 9 is the introduction of the “expected credit loss approach” as opposed to the “incurred loss approach” for the impairment of financial instruments. The key impact of the implementation of this standard on financial institutions would be a significant increase in the extent of their credit loss allowances, which aims to increase their resilience to adverse economic situations. However, the implementation of this standard presents certain challenges for financial institutions which have led to the deferment of its implementation by the regulators to begin with. For instance, in terms of financial impact, institutions would expect an increase in the balance sheet allowances due to the new “expected credit loss approach” which would have a negative impact on equity while also increasing volatility in their income. The implementation of the standard would also affect the appetite and risk management strategy of institutions which could influence entities to reconsider their existing business models and their products. Another significant challenge would be maintaining minimum levels of historical and forward-looking data to support the new expected credit loss approach. Moreover, this would also require robust infrastructure and systems to be in place in order to conduct the complex modeling and the consequent forecasting by utilizing the large amount of data in a limited time. Additionally, the costs associated with the establishment of such systems would transition far beyond the capital investment and increase operational expenditure associated with the specialized resources required.

It’s understood that MFBs and larger NBMFCs would eventually muster their resources and invest in the necessary infrastructure to implement the standard according to the issued guidelines and within the prescribed timeframe. However, it will be relatively challenging for medium and smaller NBMFCs. The accounting treatments needed for the adoption of the standard would require modification in the existing bookkeeping and financial reporting systems of these MFPs. Moreover, the large size of loan portfolio needs significant time and efforts for the estimation of provisions on ECL model, which would prove difficult with the limited human resources and information systems capacity at the institutional level. Lastly, the adoption of this standard would also ultimately affect the marginalized segment, in terms of fees, interest or return in order to remain sustainable. Thus, it is essential to assess and consider the social implications of the adoption of this standard as well.

IFRS 16: Leases
International Financial Reporting Standard (IFRS) 16: Leases was first introduced in January 2016 and supersedes International Accounting Standard (IAS) 17 of the same name. In 2018, the SECP issued a notification to all registered companies regarding the adoption and implementation of IFRS 16 with effect from January 1st, 2019. 18

Under IAS 17, lessees account for lease transactions either as an operating or a finance lease, depending on the prescribed rules and tests resulting in all or nothing being recognized on balance sheet. In contrast, the new standard, IFRS 16, requires lessees to recognize nearly all leases on the balance sheet which will reflect their right to use an asset for a period and the associated liability for payments. The standard does not highlight changes in accounting for Lessors significantly as the operating and finance lease distinction remains for them. Other major changes to the standard include new requirements for subleases, sale and lease back transactions and modifications to leases, additional disclosures, guidance on whether a contract contains a lease, and clarity on how to deal with service contracts.

IFRS 16 would have considerable implications on financial service providers. For instance, institutions with material off-balance sheet leases applying IFRS 16 will report higher assets and lower equity which could affect their regulatory capital. Moreover, the standard requires a financial institution to disclose assets arising from leases of properties as tangible assets. The depreciation of the lease asset and the interest on the liability is recognized in the income statement over the lease term, like the treatment of finance lease under IAS 17, which basically leads to higher expenses at the beginning of the term of the lease. Finally, due to the requirements in the new standard, financing models like sale and-leaseback are expected to cease to be relevant which may lead to changes in business practices.

Transforming NBMFCs from Non-Profit into For-Profit

The year 2019 was a difficult year for the industry due to increasing inflation and interest rates coupled with rapid currency devaluation. These developments presented the sector, particularly NBMFCs, with growing financial challenges and prompted NBMFCs to consider transforming into for-profit entities.While this could be considered an essential indication of the sector maturing, it is argued whether it is possible to effectively align non-profit ideals with for-profit business practices.

These NBMFCs were traditionally NGOs with a mission of anti-poverty or poverty alleviation. The primary objective of these organizations has always been to increase outreach to the poor or marginalized segment of the society, while the secondary objective has been financial stability. They have traditionally relied on grants or subsidized sources of funding for expansion. However, their financial position indicates that these institutions are not only struggling to expand outreach, but also to generate adequate income to sustain themselves. Moreover, the limited flow of funds is restricting the ability of these institutes to service those in need of credit.

The move to become for-profit entities means that these service providers receive access to diverse sources of commercial funds. The for-profit orientation should transform them into more appealing entities as they adapt appropriate pricing strategies and improve efficiency, and thus attract the required investment with little trouble. This would also translate into the social impacts that these NBMFCs d liver to be more sustainable. However, this transition brings secondary implications for the sector, as the question arises whether a for-profit entity can continue to uphold its mission of poverty alleviation while meeting its duty to maximize returns. This change in focus from its social goal towards profit is referred to as "Mission Drift".

The other implication is the challenges related to taxation that would arise during the transition of these entities, such as Income Tax and Withholding Tax on dividends.

With the support of a proactive and enabling regulator; the SECP, this transformation could be well facilitated especially when regulatory and legal obstructions are considered. Their support will prove vital for these NBMFCs to attract both debt and equity capital from the private sector and be recognized as a mainstream part of the financial landscape in Pakistan.

Funding Landscape

The funding landscape of the microfinance industry continues to vary across the two main peer groups i.e. MFBs and NBMFCs. Each peer groups' funding requirements are discussed as below.

MFBs being deposit taking entities, rely on deposits for meeting their funding need. However, these deposits are being raised from corporate entities and high net worth individuals by offering them above market rates for the last several years. Resultantly, this pushes up cost of funds for the MFBs. In the previous years, the increase in policy rate further pushed up the cost of funds for the banks as they continued the practice of offering above market rates to entice depositors. This increase in cost led banks to either increase their lending rates or take a hit on their bottom line or a combination of both. While it is widely endorsed and understood that low cost retail deposits are the way forward, however, it is seen that this requires product innovation on the part of MFPs while policy makers need to strengthen MFBs by providing access to deposit protection insurance and access to banking courts. Also, access to SBP discount window shall further enhance the trust of retail depositors.

Last year also saw the successful issuance of Tier 2 capital by a couple of MFBs with help from PMIC. It is likely that other MFBs will take the same path in order to meet their capital adequacy requirements.Moreover, backed by strong balance sheets and sponsors, MFBs are geared to successfully tap the capital markets. In contrast, the NBMFCs are reliant on borrowed funds to meet their funding needs. Most of the entities, except for some smaller ones, have diversified their sources of funding from the national apex, PMIC. At present, funding for NBMFCs is sources roughly in equal proportion from PMIC, local lenders mainly commercial banks and international lenders. International borrowing despite being expensive compared to local sources after considering their original pricing and hedging premium remain popular with NBMFCs. Larger and mid-sized MFPs have all availed such loans. Their popularity is to do more with the ease of access of availing such loans and absence of requirement of tangible collaterals despite being expensive.

On the other hand, local lenders which mainly include commercial banks continue to shy away from NBMFCs except for couple of larger MFPs. Loans that have been extended by commercial banks are secured by full or partial cash margins. Despite having lent to the sector for over a decade, local lenders remain reluctant to work with NBMCs. Clear synergies exist where NBMFCs can help commercial banks achieve their agricultural credit targets, extend coverage to geographic areas where they do not have a footprint or tap women clients. In order to encourage lending by commercial banks to NBMFCs and exploit such synergies a risk sharing facility like the now defunct Microfinance Credit Guarantee Facility (MCGF) need to be set up.

COVID-19 and the Microfinance Industry in Pakistan

In Pakistan, the lockdown began in March 2020. All provinces implemented varying degrees of lockdown which was gradually eased afterwards. There has been a general resistance towards a complete and strict lockdown due to the negative impact on poor and daily wage earners. The government thus allowed businesses to operate on May 9th, 2020. Nevertheless, business activity in the global economy and Pakistan has slowed down as containment measures and smart lockdowns continue to be implemented to contain the spread of the virus.

Micro and small entrepreneurs are particularly susceptible to economic shocks due to their modest capital base, limited clientele, and vulnerable work force. A survey by PMN revealed that 82 percent of the microfinance clients faced a decline in business revenues and almost three-fourth recorded a decline in market demand as a main driver of reduction in revenues. Almost 85 percent reported that their incomes had been significantly or somewhat decreased. This greatly reduces the clients' capability to repay their loans as their main concern was to secure food and liquidity in case lockdown was maintained for an extended period of time. Similarly, MFPs' operations have also been impacted to due to the lockdown. A reduction in clients' repayment capacity has in turn caused liquidity challenges for MFPs especially the non-deposit taking institutions. On March 27th, the central bank announced debt relief measures for individuals and businesses. The SECP also announced similar relief measure on March 31, 2020 for NBMFCs and their borrowers. Repayments on principal could be delayed by up to one year upon request from the client. Initially, some MFPs announced a moratorium of one-month on loan repayments for all customers. As the lockdown continued into April 2020, most MFPs extended deferment of loan repayments up to six months. PMN has been tracking loan repayment rates of the NBMFCs and MFBs. According to data reported, in February 2020, MFPs achieved a 98 percent loan repayment rate. This declined to 81 percent in March and 34 percent in April19. This was partly due to loan moratoria and partly borrowers losing their incomes. In May 2020, repayment rate was about the same as it was in April. The sectors that have been affected the most so far are service sectors and retail. The agriculture sector has been less affected. Women-led businesses have particularly been impacted and were eight percentage points more likely to experience a 100 percent decrease in business revenue than those run by men20.

Liquidity is one of the critical challenges faced by the microfinance industry. SBP is continuously reviewing the liquidity and risk profile of the MFBs. A similar exercise was conducted for NBMFCs and shared with SECP. The regulators are in discussions with a range of stakeholders on responses to the liquidity question. The MFBs, as deposit-taking entities, do not have severe liquidity challenges as yet. Their deposits have remained relatively stable and are diversified. However, since MFBs do not have access to discount windows, which can be critical in these challenging times. Expanding access to the window would requireSBP supervisory review.
The NBMFCs, in the absence of a lender of last resort and for not taking deposits, are generally more vulnerable to sharp declines in revenues and other risks as compared to MFBs. In addition, NBMFCs are faced with uncertainty about their own credit lines from domestic banks due to an increase in perceived risk associated with the microfinance sector.
However, notable are the efforts by PMIC which promptly deferred repayments due from borrowers for up to one year. This afforded borrowing MFPs the leeway to extend deferrals to end-clients for the short term as well.
In addition, PMIC's own strong liquidity position and financial health were re-assuring to commercial lenders which, in turn, felt comfortable both deferring repayments, and taking exposure to the sector.

Both the regulators, SBP and SECP, responded proactively to the crisis and took steps to provide relief to clients and businesses. SBP cut the policy rate to eight percent over a span of two months, introduced financing of wage bills and a risk sharing facility, enhanced debt burden ratio for consumer loans, waived inter-bank funds transfer fees and encouraged MFBs to introduced electronic account opening forms21. Many MFPs expressed a desire to use this crisis to accelerate the shift towards digital financial services and mobile banking. They worry, however, that it will be a struggle to 'go digital' within a business model that is so reliant upon close personal relationships with clients. A survey conducted by the PMN in April

Lessons from West Africa: Recovering and Building Resilience in a Post-COVID World

The outbreak of the Ebola Virus Disease (EVD) in 2014 in West Africa was considered the most severe instance of this epidemic with a substantial socio-economic impact. A significant number of people lost their employment, devastating livelihoods of many families, particularly in the rural areas. Given the havoc COVID-19 is wreaking on the global economy and on the microfinance sectors throughout the world, looking at the experiences of these African countries can offer some insight in dealing with the impa ct of the current pandemic.

During the EVD emergency, markets were shut down and movements were restricted making it challenging for credit officers to collect payments. This case study outlines the effect of the EVD crisis on the operations of BRAC's MFIs in Liberia and Sierra Leone. This note draws lessons from the experiences of these MFIs which, following the outbreak of the coronavirus, can be applicable to the microfinance sector in Pakistan, in terms of operational viability, institutional resilience and client relationships.

Post-Crisis Provision of Credit is Crucial

BRAC's experience with the Ebola outbreak showed that following the resumption of microfinance operations, there was an increased demand of credit from borrowers to recover from the initial financial shock. Borrowers required new capital to rebuild existing businesses or for building new ones. This demand for credit and the promise of its provision by MFIs proved to be instrumental in high rates of repayment and for the resilience of both clients and microfinance institutions following the economic shock. Following this, MFIs in Pakistan can also reassure clients of their continued presence and provision of credit in their time of need to invest in existing or new businesses. This positive messaging will not only help retain clients but also assist in encouraging timely loan repayments as they recover from lost incomes

Job Security for Staff

From BRAC's experience it can be seen that ensuring staff members of their job security, paying their salaries on time and communicating with them was crucial for maintaining their levels of motivation throughout the period of suspension of operations. By retaining members of the regular staff, the MFIs ensured that critical ties to clients were also maintained. Maintaining staff salaries and regular communication with them paved the way for a smoother restart of operations once the restrictions were eased.

Effective Communication with Clients

During the crisis, BRAC benefitted considerably from maintaining communication with its clients and following up with them. This social contract was not only limited to ensuring their continued support for its clients vis-à-vis their operations, but it also involved active engagement with the community in relief efforts and provision of emergency loans. Harnessing effective and regular communication and ensuring presence in the community is an imperative for maintaining lasting client relationships, which are crucial to the success of the MFI post a crisis.

Complementary Financial and Non-Financial Services

In the aftermath of the Ebola crisis it was seen that client demand for additional financial and non-financial services provided by the MFIs increased. These included savings, money transfer services and micro-insurance while financial education and business training also gained traction among the clients. A post-COVID era might entail a shift in business and entrepreneurship opportunities and requirements. MFIs are wellpositioned to provide training on reskilling of clients if the need arises on newer entrepreneurship opportunities. This coupled with the provision of more digital financial services (for loan repayment, distance account opening, savings etc.) might go a long way in building client resilience and retainment.

Improved Reporting and Data Collection on Clients' Repayment

Another lesson which can be derived from BRAC's experience in a Post-Ebola setting is more consistent reporting and improved transmission of borrowers' information to gauge their capacity to repay. It was seen that there was no formal system for reporting on the borrowers' repayment capacity from the credit officers to the management. The absence of these links did not give data on the borrowers who were unable to repay. From this it can be gauged that having robust reporting mechanisms in place can give a better visual on clients' repayment ability, following which

Digitization

With the evolution of technology and innovators entering the financial services, the convergence of digitization with microfinance is becoming inevitable. The need to digitize is being felt even more in the wake of Covid-19 crisis as MFPs realize that it is no longer an option but is crucial to staying competitive while increasing outreach to low-income and remote clients. While digitization offers benefits to both clients and MFPs, it presents its own challenges and risks.

Benefits for Customers and Microfinance Provider
The benefits of digitizing operations and providing alternative digital channels to clients have been well documented. For clients, it offers convenient access to a wide range of products and services even in remote areas through mobile phones or agents. It offers a safe and fast mode of transacting large amounts of cash. Moreover, having a transaction history can help clients access microloans or other products and services more easily.

For MFPs, leveraging technology can achieve operational efficiency by automating processes and eliminating paper-based forms to acquire customer information. It also has the potential to lower costs and increase access to remote areas. Through digital means, MFPs can improve customer experience and address queries/grievances more efficiently while maintaining a more loyal customer base.

Challenges and Risks to Mitigate
Providers and policy makers must understand the challenges faced if universal financial inclusion is to be achieved. Digital finance puts the exclusion of vulnerable groups at risk as they do not possess the ability to own a mobile phone, operate it for financial transactions or interact with the interface due to low levels of literacy and numeracy. Operating in remote areas is particularly challenging due to poor infrastructure and internet connectivity issues. Moreover, the clients may not be able to access uninterrupted services when the system is down resulting in a poor customer experience. Lack of interoperability is another issue that providers face which increases their cost of operations and creates inefficiencies in their processes.

Products launched must respond to customer needs. Therefore, in order to mitigate these risks and challenges, microfinance and DFS providers must address them through designing customer-centric products, customer engagement and education while complying with client and data protection policies. Mitigation strategies that MFPs could adopt include; responsible design and delivery of digital loans and services, including user-centric design and recourse mechanisms. Adhering to consumer protection policies, while educating clients about products that integrate both a savings and loan component are also essential to develop a successful digital product. This enables MFPs to use customers' digital data in a responsible manner, which is critical in digital finance23. Providers could do this by leveraging their loan officers to provide the necessary education.

To ensure active usage of digital finance, these challenges must be overcome by microfinance and digital finance providers while regulators look to create an enabling regulatory framework.

ANNEX A1

Infrastructure

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets (PKR '000)	35,826,211	48,569,411	61,928,036	81,557,894	105,443,135	145,186,197	225,316,798	330,422,557	426,585,182	493.299.908
Branches (including Head Office)	1,405	1,550	1,630	1,606	2,026	2,754	2,430	3,533	4,102	3.802
Total Staff	12,005	14,202	15,153	17,456	21,516	25,560	29,413	36,053	42,048	46.163

Growth

Total Assets	17.6%	35.6%	27.5%	31.7%	29.3%	37.7%	55.2%	46.6%	29.1%	15.6%
Branches (including Head Office)	15.15	10.3%	5.2%	-1.5%	26.2%	35.9%	-11.8%	45.4%	16.1%	-7.3%
Total Staff	3.9%	18.3%	6.7%	15.5%	23.3%	18.8%	15.1%	22.6%	16.6%	9.8%

Financing Structure

	2010	2011	2013	2012	2014	2015	2016	2017	2018	2019
Total Assets (PKR '000)	35,826,211	48,569,411	61,928,036	81,557,894	105,443,135	145,186,198	225,316,798	330,422,557	426,238,163	493,299,908
Total Equity (PKR '000)	8,359,260	10,314,307	11,679,373	17,049,706	22,873,920	29,688,776	36,535,925	51,343,541	71,877,730	76,279,119
Total Debt (PKR '000)	27,466,951	38,255,104	25,876,598	26,913,359	34,682,369	38,554,959	54,710,855	74,100,602	90,697,783	105,390,934
Commercial Liabilities (PKR '000)	4,910,265	12,332,456	19,361,179	21,662,200	18,679,724	19,030,672	43,167,480	57,114,700	66,409,350	80,151,898
Deposits (PKR '000)*	10,132,332	13,908,759	20,840,990	32,925,558	42,715,846	60,028,340	118,096,732	185,909,781	238,556,412	264,983,900
Gross Loan Portfolio (PKR '000)	20,295,915	24,854,747	33,877,284	46,613,582	63,531,465	90,296,341	132,003,052	196,013,814	255,714,803	301,908,767

Ratio

Equity-to-Asset Ratio	23.3%	21.2%	18.9%	20.9%	21.7%	20.4%	16.2%	15.5%	16.9%	15.5%
Commercial Liabilities-to-Total Debt	17.9%	32.2%	74.8%	80.5%	53.9%	49.4%	78.9%	77.1%	73.2%	76.1%
Debt-to-Equity Ratio	3.29	3.41	2.22	1.58	1.52	1.30	1.50	1.44	1.26	1.38
Deposits-to-Gross Loan Portfolio	49.9%	56.0%	61.5%	70.6%	67.2%	66.5%	89.5%	95.3%	93.3%	87.8%
Deposits-to-Total Assets	28.3%	28.6%	33.7%	40.4%	40.5%	41.3%	52.4%	56.5%	56.0%	53.7%
Gross Loan Portfolio-to-Total Assets	28.3%	51.2%	54.7%	57.2%	60.3%	62.2%	58.6%	59.3%	60.0%	61.2%

Outreach

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Active Borrowers	1,567,355	1,661,902	2,040,518	2,392,874	2,997,868	3,632,532	4,225,968	5,512,457	6,687,038	7,440,153
Active Women Borrowers	811,520	917,058	1,275,387	1,442,197	1,692,451	2,001,772	2,273,389	2,717,487	3,506,009	3,809,463
Gross Loan Portfolio (PKR '000)	20,295,915	24,854,747	33,877,284	46,613,582	63,531,465	90,100,405	132,003,052	196,013,814	255,714,803	301,908,767
Annual per Capita Income (PKR)***	105,300	107,505	118,085	143,808	143,808	153,060	153,060	170,508	162,230	162,230
Number of Loans Outstanding	1,547,197	1,661,902	2,040,518	2,401,849	2,998,895	3,632,532	4,227,317	5,513,311	6,687,038	7,440,546
Depositors****	764,271	1,332,705	1,730,823	2,150,675	5,675,437	10,661,366	15,937,079	35,844,058	31,869,605	43,962,131
Number of Deposit Accounts	764,271	1,332,705	1,730,823	2,998,641	5,675,437	10,661,366	15,937,079	35,939,126	32,020,588	44,359,158
Number of Women Depositors	64,159	259,104	334,994	837,144	2,503,582	3,009,992	142,784	84,276	4,589,646	8,878,330
Deposits Outstanding	10,132,332	13,908,759	20,840,990	32,925,559	42,715,786	60,028,340	118,096,732	185,909,900	238,556,412	265,937,620
				weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	
Proportion of Active Women Borrowers (%)	51.8%	55.2%	62.5%	60.3%	56.5%	55.1%	53.8%	49.3%	52.4%	51.2%
Average Loan Balance per Active Borrower (PKR)	12,949	14,956	16,602	19,480	21,192	24,804	31,236	35,558	38,240	40,578
Average Loan Balance per Active Borrower/Per Capita Income	12.3%	13.9%	14.1%	13.5%	14.7%	16.2%	20.4%	20.9%	23.6%	25.0%
Average Outstanding Loan Balance (PKR)	13,118	14,956	16,602	19,407	21,185	24,804	31,226	35,553	38,240	40,576
Average Outstanding Loan Balance / Per Capita Income	12.5%	13.9%	14.1%	13.5%	14.7%	16.2%	20.4%	20.9%	23.6%	25.0%
Proportion of Active Women Depositors (%)	8.4%	19.4%	19.4%	38.9%	44.11%	28.23%	0.90%	0.24%	14.40%	20.20%
Average Saving Balance per Active Depositor (PKR)	13,258	10,436	12,041	15,309	7,526	5,630	7,410	5,187	7,485	6,049
Active Deposit Account Balance (PKR)	13,258	10,436	12,041	10,980	7,526	5,630	7,410	5,173	7,450	5,995

* Includes KF data
** Without KF data
*** Source: http://www.sbp.org.pk/reports/stat_reviews/Bulletin/2012/Feb/EconomicGrowth.pdf
**** Only MFB deposits included

Financial Performance (Figures in PKR '000)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Income from Loan Portfolio	6,122,154	7,998,956	10,040,720	13,542,893	18,581,489	26,007,641	36,582,140	50,540,640	82,133,667	99,240,218
Income from Investments	870,809	1,203,306	1,774,610	1,742,975	2,051,547	3,946,607	2,716,932	3,717,490	1,504,694	6,912,061
Income from Other Sources	528,457	899,713	816,461	2,093,035	3,707,417	2,919,233	2,471,332	11,467,052	5,385,641	4,560,111
Total Revenue	7,521,420	10,101,975	12,631,792	17,378,903	24,340,453	32,873,481	41,770,404	65,725,182	89,024,002	110,712,390
Less : Financial Expense	2,016,795	2,905,049	3,974,467	4,767,589	5,451,197	6,550,481	8,963,917	14,121,730	20,337,250	34,245,848
Gross Financial Margin	5,504,624	7,196,926	8,657,325	12,611,314	18,889,256	26,323,001	32,806,487	51,603,452	68,686,752	76,466,541
Less: Loan Loss Provision Expense	745,660	623,988	643,991	658,812	794,500	1,258,313	2,504,433	2,832,799	5,039,886	17,683,371
Net Financial Margin	4,758,964	6,572,938	8,013,334	11,952,503	18,094,756	25,064,687	30,302,054	48,770,653	63,646,866	58,783,171
Personnel Expense	2,819,891	3,345,284	3,784,676	5,032,342	6,557,709	8,712,495	11,575,971	15,112,625	18,808,167	25,795,245
Admin Expense	1,961,816	2,446,750	2,886,025	3,880,920	5,951,408	7,244,592	9,076,966	19,019,029	29,877,326	31,316,096
Less: Operating Expense	4,781,707	5,792,035	1,342,633	8,913,262	12,509,117	15,957,087	20,652,937	34,131,654	48,685,493	57,111,340
Other Non Operating Expense			257,651	380,993	1,546,240	2,719,173	772,940	1,638,024	821,616	4,659,948
Net Income before Tax	(22,742)	780,903	1,084,982	2,658,248	4,039,399	6,388,427	8,876,178	13,000,975	14,139,757	(2,988,118)
Provision for Tax	(7,047)	116,314	152,380	503,118	614,684	1,230,787	1,977,555	3,012,831	4,245,214	2,825,637
Net Income/(Loss)	(15,696)	664,589	932,602	2,155,130	3,424,715	5,157,640	6,898,623	9,988,144	9,894,543	(5,813,755)
Adjusted Financial Expense on Borrowings	-	372,524	205,943	181,422	113,553	402,632	491,926	677,186	2,092,594	2,493,406
Inflation Adjustment Expense	-	(3,073)	870	1,152	916	270	722	6,126	1,703	4,247
Adjusted Loan Loss Provision Expense	-	357,688	49,456	18,743	13,625	275,656	321,188	310,174	4,956,922	91,484
Total Adjustment Expense	-	727,138	256,270	201,317	128,095	678,559	813,820	993,486	7,051,218	2,589,137
Net Income/(Loss) After Adjustments	(15,696)	(62,549)	676,332	1,953,814	3,296,620	4,479,081	6,084,802	8,994,658	2,843,325	(8,402,893)
Average Total Assets	30,399,088	42,282,393	57,182,714	70,192,281	95,494,664	125,951,408	178,064,618	284,188,864	405,382,316	459,745,104
Average Total Equity	7,854,713	8,719,204	11,594,943	14,513,187	20,629,780	29,905,254	32,240,189	46,142,667	65,477,485	113,372,981
Ratio					weighted avg.	weighted avg.	weighted avg.			weighted avg.
Adjusted Return-on-Assets	(0.1%)	(0.1%)	1.2%	3.3%	3.5%	3.6%	3.4%	3.2%	0.7%	-1.8%
Adjusted Return-on-Equity	(0.2%)	(0.7%)	5.8%	16.1%	16.0%	15.0%	18.9%	19.5%	4.3%	-7.4%
Operational Self Sufficiency (OSS)	99.7%	108.4%	109.4%	118.1%	119.9%	124.1%	127.0%	124.7%	118.9%	97.4%
Financial Self Sufficiency (FSS)	81.7%	100.5%	107.0%	116.5%	117.7%	121.0%	123.9%	122.4%	108.7%	95.2%

* Includes KF data
** Without KF data

Operating Income (Figures in PKR '000)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue from Loan Portfolio	6,122,154	7,998,956	10,040,720	13,542,893	18,581,489	26,007,641	36,582,140	50,540,640	82,133,667	99,240,218
Total Revenue	7,521,420	10,101,975	12,631,792	17,378,903	24,821,486	32,873,481	41,770,404	65,725,182	89,024,002	110,712,390
Adjusted Net Operating Income / (Loss)	-22,742	5,252	828,712	2,456,931	3,286,779	4,474,629	6,084,786	9,222,456	2,837,406	(8,373,865)
Average Total Assets	30,399,088	42,282,393	57,182,714	70,192,281	95,494,664	125,951,408	178,064,618	284,188,864	405,382,316	459,745,104
Gross Loan Portfolio (Opening Balance)	16,948,466	20,576,342	25,743,757	34,668,730	48,423,008	63,402,462	89,528,314	132,248,995	178,491,865	264,615,272
Gross Loan Portfolio (Closing Balance)	20,295,915	24,854,747	33,877,284	46,105,712	63,531,465	90,283,337	132,003,052	196,013,814	255,714,803	301,908,767
Average Gross Loan Portfolio	18,622,190	22,715,544	29,810,520	40,387,221	55,977,237	76,842,899	110,765,683	164,131,404	217,103,334	283,262,019
Inflation Rate ***	15.00%	11.20%	10.40%	9.20%	8.20%	3.60%	3.70%	4.57%	3.90%	3.90%
Ratio					weighted avg.	weighted avg.	weighted avg.			weighted avg.
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	24.7%	23.9%	22.3%	24.8%	26.0%	26.1%	23.5%	23.1%	22.0%	24.1%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	(0.3%)	0.1%	7.0%	14.1%	13.2%	13.6%	14.6%	14.0%	3.2%	-7.6%
Yield on Gross Portfolio (Nominal)	32.9%	35.2%	34.2%	33.5%	34.6%	34.6%	33.0%	30.8%	37.8%	35.0%
Yield on Gross Portfolio (Real)	15.5%	21.6%	21.6%	22.3%	24.4%	29.9%	29.8%	25.1%	32.7%	30.0%

* Includes KF data
** Without KF data
*** Source: http://www.sbp.org.pk/reports/stat_reviews/Bulletin/2012/Feb/IND.pdf

Operating Expense (Figures in PKR '000)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Adjusted Total Expense	7,544,162	10,096,723	11,803,080	14,540,979	20,842,120	27,121,782	33,707,341	53,711,567	81,635,662	115,834,968
Adjusted Financial Expense	2,016,795	3,304,504	4,181,281	4,950,162	5,742,091	6,911,552	9,455,843	14,798,916	22,124,334	36,288,824
Adjusted Loan Loss Provision Expense	745,660	1,000,184	693,447	677,555	808,125	1,533,970	2,825,622	3,142,973	10,004,220	17,774,855
Adjusted Operating Expense	4,781,707	5,792,035	6,928,352	8,913,262	14,291,904	18,676,260	21,425,876	35,769,678	49,507,108	61,771,289
Adjustment Expense	-	775,651	256,270	201,317	453,639	678,579	813,837	993,486	7,058,630	2,589,137
Average Total Assets	30,399,088	42,282,393	57,182,714	70,192,281	95,494,664	125,951,408	178,064,618	284,188,864	405,382,316	459,745,104
Ratios				weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.		weighted avg.
Adjusted Total Expense-to-Average Total Assets	24.8%	23.9%	20.6%	20.7%	21.8%	21.5%	18.9%	18.9%	20.1%	25.2%
Adjusted Financial Expense-to-Average Total Assets	6.6%	7.8%	7.3%	7.1%	6.0%	5.5%	5.3%	5.2%	5.5%	7.9%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	2.5%	2.4%	1.2%	1.0%	0.8%	1.2%	1.6%	1.1%	2.5%	3.9%
Adjusted Operating Expense-to-Average Total Assets	15.7%	13.7%	12.1%	12.7%	15.0%	14.8%	12.0%	12.6%	12.2%	13.4%
Adjusted Personnel Expense	9.3%	7.9%	6.6%	7.2%	6.9%	6.9%	6.5%	5.3%	4.6%	5.6%
Adjusted Admin Expense	6.5%	5.8%	5.0%	5.5%	6.2%	5.8%	5.1%	6.7%	7.4%	6.8%
Adjustment Expense-to-Average Total Assets	0.0%	1.8%	0.4%	0.3%	0.5%	0.5%	0.5%	0.3%	1.7%	0.6%

* Includes KF data
** Without KF data

Operating Efficiency

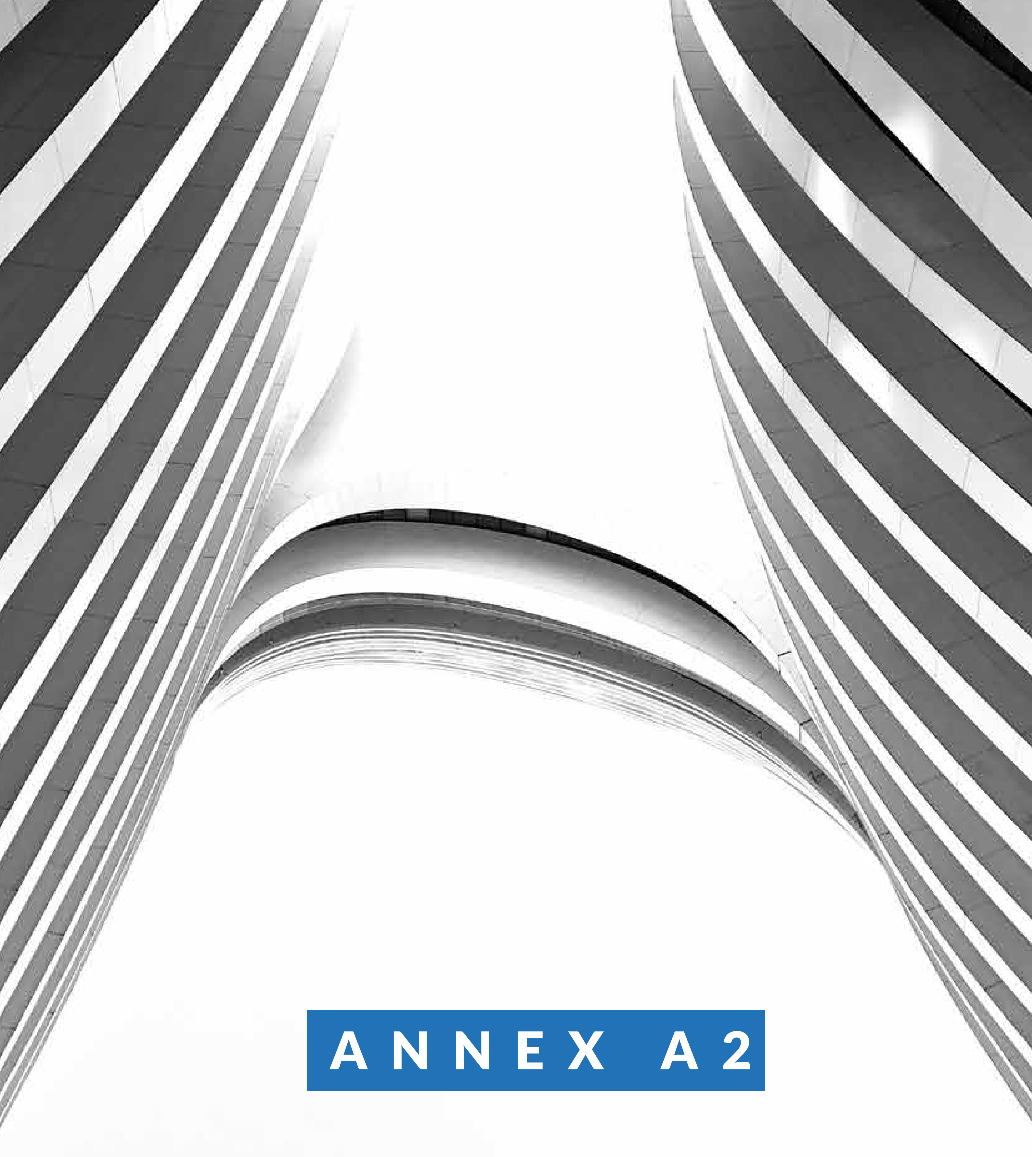
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Expense (PKR 000)	4,781,707	5,792,035	6,928,352	8,913,262	12,745,665	15,957,087	20,652,937	34,131,654	48,685,493	57,111,340
Personnel Expense (PKR 000)	2,819,891	3,345,284	3,784,676	5,032,342	6,794,257	8,712,495	11,575,971	15,112,625	18,808,167	25,795,245
Average Gross Loan Portfolio (PKR 000)	18,622,190	22,715,544	29,810,520	40,387,221	55,977,237	76,842,899	110,765,683	164,131,404	217,103,334	283,262,019
Average Number of Active Borrowers	1,567,355	1,661,902	2,040,518	2,350,650	2,997,868	3,632,532	4,225,968	5,512,457	6,687,038	7,440,153
Average Number of Active Loans	1,567,355	1,661,902	2,040,518	2,359,625	2,998,895	3,632,532	4,227,317	5,513,311	6,687,038	7,440,546
				weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.
Adjusted Operating Expense-to-Average Gross Loan Portfolio	25.7%	25.5%	23.2%	22.1%	22.8%	20.8%	18.6%	20.8%	22.4%	20.2%
Adjusted Personnel Expense-to-Average Gross Loan Portfolio	15.1%	14.7%	12.7%	12.5%	12.1%	11.3%	10.5%	9.2%	8.7%	9.1%
Average Salary/Gross Domestic Product per Capita	2.23	2.19	2.12	2.00	2.2	2.2	2.6	2.5	2.8	3.4
Adjusted Cost per Borrower (PKR)	3,051	3,485	3,395	3,792	4,252	4,393	4,887	6,192	7,281	7,676
Adjusted Cost per Loan (PKR)	3,051	3,485	3,395	3,777	4,250	4,393	4,886	6,191	7,281	7,676

* Includes KF data
** Without KF data

Risk (Figures in PKR '000)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Portfolio at Risk > 90 days	577,972	516,623	1,020,316	932,166	379,637	781,212	1,073,562	1,085,263	1,972,010	7,957,233
Adjusted Loan Loss Reserve	733,338	623,988	759,621	708,355	1,189,884	1,468,006	2,814,919	4,202,893	6,266,625	13,416,022
Loan Written Off during Year	335,463	592,429	675,835	615,293	1,222,076	917,855	1,147,319	1,581,598	1,091,556	8,671,416
Gross Loan Portfolio	20,295,915	24,854,747	33,877,284	46,105,712	63,531,465	90,081,589	132,003,052	196,013,814	255,714,803	301,908,767
Average Gross Loan Portfolio	18,622,190	22,715,544	29,810,520	40,387,221	55,977,237	76,690,720	110,765,683	164,131,404	217,103,334	283,262,019
				weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.
Portfolio at Risk (>30)-to-Gross Loan Portfolio	4.1%	3.2%	3.6%	2.5%	1.0%	1.5%	1.2%	0.5%	1.6%	3.9%
Portfolio at Risk (>90)-to-Gross Loan Portfolio	2.8%	2.1%	3.0%	2.0%	0.6%	0.9%	0.8%	0.6%	0.8%	2.6%
Write Off-to-Average Gross Loan Portfolio	1.8%	2.6%	2.3%	1.5%	2.2%	1.2%	1.0%	1.0%	0.5%	3.1%
Risk Coverage Ratio (Adjusted Loan Loss Reserve-to-Portfolio at Risk > 30 days)	88.4%	78.6%	61.6%	61.2%	180.4%	111.1%	179.8%	419.6%	157.0%	112.8%

* Includes KF data
** Without KF data



ANNEX A2

Infrastructure

	SRSO	Sub	Total
Age	17		
Total Assets (PKR '000)	2,121,173	43,887,878	493,299,908
Total Equity (PKR '000)	216,564	13,464,443	76,279,119
Total Liabilities (PKR '000)	1,904,609	30,423,435	417,020,790
Branches (including Head Office)	78	496	3,802
Personnel	407	6,606	46,163

Financing Structure (in PKR '000)

Micro-finance Bank

	KBL	TMFB	FMFB	NRSP-B	FINCA	AMFB	MMFB	Ubank	Advans	POMFB	SMFB	Sub
Total Assets	81,493,128	60,859,934	47,232,021	40,005,271	37,311,889	20,543,254	38,175,082	40,090,204	1,946,246	4,634,958	1,907,492	374,199,477
Total Equity	9,398,650	8,046,979	6,047,432	4,687,633	4,718,307	1,874,327	4,859,245	3,050,863	525,994	2,365,282	889,587	46,464,299
Total Debt	3,726,021	-	-	4,436,657	5,552,853	6,598	-	11,332,731	300,000	1,982,284	800,000	28,137,144
- Subsidised Debt*	-	-	-	-	-	-	-	-	-	-	-	-
- Commercial Debt	3,726,021	-	-	4,436,657	5,552,853	6,598	-	11,332,731	300,000	1,982,284	800,000	28,137,144
Total Deposits	63,882,349	41,170,537	38,403,643	26,650,662	23,911,342	18,317,084	29,224,876	23,290,259		6,701	126,447	264,983,900
Total Liabilities	72,094,478	52,812,955	41,184,589	35,317,638	32,593,582	18,668,927	33,315,837	37,039,341	1,420,252	2,269,675	1,017,905	327,735,179
Gross Loan Portfolio	54,797,823	27,460,565	31,613,750	27,906,857	22,480,016	9,071,890	15,537,781	21,882,307	1,269,591	1,981,993	864,362	214,866,935
												weighted avg.
Equity-to-Asset Ratio	11.5%	13.2%	12.8%	11.7%	12.6%	9.1%	12.7%	7.6%	27.0%	51.0%	46.6%	12.4%
Commercial Liabilities-to-Total Debt	100.0%	#DIV/0!	#DIV/0!	100.0%	100.0%	100.0%	#DIV/0!	100.0%	100.0%	100.0%	100.0%	100.0%
Debt-to-Equity Ratio	0.4	0.0	0.0	0.9	1.2	0.0	0.0	3.7	0.6	0.8	0.9	0.6
Deposits-to-Gross Loan Portfolio	116.6%	149.9%	121.5%	95.5%	106.4%	201.9%	188.1%	106.4%	0.0%	0.3%	14.6%	123.3%
Deposits-to-Total Assets	78.4%	67.6%	81.3%	66.6%	64.1%	89.2%	76.6%	58.1%	0.0%	0.1%	6.6%	70.8%
Cost of Funds	9.7%	8.9%	9.0%	10.9%	10.2%	6.6%	3.3%	11.1%	42.6%	6.2%	7.7%	9.0%
Gross Loan Portfolio-to-Total Assets	67.2%	45.1%	66.9%	69.8%	60.2%	44.2%	40.7%	54.6%	65.2%	42.8%	45.3%	57.4%

Micro-finance Institute

	OPRCT	KASHF	SAFCO	DAMEN	CEIP	GBTI	FFO	ASA-P	MO	Wasil	JWS
Total Assets	595,045	20,876,561	3,371,236	4,372,035	1,510,582	1,106,337	1,006,365	11,230,523	99,058	173,851	2,724,589
Total Equity	209,113	4,327,539	645,036	920,315	327,543	525,322	164,849	3,862,112	57,330	(32,998)	688,175
Total Debt	285,780	14,238,293	2,621,287	3,334,358	1,172,162	557,056	814,350	13,533,442	39,000	168,067	1,905,824
- Subsidised Debt*	-	-	118,532	-	105,776	57,056	16,330	6,766,721	-	168,067	-
- Commercial Debt	285,780	14,238,293	2,502,755	3,334,358	1,066,386	500,000	798,020	6,766,721	39,000	-	1,905,824
Total Deposits	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	385,932	16,549,022	2,726,201	3,451,720	1,183,039	581,015	841,515	7,368,411	41,728	206,849	2,036,414
Gross Loan Portfolio	399,651	13,864,371	2,408,160	3,477,566	1,297,808	352,469	565,840	9,739,022	51,321	100,181	2,175,630
Equity-to-Asset Ratio	35.1%	20.7%	19.1%	21.1%	21.7%	47.5%	16.4%	34.4%	57.9%	-19.0%	25.3%
Commercial Liabilities-to-Total Debt	100.0%	100.0%	95.5%	100.0%	91.0%	89.8%	98.0%	50.0%	100.0%	0.0%	100.0%
Debt-to-Equity Ratio	1.4	3.3	4.1	3.6	3.6	1.1	4.9	3.5	0.7	-5.1	2.8
Deposits-to-Gross Loan Portfolio	-	-	-	-	-	-	-	-	-	-	-
Deposits-to-Total Assets	-	-	-	-	-	-	-	-	-	-	-
Cost of Funds	14.7%	12.1%	8.7%	13.7%	12.3%	6.7%	10.2%	8.8%	26.5%	7.3%	12.8%
Gross Loan Portfolio-to-Total Assets	67.2%	66.4%	71.4%	79.5%	85.9%	31.9%	56.2%	86.7%	51.8%	57.6%	79.9%

	ORIX	RCDP	Agahe	SMC	OPD	SAATH	SVDP	VDO	Akhuwat	MOJAZ	SSSF	Sub
Total Assets	418,396	5,714,079	549,226	198,760	111,239	163,354	480,487	33,599	19,165,336	1,059,022	252,872	75,212,553
Total Equity	285,463	1,512,220	117,203	80,673	55,342	56,384	79,103	30,745	2,179,535	190,729	68,643	16,350,377
Total Debt	118,935	4,065,695	430,465	114,050	43,679	-	386,609	2,546	16,909,049	803,750	169,600	61,713,997
- Subsidised Debt*	-	137,219	8,000	-	-	-	-	-	16,909,049	-	16,000	24,302,750
- Commercial Debt	118,935	3,928,476	422,465	114,050	43,679		386,609	2,546	-	803,750	153,600	37,411,246
Total Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	132,933	4,201,858	432,023	118,087	55,897	106,971	401,384	2,853	16,985,801	868,294	184,229	58,862,176
Gross Loan Portfolio	431,229	5,037,882	491,168	106,782	96,115	77,025	344,689	27,361	13,949,464	807,905	181,987	55,983,628
												weighted avg.
Equity-to-Asset Ratio	68.2%	26.5%	21.3%	40.6%	49.8%	34.5%	16.5%	91.5%	11.4%	18.0%	27.1%	21.7%
Commercial Liabilities-to-Total Debt	100.0%	96.6%	98.1%	100.0%	100.0%	#DIV/0!	100.0%	100.0%	0.0%	100.0%	90.6%	60.6%
Debt-to-Equity Ratio	0.4	2.7	3.7	1.4	0.8	0.0	4.9	0.1	7.8	4.2	2.5	3.77
Deposits-to-Gross Loan Portfolio	-	-	-	-	-	-	-	-	-	-	-	-
Deposits-to-Total Assets	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Funds	25.4%	12.6%	10.2%	6.0%	8.4%	#DIV/0!	11.1%	10.2%	0.0%	11.0%	10.7%	8.0%
Gross Loan Portfolio-to-Total Assets	103.1%	88.2%	89.4%	53.7%	86.4%	47.2%	71.7%	81.4%	72.8%	76.3%	72.0%	74.4%

Rural Support Programme

	NRSP	PRSP	TMF	SRSP	SRSO	Sub	Total
Total Assets	28,662,869	3,950,431	6,340,471	2,812,935	2,121,173	43,887,878	493,299,908
Total Equity	8,939,535	1,903,379	443,651	1,961,315	216,564	13,464,443	76,279,119
Total Debt	6,415,092	1,679,872	5,610,121	-	1,834,709	15,539,794	105,390,934
- Subsidised Debt*	477,592	58,694	400,000	-	-	936,286	25,239,036
- Commercial Debt	5,937,500	1,621,178	5,210,121	-	1,834,709	14,603,508	80,151,898
Total Deposits	-	-	-	-	-	-	264,983,900
Total Liabilities	19,723,335	2,047,052	5,896,820	851,620	1,904,609	30,423,435	417,020,790
Gross Loan Portfolio	23,269,783	1,651,487	4,195,007	39,730	1,902,197	31,058,204	301,908,767
						weighted avg.	weighted avg.
Equity-to-Asset Ratio	31.2%	48.2%	7.0%	69.7%	10.2%	30.7%	15.5%
Commercial Liabilities-to-Total Debt	92.6%	96.5%	92.9%	#DIV/0!	100.0%	94.0%	76.1%
Debt-to-Equity Ratio	0.7	0.9	12.6	0.0	8.5	1.15	1.38
Deposits-to-Gross Loan Portfolio	-	-	-	-	-	-	87.8%
Deposits-to-Total Assets	-	-	-	-	-	-	53.7%
Cost of Funds	31.1%	9.6%	2.9%	#DIV/0!	8.8%	18.3%	9.2%
Gross Loan Portfolio-to-Total Assets	81.2%	41.8%	66.2%	1.4%	89.7%	70.8%	61.2%

Financing Structure (in PKR '000)

Micro-finance Bank

Financing Structure (in PKR '000)	KBL	TMFB	FMFB	NRSP-B	FINCA	AMFB	MMFB	Ubank	Advans	POMFB	SMFB	Sub
Total Assets	81,493,128	60,859,934	47,232,021	40,005,271	37,311,889	20,543,254	38,175,082	40,090,204	1,946,246	4,634,958	1,907,492	374,199,477
Total Equity	9,398,650	8,046,979	6,047,432	4,687,633	4,718,307	1,874,327	4,859,245	3,050,863	525,994	2,365,282	889,587	46,464,299
Total Debt	3,726,021	-	-	4,436,657	5,552,853	6,598	-	11,332,731	300,000	1,982,284	800,000	28,137,144
- Subsidised Debt*	-	-	-	-	-	-	-	-	-	-	-	-
- Commercial Debt	3,726,021	-	-	4,436,657	5,552,853	6,598	-	11,332,731	300,000	1,982,284	800,000	28,137,144
Total Deposits	63,882,349	41,170,537	38,403,643	26,650,662	23,911,342	18,317,084	29,224,876	23,290,259		6,701	126,447	264,983,900
Total Liabilities	72,094,478	52,812,955	41,184,589	35,317,638	32,593,582	18,668,927	33,315,837	37,039,341	1,420,252	2,269,675	1,017,905	327,735,179
Gross Loan Portfolio	54,797,823	27,460,565	31,613,750	27,906,857	22,480,016	9,071,890	15,537,781	21,882,307	1,269,591	1,981,993	864,362	214,866,935
												weighted avg.
Equity-to-Asset Ratio	11.5%	13.2%	12.8%	11.7%	12.6%	9.1%	12.7%	7.6%	27.0%	51.0%	46.6%	12.4%
Commercial Liabilities-to-Total Debt	100.0%	#DIV/0!	#DIV/0!	100.0%	100.0%	100.0%	#DIV/0!	100.0%	100.0%	100.0%	100.0%	100.0%
Debt-to-Equity Ratio	0.4	0.0	0.0	0.9	1.2	0.0	0.0	3.7	0.6	0.8	0.9	0.6
Deposits-to-Gross Loan Portfolio	116.6%	149.9%	121.5%	95.5%	106.4%	201.9%	188.1%	106.4%	0.0%	0.3%	14.6%	123.3%
Deposits-to-Total Assets	78.4%	67.6%	81.3%	66.6%	64.1%	89.2%	76.6%	58.1%	0.0%	0.1%	6.6%	70.8%
Cost of Funds	9.7%	8.9%	9.0%	10.9%	10.2%	6.6%	3.3%	11.1%	42.6%	6.2%	7.7%	9.0%
Gross Loan Portfolio-to-Total Assets	67.2%	45.1%	66.9%	69.8%	60.2%	44.2%	40.7%	54.6%	65.2%	42.8%	45.3%	57.4%

Micro-finance Institute

	OPRCT	KASHF	SAFCO	DAMEN	CEIP	GBTI	FFO	ASA-P	MO	Wasil	JWS
Total Assets	595,045	20,876,561	3,371,236	4,372,035	1,510,582	1,106,337	1,006,365	11,230,523	99,058	173,851	2,724,589
Total Equity	209,113	4,327,539	645,036	920,315	327,543	525,322	164,849	3,862,112	57,330	(32,998)	688,175
Total Debt	285,780	14,238,293	2,621,287	3,334,358	1,172,162	557,056	814,350	13,533,442	39,000	168,067	1,905,824
- Subsidised Debt*	-	-	118,532	-	105,776	57,056	16,330	6,766,721	-	168,067	-
- Commercial Debt	285,780	14,238,293	2,502,755	3,334,358	1,066,386	500,000	798,020	6,766,721	39,000	-	1,905,824
Total Deposits	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	385,932	16,549,022	2,726,201	3,451,720	1,183,039	581,015	841,515	7,368,411	41,728	206,849	2,036,414
Gross Loan Portfolio	399,651	13,864,371	2,408,160	3,477,566	1,297,808	352,469	565,840	9,739,022	51,321	100,181	2,175,630
Equity-to-Asset Ratio	35.1%	20.7%	19.1%	21.1%	21.7%	47.5%	16.4%	34.4%	57.9%	-19.0%	25.3%
Commercial Liabilities-to-Total Debt	100.0%	100.0%	95.5%	100.0%	91.0%	89.8%	98.0%	50.0%	100.0%	0.0%	100.0%
Debt-to-Equity Ratio	1.4	3.3	4.1	3.6	3.6	1.1	4.9	3.5	0.7	-5.1	2.8
Deposits-to-Gross Loan Portfolio	-	-	-	-	-	-	-	-	-	-	-
Deposits-to-Total Assets	-	-	-	-	-	-	-	-	-	-	-
Cost of Funds	14.7%	12.1%	8.7%	13.7%	12.3%	6.7%	10.2%	8.8%	26.5%	7.3%	12.8%
Gross Loan Portfolio-to-Total Assets	67.2%	66.4%	71.4%	79.5%	85.9%	31.9%	56.2%	86.7%	51.8%	57.6%	79.9%

	ORIX	RCDP	Agahe	SMC	OPD	SAATH	SVDP	VDO	Akhuwat	MOJAZ	SSSF	Sub
Total Assets	418,396	5,714,079	549,226	198,760	111,239	163,354	480,487	33,599	19,165,336	1,059,022	252,872	75,212,553
Total Equity	285,463	1,512,220	117,203	80,673	55,342	56,384	79,103	30,745	2,179,535	190,729	68,643	16,350,377
Total Debt	118,935	4,065,695	430,465	114,050	43,679	-	386,609	2,546	16,909,049	803,750	169,600	61,713,997
- Subsidised Debt*	-	137,219	8,000	-	-	-	-	-	16,909,049	-	16,000	24,302,750
- Commercial Debt	118,935	3,928,476	422,465	114,050	43,679		386,609	2,546	-	803,750	153,600	37,411,246
Total Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	132,933	4,201,858	432,023	118,087	55,897	106,971	401,384	2,853	16,985,801	868,294	184,229	58,862,176
Gross Loan Portfolio	431,229	5,037,882	491,168	106,782	96,115	77,025	344,689	27,361	13,949,464	807,905	181,987	55,983,628
												weighted avg.
Equity-to-Asset Ratio	68.2%	26.5%	21.3%	40.6%	49.8%	34.5%	16.5%	91.5%	11.4%	18.0%	27.1%	21.7%
Commercial Liabilities-to-Total Debt	100.0%	96.6%	98.1%	100.0%	100.0%	#DIV/0!	100.0%	100.0%	0.0%	100.0%	90.6%	60.6%
Debt-to-Equity Ratio	0.4	2.7	3.7	1.4	0.8	0.0	4.9	0.1	7.8	4.2	2.5	3.77
Deposits-to-Gross Loan Portfolio	-	-	-	-	-	-	-	-	-	-	-	-
Deposits-to-Total Assets	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Funds	25.4%	12.6%	10.2%	6.0%	8.4%	#DIV/0!	11.1%	10.2%	0.0%	11.0%	10.7%	8.0%
Gross Loan Portfolio-to-Total Assets	103.1%	88.2%	89.4%	53.7%	86.4%	47.2%	71.7%	81.4%	72.8%	76.3%	72.0%	74.4%

Rural Support Programme

	NRSP	PRSP	TMF	SRSP	SRSO	Sub	Total
Total Assets	28,662,869	3,950,431	6,340,471	2,812,935	2,121,173	43,887,878	493,299,908
Total Equity	8,939,535	1,903,379	443,651	1,961,315	216,564	13,464,443	76,279,119
Total Debt	6,415,092	1,679,872	5,610,121	-	1,834,709	15,539,794	105,390,934
- Subsidised Debt*	477,592	58,694	400,000	-	-	936,286	25,239,036
- Commercial Debt	5,937,500	1,621,178	5,210,121	-	1,834,709	14,603,508	80,151,898
Total Deposits	-	-	-	-	-	-	264,983,900
Total Liabilities	19,723,335	2,047,052	5,896,820	851,620	1,904,609	30,423,435	417,020,790
Gross Loan Portfolio	23,269,783	1,651,487	4,195,007	39,730	1,902,197	31,058,204	301,908,767
						weighted avg.	weighted avg.
Equity-to-Asset Ratio	31.2%	48.2%	7.0%	69.7%	10.2%	30.7%	15.5%
Commercial Liabilities-to-Total Debt	92.6%	96.5%	92.9%	#DIV/0!	100.0%	94.0%	76.1%
Debt-to-Equity Ratio	0.7	0.9	12.6	0.0	8.5	1.15	1.38
Deposits-to-Gross Loan Portfolio	-	-	-	-	-	-	87.8%
Deposits-to-Total Assets	-	-	-	-	-	-	53.7%
Cost of Funds	31.1%	9.6%	2.9%	#DIV/0!	8.8%	18.3%	9.2%
Gross Loan Portfolio-to-Total Assets	81.2%	41.8%	66.2%	1.4%	89.7%	70.8%	61.2%

Outreach

Micro-finance Bank

Outreach	KBL	TMFB	FMFB	NRSP-B	FINCA	AMFB	MMFB	Ubank	Advans	POMFB	SMFB	Sub
Active Borrowers	873,334	896,694	486,604	352,665	237,944	107,843	327,718	314,064	11,466	59,688	50,601	3,718,621
Active Women Borrowers	290,824	182,765	160,762	34,036	23,507	16,663	62,372	67,879	680	44,570	50,601	934,659
Gross Loan Portfolio (PKR '000)	54,797,823	27,460,565	31,613,750	27,906,857	22,480,016	9,071,890	15,537,781	21,882,307	1,269,591	1,981,993	864,362	214,866,935
Annual per Capita Income (PKR)*	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230
Number of Loans Outstanding	873,334	896,694	486,604	352,665	238,337	107,843	327,718	314,064	11,466	59,688	50,601	3,719,014
Depositors	2,314,449	17,182,377	1,221,701	1,122,896	1,128,248	390,571	19,641,534	839,509	31,480	16,158	73,208	43,962,131
Number of Deposit Accounts	2,541,625	17,182,377	1,221,701	1,122,896	1,283,677	390,571	19,655,956	839,509	31,480	16,158	73,208	44,359,158
Number of Women Depositors	728,894	3,283,388	409,970	203,532	141,695	73,451	3,815,412	140,348	3,706	4,734	73,200	8,878,330
Deposits Outstanding (PKR '000)	63,882,349	41,170,537	38,403,643	26,650,662	23,911,342	18,317,084	29,224,876	23,290,259	953,719	6,701	126,447	265,937,620
												weighted avg.
Proportion of Active Women Borrowers (%)	33.3%	20.4%	33.0%	9.7%	9.9%	15.5%	19.0%	21.6%	5.9%	74.7%	100.0%	25.1%
Average Loan Balance/ Active Borrower (PKR)	62,746	30,624	64,968	79,131	94,476	84,121	47,412	69,675	110,727	33,206	17,082	57,781
Average Loan Balance/Active Borrower/Capita Income	38.7%	18.9%	40.0%	48.8%	58.2%	51.9%	29.2%	42.9%	68.3%	20.5%	10.5%	35.6%
Average Outstanding Loan Balance (PKR)	62,746	30,624	64,968	79,131	94,320	84,121	47,412	69,675	110,727	33,206	17,082	57,775
Average Outstanding Loan Balance / per Capita Income	38.7%	18.9%	40.0%	48.8%	58.1%	51.9%	29.2%	42.9%	68.3%	20.5%	10.5%	35.6%
Proportion of Active Women Depositors (%)	31.5%	19.1%	33.6%	18.1%	12.6%	18.8%	19.4%	16.7%	11.8%	29.3%	100.0%	20.2%
Average Saving Balance/Active Depositor (PKR)	27,602	2,396	31,435	23,734	21,193	46,898	1,488	27,743	30,296	415	1,727	6,049
Active Deposit Account Balance (PKR)	25,134	2,396	31,435	23,734	18,627	46,898	1,487	27,743	30,296	415	1,727	5,995

Micro-finance Institute

	OPRCT	KASHF	SAFCO	DAMEN	CEIP	GBTI	FFO	ASA-P	MO	Wasil	JWS
Active Borrowers	25,287	500,992	103,209	117,076	38,952	22,175	25,873	439,129	2,289	4,123	84,638
Active Women Borrowers	11,594	499,957	60,333	117,076	36,861	20,952	25,819	433,005	1,344	345	82,654
Gross Loan Portfolio (PKR '000)	399,651	13,864,371	2,408,160	3,477,566	1,297,808	352,469	565,840	9,739,022	51,321	100,181	2,175,630
Annual per Capita Income (PKR)*	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230
Number of Loans Outstanding	25,287	500,992	103,209	117,076	38,952	22,175	25,873	439,129	2,289	4,123	84,638
Depositors	-	-	-	-	-	-	-	-	-		-
Number of Deposit Accounts	-	-	-	-	-	-	-	-	-	-	-
Number of Women Depositors	-	-	-	-	-	-	-	-	-		-
Deposits Outstanding (PKR '000)	-	-	-	-	-	-	-	-	-	-	-
Proportion of Active Women Borrowers (%)	45.8%	99.8%	58.5%	100.0%	94.6%	94.5%	99.8%	98.6%	58.7%	8.4%	97.7%
Average Loan Balance/ Active Borrower (PKR)	15,805	27,674	23,333	29,703	33,318	15,895	21,870	22,178	22,421	24,298	25,705
Average Loan Balance/Active Borrower/Capita Income	9.7%	17.1%	14.4%	18.3%	20.5%	9.8%	13.5%	13.7%	13.8%	15.0%	15.8%
Average Outstanding Loan Balance (PKR)	15,805	27,674	23,333	29,703	33,318	15,895	21,870	22,178	22,421	24,298	25,705
Average Outstanding Loan Balance / per Capita Income	9.7%	17.1%	14.4%	18.3%	20.5%	9.8%	13.5%	13.7%	13.8%	15.0%	15.8%
Proportion of Active Women Depositors (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Saving Balance/Active Depositor (PKR)	0	0	0	0	0	0	0	0	0	0	0
Active Deposit Account Balance (PKR)	-	-	-	-	-	-	-	-	-	-	-

	ORIX	RCDP	Agahe	SMC	OPD	SAATH	SVDP	VDO	Akhuwat	MOJAZ	SSSF	Sub
Active Borrowers	19,558	139,162	24,860	5,131	4,728	3,189	11,226	2,031	898,604	30,032	6,037	2,508,301
Active Women Borrowers	17,600	131,011	24,108	2,462	2,200	1,439	7,258	1,055	431,329	12,592	3,772	1,924,766
Gross Loan Portfolio (PKR '000)	431,229	5,037,882	491,168	106,782	96,115	77,025	344,689	27,361	13,949,464	807,905	181,987	55,983,628
Annual per Capita Income (PKR)*	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230	162,230
Number of Loans Outstanding	19,558	139,162	24,860	5,131	4,728	3,189	11,226	2,031	898,604	30,032	6,037	2,508,301
Depositors	-	-	-		-	-	-	-	-	-	-	-
Number of Deposit Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Number of Women Depositors	-	-	-		-	-	-	-	-	-	-	-
Deposits Outstanding (PKR '000)	-	-	-	-	-	-	-	-	-	-	-	-
												weighted avg.
Proportion of Active Women Borrowers (%)	90.0%	94.1%	97.0%	48.0%	46.5%	45.1%	64.7%	51.9%	48.0%	41.9%	62.5%	76.7%
Average Loan Balance/ Active Borrower (PKR)	22,049	36,202	19,757	20,811	20,329	24,153	30,704	13,472	15,523	26,901	30,145	22,319
Average Loan Balance/Active Borrower/Capita Income	13.6%	22.3%	12.2%	12.8%	12.5%	14.9%	18.9%	8.3%	9.6%	16.6%	18.6%	14%
Average Outstanding Loan Balance (PKR)	22,049	36,202	19,757	20,811	20,329	24,153	30,704	13,472	15,523	26,901	30,145	22,319
Average Outstanding Loan Balance / per Capita Income	13.6%	22.3%	12.2%	12.8%	12.5%	14.9%	18.9%	8.3%	9.6%	16.6%	18.6%	14%
Proportion of Active Women Depositors (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Average Saving Balance/Active Depositor (PKR)	0	0	0	0	0	0	0	0	0	0	0	-
Active Deposit Account Balance (PKR)	-	-	-	-	-	-	-	-	-	-	-	-

Rural Support Programme

	NRSP	PRSP	TMF	SRSP	SRSO	Sub	Total
Active Borrowers	858,748	78,440	172,453	5,241	98,349	1,213,231	7,440,153
Active Women Borrowers	696,630	38,739	121,289	5,241	88,139	950,038	3,809,463
Gross Loan Portfolio (PKR '000)	23,269,783	1,651,487	4,195,007	39,730	1,902,197	31,058,204	301,908,767
Annual per Capita Income (PKR)*	162,230	162,230	162,230	162,230	162,230	162,230	162,230
Number of Loans Outstanding	858,748	78,440	172,453	5,241	98,349	1,213,231	7,440,546
Depositors	-	-	-	-	-	-	43,962,131
Number of Deposit Accounts	-	-	-	-	-	-	44,359,158
Number of Women Depositors	-	-	-	-	-	-	8,878,330
Deposits Outstanding (PKR '000)	-	-	-	-	-	-	265,937,620
						weighted avg.	weighted avg.
Proportion of Active Women Borrowers (%)	81.1%	49.4%	70.3%	100.0%	89.6%	78.3%	51.2%
Average Loan Balance/ Active Borrower (PKR)	27,097	21,054	24,326	7,581	19,341	25,600	40,578
Average Loan Balance/Active Borrower/Capita Income	16.7%	13.0%	15.0%	4.7%	11.9%	16%	25.0%
Average Outstanding Loan Balance (PKR)	27,097	21,054	24,326	7,581	19,341	25,600	40,576
Average Outstanding Loan Balance / per Capita Income	16.7%	13.0%	15.0%	4.7%	11.9%	15.8%	25.0%
Proportion of Active Women Depositors (%)	0.0%	0.0%	0.0%	0.0%	0.0%	-	20.20%
Average Saving Balance/Active Depositor (PKR)	0	0	0	0	0	-	6,049
Active Deposit Account Balance (PKR)	-	-	-	-	-	-	5,995

Financing Performance
(in PKR '000)

Micro-finance Bank

	KBL	TMFB	FMFB	NRSP-B	FINCA	AMFB	MMFB	Ubank	Advans	POMFB	SMFB	Sub
Average Total Assets	75,982,540	61,662,955	42,428,656	39,177,928	34,795,825	19,083,150	33,144,888	37,440,890	1,621,423	3,546,319	1,455,473	350,340,048
Average Total Equity	8,799,050	10,857,704	36,653,271	4,647,695	4,375,348	1,674,037	4,411,530	2,929,683	518,738	2,349,876	863,535	78,080,466
												weighted avg.
Adjusted Return-on-Assets	2.4%	-26.6%	1.3%	-0.4%	1.7%	0.3%	2.8%	0.7%	0.5%	-0.1%	0.0%	-3.5%
Adjusted Return-on-Equity	20.8%	-151.1%	1.5%	-3.4%	13.3%	3.2%	20.9%	8.7%	1.6%	-0.1%	-0.1%	-15.9%
Financial Expense Ratio	13.4%	11.9%	12.5%	13.2%	13.8%	12.6%	6.8%	19.7%	11.3%	7.7%	9.8%	13.1%
Operational Self Sufficiency (OSS)	117.2%	53.0%	108.2%	101.0%	112.3%	102.7%	130.2%	103.9%	100.1%	106.2%	124.7%	89.3%
Financial Self Sufficiency (FSS)	117.1%	53.0%	108.2%	98.2%	111.3%	102.7%	130.1%	103.9%	99.1%	102.5%	104.8%	88.9%

Micro-finance Institute

	OPRCT	KASHF	SAFCO	DAMEN	CEIP	GBTI	FFO	ASA-P	MO	Wasil	JWS
Average Total Assets	591,232	17,632,798	2,928,901	3,778,837	1,428,841	1,022,705	930,519	11,423,237	125,078	174,653	2,457,008
Average Total Equity	207,514	3,661,480	594,380	852,521	298,140	507,060	153,771	3,494,170	54,175	(124,731)	598,065
Adjusted Return-on-Assets	1.3%	6.8%	2.5%	3.6%	4.1%	3.6%	2.4%	12.1%	0.0%	97.4%	7.3%
Adjusted Return-on-Equity	3.7%	32.6%	12.4%	15.9%	19.7%	7.3%	14.3%	39.6%	0.0%	-136.4%	30.1%
Financial Expense Ratio	0.0%	14.1%	11.7%	14.8%	13.2%	11.8%	14.0%	12.5%	15.4%	12.0%	11.8%
Operational Self Sufficiency (OSS)	105.9%	130.9%	116.4%	112.8%	109.0%	129.1%	108.4%	181.0%	100.0%	436.6%	126.9%
Financial Self Sufficiency (FSS)	105.9%	130.9%	111.4%	112.8%	109.0%	129.1%	108.4%	181.0%	100.0%	350.7%	126.9%

	ORIX	RCDP	Agahe	SMC	OPD	SAATH	SVDP	VDO	Akhuwat	MOJAZ	SSSF	Sub
Average Total Assets	471,452	4,915,474	504,248	184,193	108,416	197,000	426,710	32,490	18,503,024	962,278	246,025	69,045,120
Average Total Equity	273,880	1,331,241	95,561	139,033	37,048	48,412	74,006	29,787	1,833,745	154,542	67,531	14,381,330
												weighted avg.
Adjusted Return-on-Assets	4.9%	7.4%	8.6%	8.8%	-3.6%	-2.2%	2.4%	5.8%	-7.0%	7.5%	0.1%	3.6%
Adjusted Return-on-Equity	8.5%	27.2%	45.3%	11.6%	-10.7%	-8.8%	13.8%	6.3%	-71.1%	46.8%	0.2%	17.2%
Financial Expense Ratio	6.4%	12.4%	10.1%	12.7%	4.4%	13.5%	14.2%	1.0%	0.0%	5.8%	1.0%	9.3%
Operational Self Sufficiency (OSS)	115.9%	128.8%	131.9%	190.9%	102.8%	88.5%	109.8%	142.6%	137.8%	127.9%	103.5%	137.5%
Financial Self Sufficiency (FSS)	115.8%	128.8%	131.9%	152.6%	95.5%	88.0%	109.8%	141.5%	65.9%	127.9%	100.6%	119.4%

RSP

	NRSP	PRSP	TMF	SRSP	SRSO	Sub	Total
Average Total Assets	26,311,279	3,613,639	5,595,901	2,874,761	1,964,357	40,359,937	459,745,104
Average Total Equity	16,463,864	1,907,519	418,221	1,924,239	197,341	20,911,185	113,372,981
						weighted avg.	weighted avg.
Adjusted Return-on-Assets	5.5%	-0.3%	0.9%	1.4%	-0.2%	3.8%	-1.8%
Adjusted Return-on-Equity	8.8%	-0.6%	12.2%	2.1%	-2.3%	7.3%	-7.4%
Financial Expense Ratio	9.6%	10.5%	13.4%	5.3%	9.2%	10.1%	12.1%
Operational Self Sufficiency (OSS)	129.6%	98.0%	104.9%	103.9%	107.6%	117.5%	97.4%
Financial Self Sufficiency (FSS)	129.6%	98.0%	104.9%	102.1%	99.2%	116.5%	95.2%

Operating Income
(in PKR '000)

Micro-finance Bank

	KBL	TMFB	FMFB	NRSP-B	FINCA	AMFB	MMFB	Ubank	Advans	POMFB	SMFB	Sub
Revenue from Loan Portfolio	15,384,005	15,631,832	8,359,696	8,247,577	8,419,701	3,019,788	5,383,227	8,166,675	521,259	649,458	347,011	74,130,228
Total Revenue	17,166,735	17,826,728	9,291,597	8,689,089	9,266,643	3,389,040	5,462,972	8,205,750	672,597	899,047	347,011	81,217,210
Adjusted Net Operating Income / (Loss)	1,828,478	(16,402,108)	532,397	(158,620)	582,821	53,480	920,597	253,498	8,258	(2,248)	(481)	(12,383,929)
Average Total Assets	75,982,540	61,662,955	42,428,656	39,177,928	34,795,825	19,083,150	33,144,888	37,440,890	1,621,423	3,546,319	1,455,473	350,340,048
Gross Loan Portfolio (Opening Balance)	43,461,235	34,187,550	23,857,102	23,777,633	20,868,935	10,087,136	12,713,805	17,225,244	998,490	1,247,170	589,666	189,013,966
Gross Loan Portfolio (Closing Balance)	54,797,823	27,460,565	31,613,750	27,906,857	22,480,016	9,071,890	15,537,781	21,882,307	1,269,591	1,981,993	864,362	214,866,935
Average Gross Loan Portfolio	49,129,529	30,824,058	27,735,426	25,842,245	21,674,476	9,579,513	14,125,793	19,553,775	1,134,041	1,614,582	727,014	201,940,450
Inflation Rate*	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
												weighted avg.
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	22.6%	28.9%	21.9%	22.2%	26.6%	17.8%	16.5%	21.9%	41.5%	25.4%	23.8%	23.2%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	10.7%	-92.0%	5.7%	-1.8%	6.3%	1.6%	16.9%	3.1%	1.2%	-0.3%	-0.1%	-15.2%
Yield on Gross Portfolio (Nominal)	31.3%	50.7%	30.1%	31.9%	38.8%	31.5%	38.1%	41.8%	46.0%	40.2%	47.7%	36.7%
Yield on Gross Portfolio (Real)	26.4%	45.1%	25.3%	27.0%	33.6%	26.6%	32.9%	36.4%	40.5%	35.0%	42.2%	31.6%

Micro-finance Institute

	OPRCT	KASHF	SAFCO	DAMEN	CEIP	GBTI	FFO	ASA-P	MO	Wasil	JWS
Revenue from Loan Portfolio	127,755	4,681,015	674,765	1,072,920	421,520	86,122	269,193	4,205,861	23,497	44,656	805,139
Total Revenue	139,409	5,053,784	719,509	1,195,115	458,607	164,549	282,479	4,349,774	24,555	237,964	849,896
Adjusted Net Operating Income / (Loss)	7,731	1,193,551	73,627	135,537	58,791	37,077	21,935	1,382,966	7	170,109	180,184
Average Total Assets	591,232	17,632,798	2,928,901	3,778,837	1,428,841	1,022,705	930,519	11,423,237	125,078	174,653	2,457,008
Gross Loan Portfolio (Opening Balance)	383,238	10,512,235	1,514,157	2,731,103	882,235	282,960	621,831	9,370,993	82,515	104,362	1,981,806
Gross Loan Portfolio (Closing Balance)	399,651	13,864,371	2,408,160	3,477,566	1,297,808	352,469	565,840	9,739,022	51,321	100,181	2,175,630
Average Gross Loan Portfolio	391,444	12,188,303	1,961,159	3,104,334	1,090,022	317,715	593,836	9,555,007	66,918	102,272	2,078,718
Inflation Rate*	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	23.6%	28.7%	24.6%	31.6%	32.1%	16.1%	30.4%	38.1%	19.6%	136.2%	34.6%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	5.5%	23.6%	10.2%	11.3%	12.8%	22.5%	7.8%	31.8%	0.0%	71.5%	21.2%
Yield on Gross Portfolio (Nominal)	32.6%	38.4%	34.4%	34.6%	38.7%	27.1%	45.3%	44.0%	35.1%	43.7%	38.7%
Yield on Gross Portfolio (Real)	27.7%	33.2%	29.4%	29.5%	33.5%	22.3%	39.9%	38.6%	30.0%	38.3%	33.5%

	ORIX	RCDP	Agahe	SMC	OPD	SAATH	SVDP	VDO	Akhuwat	MOJAZ	SSSF	Sub
Revenue from Loan Portfolio	169,946	1,572,369	147,404	38,347	36,512	29,742	106,013	6,423	2,004,366	319,066	58,797	16,901,428
Total Revenue	169,946	1,616,851	178,845	46,860	37,483	31,256	114,409	6,423	2,521,542	331,352	74,164	18,604,772
Adjusted Net Operating Income / (Loss)	23,235	361,884	43,279	16,150	(3,952)	(4,263)	10,193	1,883	(1,303,773)	72,366	131	2,478,647
Average Total Assets	471,452	4,915,474	504,248	184,193	108,416	197,000	426,710	32,490	18,503,024	962,278	246,025	69,045,120
Gross Loan Portfolio (Opening Balance)	507,901	3,212,006	382,323	-	69,588	131,630	260,695	25,278	16,566,888	676,900	146,194	50,446,838
Gross Loan Portfolio (Closing Balance)	431,229	5,037,882	491,168	106,782	96,115	77,025	344,689	27,361	13,949,464	807,905	181,987	55,983,628
Average Gross Loan Portfolio	469,565	4,124,944	436,745	53,391	82,852	104,327	302,692	26,320	15,258,176	742,403	164,091	53,215,233
Inflation Rate*	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
												weighted avg.
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	36.0%	32.9%	35.5%	25.4%	34.6%	15.9%	26.8%	19.8%	13.6%	34.4%	30.1%	26.9%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	13.7%	22.4%	24.2%	34.5%	-10.5%	-13.6%	8.9%	29.3%	-51.7%	21.8%	0.2%	13.3%
Yield on Gross Portfolio (Nominal)	36.2%	38.1%	33.8%	71.8%	44.1%	28.5%	35.0%	24.4%	13.1%	43.0%	35.8%	31.8%
Yield on Gross Portfolio (Real)	31.1%	32.9%	28.7%	65.4%	38.7%	23.7%	30.0%	19.7%	8.9%	37.6%	30.7%	26.8%

Rural Support Programme

	NRSP	PRSP	TMF	SRSP	SRSO	Sub	Total
Revenue from Loan Portfolio	6,107,549	417,666	1,149,323	12,331	521,693	8,208,562	99,240,218
Total Revenue	6,373,722	583,880	1,386,777	2,002,436	543,592	10,890,408	110,712,390
Adjusted Net Operating Income / (Loss)	1,456,688	(11,880)	50,833	40,318	(4,542)	1,531,417	-8,373,865
Average Total Assets	26,311,279	3,613,639	5,595,901	2,874,761	1,964,357	40,359,937	459,745,104
Gross Loan Portfolio (Opening Balance)	18,483,915	1,410,079	3,617,117	39,044	1,604,312	25,154,467	264,615,272
Gross Loan Portfolio (Closing Balance)	23,269,783	1,651,487	4,195,007	39,730	1,902,197	31,058,204	301,908,767
Average Gross Loan Portfolio	20,876,849	1,530,783	3,906,062	39,387	1,753,254	28,106,336	283,262,019
Inflation Rate*	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
						weighted avg.	weighted avg.
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	24.2%	16.2%	24.8%	69.7%	27.7%	27.0%	24.1%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	22.9%	-2.0%	3.7%	2.0%	-0.8%	14.1%	-7.6%
Yield on Gross Portfolio (Nominal)	29.3%	27.3%	29.4%	31.3%	29.8%	29.2%	35.0%
Yield on Gross Portfolio (Real)	24.4%	22.5%	24.6%	26.4%	24.9%	24.4%	30.0%

Operating Expense
(in PKR '000)

Micro-finance Bank

Operating Expense (in PKR '000)	KBL	TMFB	FMFB	NRSP-B	FINCA	AMFB	MMFB	Ubank	Advans	POMFB	SMFB	Sub
Adjusted Total Expense	14,648,228	33,660,381	8,590,436	8,601,707	8,255,075	3,299,695	4,197,279	7,901,251	678,823	877,272	278,353	90,988,501
Adjusted Financial Expense	6,589,722	3,671,426	3,467,735	3,401,597	2,997,774	1,209,081	961,516	3,842,509	127,822	124,290	71,057	26,464,529
Adjusted Loan Loss Provision Expense	2,193,943	8,918,980	852,841	1,845,041	1,089,594	292,876	460,476	838,456	75,610	256,193	13,425	16,837,436
Operating Expense	5,864,563	21,069,975	4,269,860	3,355,069	4,167,707	1,797,738	2,775,288	3,220,286	475,390	496,789	193,871	47,686,536
Adjustment Expense	7,691	50,281	315	242,930	70,532	45	236	150	6,688	30,941	52,651	462,461
Average Total Assets	75,982,540	61,662,955	42,428,656	39,177,928	34,795,825	19,083,150	33,144,888	37,440,890	1,621,423	3,546,319	1,455,473	350,340,048
												weighted avg.
Adjusted Total Expense-to-Average Total Assets	19.3%	54.6%	20.2%	22.0%	23.7%	17.3%	12.7%	21.1%	41.9%	24.7%	19.1%	26.0%
Adjusted Financial Expense-to-Average Total Assets	8.7%	6.0%	8.2%	8.7%	8.6%	6.3%	2.9%	10.3%	7.9%	3.5%	4.9%	7.6%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	2.9%	14.5%	2.0%	4.7%	3.1%	1.5%	1.4%	2.2%	4.7%	7.2%	0.9%	4.8%
Adjusted Operating Expense-to-Average Total Assets	7.7%	34.2%	10.1%	8.6%	12.0%	9.4%	8.4%	8.6%	29.3%	14.0%	13.3%	13.6%
Adjusted Personnel Expense	3.2%	7.2%	5.0%	5.2%	6.1%	5.8%	3.5%	4.2%	14.4%	8.0%	9.1%	5.0%
Adjusted Admin Expense	3.4%	26.6%	3.6%	3.4%	4.2%	3.6%	4.8%	4.4%	14.8%	5.7%	4.2%	7.9%
Adjustment Expense-to-Average Total Assets	0.0%	0.1%	0.0%	0.6%	0.2%	0.0%	0.0%	0.0%	0.4%	0.9%	3.6%	0.1%

Micro-finance Institute

	OPRCT	KASHF	SAFCO	DAMEN	CEIP	GBTI	FFO	ASA-P	MO	Wasil	JWS
Adjusted Total Expense	131,663	3,860,062	645,851	1,059,526	420,594	127,437	260,536	2,403,118	24,546	67,872	669,512
Adjusted Financial Expense	42,089	1,722,369	256,139	458,419	143,976	37,591	83,240	1,193,691	10,324	25,614	244,460
Adjusted Loan Loss Provision Expense	13,159	59,503	54,499	70,144	31,359	4,326	1,472	174,933	(1,013)	2,078	20,819
Operating Expense	76,415	2,078,190	335,212	530,962	245,258	85,519	175,824	1,034,494	15,234	40,180	404,233
Adjustment Expense	14	171	27,684	52	16	35	8	222	3	13,357	36
Average Total Assets	591,232	17,632,798	2,928,901	3,778,837	1,428,841	1,022,705	930,519	11,423,237	125,078	174,653	2,457,008
Adjusted Total Expense-to-Average Total Assets	22.3%	21.9%	22.1%	28.0%	29.4%	12.5%	28.0%	21.0%	19.6%	38.9%	27.2%
Adjusted Financial Expense-to-Average Total Assets	7.1%	9.8%	8.7%	12.1%	10.1%	3.7%	8.9%	10.4%	8.3%	14.7%	9.9%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	2.2%	0.3%	1.9%	1.9%	2.2%	0.4%	0.2%	1.5%	-0.8%	1.2%	0.8%
Adjusted Operating Expense-to-Average Total Assets	12.9%	11.8%	11.4%	14.1%	17.2%	8.4%	18.9%	9.1%	12.2%	23.0%	16.5%
Adjusted Personnel Expense	7.1%	8.2%	6.2%	8.6%	9.9%	1.2%	11.8%	6.6%	0.4%	15.8%	11.1%
Adjusted Admin Expense	5.5%	3.1%	5.1%	5.4%	6.6%	1.4%	6.3%	2.5%	0.9%	7.2%	5.0%
Adjustment Expense-to-Average Total Assets	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%t	7.6%	0.0%

	ORIX	RCDP	Agahe	SMC	OPD	SAATH	SVDP	VDO	Akhuwat	MOJAZ	SSSF	Sub
Adjusted Total Expense	146,693	1,254,892	135,562	30,707	39,237	35,519	104,212	4,538	3,825,211	258,979	73,712	15,579,979
Adjusted Financial Expense	30,153	511,485	43,938	12,953	6,434	14,099	42,859	293	1,990,906	88,677	20,221	6,979,932
Adjusted Loan Loss Provision Expense	12,388	109,860	6,332	-	657	(1,447)	6,058	105	6,113	8,422	466	580,235
Operating Expense	104,152	633,547	85,292	17,753	32,146	22,868	55,296	4,141	1,828,192	161,880	53,025	8,019,812
Adjustment Expense	18	76	4	6,164	2,760	207	4	35	1,995,353	8	2,093	2,048,321
Average Total Assets	471,452	4,915,474	504,248	184,193	108,416	197,000	426,710	32,490	18,503,024	962,278	246,025	69,045,120
												weighted avg.
Adjusted Total Expense-to-Average Total Assets	31.1%	25.5%	26.9%	16.7%	36.2%	18.0%	24.4%	14.0%	20.7%	26.9%	30.0%	22.6%
Adjusted Financial Expense-to-Average Total Assets	6.4%	10.4%	8.7%	7.0%	5.9%	7.2%	10.0%	0.9%	10.8%	9.2%	8.2%	10.1%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	2.6%	2.2%	1.3%	0.0%	0.6%	-0.7%	1.4%	0.3%	0.0%	0.9%	0.2%	0.8%
Adjusted Operating Expense-to-Average Total Assets	22.1%	12.9%	16.9%	9.6%	29.7%	11.6%	13.0%	12.7%	9.9%	16.8%	21.6%	11.6%
Adjusted Personnel Expense	16.1%	8.2%	11.5%	6.5%	19.2%	5.1%	9.1%	7.1%	6.7%	10.0%	5.7%	7.6%
Adjusted Admin Expense	6.0%	4.7%	5.1%	2.7%	9.5%	6.0%	3.5%	4.3%	2.4%	6.2%	15.8%	3.4%
Adjustment Expense-to-Average Total Assets	0.0%	0.0%	0.0%	3.3%	2.5%	0.1%t	0.0%	0.1%	10.8%	0.0%	0.9%	3.0%

Rural Support Programme

	NRSP	PRSP	TMF	SRSP	SRSO	Sub	Total
Adjusted Total Expense	146,693	595,627	1,321,771	1,927,390	505,147	9,266,488	115,834,968
Adjusted Financial Expense	30,153	161,413	524,589	2,097	161,664	2,844,363	36,288,824
Adjusted Loan Loss Provision Expense	12,388	-	56,152	4	102,254	357,184	17,774,855
Operating Expense	104,152	434,214	741,030	1,925,288	241,229	6,064,941	61,771,289
Adjustment Expense	18	133	27	34,728	42,988	78,356	2,589,137
Average Total Assets	471,452	3,613,639	5,595,901	2,874,761	1,964,357	40,359,937	459,745,104
						weighted avg.	weighted avg.
Adjusted Total Expense-to-Average Total Assets	31.1%	16.5%	23.6%	67.0%	25.7%	23.0%	25.2%
Adjusted Financial Expense-to-Average Total Assets	6.4%	4.5%	9.4%	0.1%	8.2%	7.0%	7.9%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	2.6%	0.0%	1.0%	0.0%	5.2%	0.9%	3.9%
Adjusted Operating Expense-to-Average Total Assets	22.1%	12.0%	13.2%	67.0%	12.3%	15.0%	13.4%
Adjusted Personnel Expense	16.1%	8.7%	6.6%	0.3%	8.9%	7.1%	5.6%
Adjusted Admin Expense	6.0%	3.1%	6.3%	0.1%	3.0%	3.1%	6.8%
Adjustment Expense-to-Average Total Assets	0.0%	0.0%	0.0%	1.2%	2.2%	0.2%	0.6%

ANNEX A3

Social Performance Indicators

Microfinance Banks		KBL	TMFB	FMFBP	POMFB	NRSP Bank	Ubank	APNA Micro-finance	FINCA	ADVANS
Social Goals										
Target market	Clients living in rural areas	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Clients living in urban areas	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Women		✓	✓	✓	✓	✓	✓	✓	
	Adolescents and youth (below 18)									
	None of the above									
Development goals	Increased access to financial services	✓	✓	✓	✓	✓	✓		✓	✓
	Poverty reduction	✓			✓	✓	✓	✓	✓	
	Employment generation	✓			✓	✓			✓	
	Development of start-up enterprises	✓			✓			✓		
	Growth of existing businesses		✓		✓		✓	✓	✓	✓
	Improvement of adult education				✓					
	Youth opportunities									
	Children's schooling		✓				✓			
	Health improvement		✓				✓			
	Gender equality and women's empowerment	✓			✓		✓	✓		
	Water and sanitation									
	Housing		✓	✓				✓		
	None of the above									
Poverty level	Very poor clients	✓						✓		
	Poor clients	✓	✓		✓	✓		✓		
	Low income clients		✓		✓	✓	✓	✓	✓	✓
	No specific poverty target			✓			✓			
Does MFP measure poverty	Yes	✓	✓			✓		✓	✓	✓
	No			✓	✓		✓			
	Unknown									
Poverty measurement tool	Grameen Progress out of Poverty Index (PPI)									
	USAID Poverty Assessment Tool (PAT)									
	Per capita household expenditure		✓							✓
	Per capita household income		✓					✓		✓
	Participatory Wealth Ranking (PWR)									
	Housing index									
	Food security index									
	Means test									
	Own proxy poverty index		✓						✓	
	None of the above	✓		✓	✓	✓	✓			
Governance and HR										
Board orientation of social mission	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓
	No									
	Unknown									
SPM champion/ committee at Board	Yes	✓		✓		✓				✓
	No		✓		✓		✓	✓	✓	
	Unknown									
Board experience in SPM	Yes	✓	✓	✓		✓	✓		✓	✓
	No				✓			✓		
	Unknown									
Staff incentives related to SP	Number of clients	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Quality of interaction with clients based on client feedback mechanism						✓		✓	
	Quality of social data collected									✓
	Portfolio quality	✓		✓	✓	✓	✓	✓	✓	✓
	None of the above									
How number of clients is incentivized	Total number of clients		✓		✓	✓	✓	✓	✓	
	Number of new clients	✓		✓		✓		✓		✓
	Client retention					✓	✓	✓	✓	✓
	None of the above									
HR policies related to SP	Social protection (medical insurance and/or pension contribution)	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Safety policy		✓				✓		✓	✓
	Anti-harassment policy	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Non-discrimination policy	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Grievance resolution policy	✓	✓		✓	✓	✓		✓	✓
	None of the above									

Microfinance Banks

Products and Services

Microfinance Banks		KBL	TMFB	FMFBP	POMFB	NRSP Bank	Ubank	APNA Micro-finance	FINCA	ADVANS
Products and Services										
Types of credit products	Income generating loans Non-income generating loans Does not offer credit products									
Types of income generating loans	Microenterprise loans SME loans Agriculture/livestock loans Express loans None of the above									
Types of non-income generating loans	Education loans Emergency loans Housing loans Other household needs/consumption None of the above									
Types of savings products	Compulsory savings accounts Voluntary savings accounts Does not offer savings accounts									
Types of voluntary savings products	Demand deposit accounts Time deposit accounts None of the above									
Compulory insurance required	Yes No Unknown									
Types of compulory insurance required	Credit life insurance Life/accident insurance Agriculture insurance None of the above									
Voluntary insurance offered	Yes No Unknown									
Types of voluntary insurance offered	Credit life insurance Life/accident insurance Agriculture insurance Health insurance House insurance Workplace insurance None of the above									
Other financial services offered	Yes No Unknown									
Types of other financial services offered	Debit/credit card Mobile/branchless banking services Savings facilitation services Remittance/money transfer services Payment services Microleasing Scholarship/educational grants None of the above									
Enterprise services offered	Yes No Unknown									
Types of enterprise services offered	Enterprise skills development Business development services None of the above									
Women's enpowerment services	Yes No Unknown									
Types of women's empowerment services offered	Leadership training for women Women's rights education/gender issues training Counseling/legal services for female victims of violence None of the above									
Education services offered	Yes No Unknown									
Types of education services offered	Financial literacy education Basic health/nutrition education Child and youth education Occupational health and safety in the workplace education None of the above									
Health services offered	Yes No Unknown									
Types of health services offered	Basic medical services Special medical services for women and children None of the above									

Microfinance Banks

Client Protection

Microfinance Banks		KBL	TMFB	FMFBP	POMFB	NRSP Bank	Ubank	APNA Micro-finance	FINCA	ADVANS
Client Protection										
Do policies support good repayment capacity analysis	Yes No Partially Unknown									
Does internal audit verify compliance with policies	Yes No Partially Unknown									
The institution fully discloses to the clients all prices, installments, terms, and conditions of all financial products, including all charges and fees, associated prices, penalties, linked products, third party fees, and whether these can change over time.	Yes No Partially Unknown									
Do policies support good repayment capacity analysis	Yes No Partially Unknown									
The institution clearly presents to clients the total amount that the client pays for the product, regardless of local regulations (including in the absence of industry-wide requirements).	Yes No Partially Unknown									
Do policies support good repayment capacity analysis	Yes No Partially Unknown									
The institution clearly spells out in a Code of Conduct (i.e., in Code of Conduct, Code of Ethics, Book of Employee Rules) the specific standards of professional conduct that are expected of all employees involved in collections (including third party staff).	Yes No Partially Unknown									
The institution sanctions cases of violations of the Code of Conduct or collections policies (identified by management, internal audit or an efficient complaint mechanism) according to set rules.	Yes No Partially Unknown									
The institution's policies include how to handle complaints. They include how to inform clients about the complaint mechanism. The institution's clients receive a timely response to their issues, within a month of complaint submission.	Declining balance interest method Flat interest method									
Environment										
Environmental policies in place	Awareness raising on environmental impacts Clauses in loan contracts requiring clients to imrove environmental practices/mitigate environmental risks Tools to evaluate environmental risks of clients' activities Specific loans linked to environmentally friendly products and/or practices None of the above									
Types of environmentally friendly products and/or practices offered	Products related to renewable energy (e.g. solar panels, biogas digesters, etc) Products related to energy efficiency (e.g. insulation, improved cooking stove, etc) Products related to environmentally friendly practices (e.g. organic farming, recycling, waste management, etc) None of the above									

Social Performance Indicators

Microfinance Institutes		AGAHE	Akhuwat	CSC	FFO	JWS	Kashf Found.	MOJAZ	OCT	ORIX Leasing
Social Goals										
Target market	Clients living in rural areas									
	Clients living in urban areas									
	Women									
	Adolescents and youth (below 18)									
	None of the above									
Development goals	Increased access to financial services									
	Poverty reduction									
	Employment generation									
	Development of start-up enterprises									
	Growth of existing businesses									
	Improvement of adult education									
	Youth opportunities									
	Children's schooling									
	Health improvement									
	Gender equality and women's empowerment									
	Water and sanitation									
	Housing									
	None of the above									
Poverty level	Very poor clients									
	Poor clients									
	Low income clients									
	No specific poverty target									
Does MFP measure poverty	Yes									
	No									
	Unknown									
Poverty measurement tool	Grameen Progress out of Poverty Index (PPI)									
	USAID Poverty Assessment Tool (PAT)									
	Per capita household expenditure									
	Per capita household income									
	Participatory Wealth Ranking (PWR)									
	Housing index									
	Food security index									
	Means test									
	Own proxy poverty index									
	None of the above									
Governance and HR										
Board orientation of social mission	Yes									
	No									
	Unknown									
SPM champion/ committee at Board	Yes									
	No									
	Unknown									
Board experience in SPM	Yes									
	No									
	Unknown									
Staff incentives related to SP	Number of clients									
	Quality of interaction with clients based on client feedback mechanism									
	Quality of social data collected									
	Portfolio quality									
	None of the above									
How number of clients is incentivized	Total number of clients									
	Number of new clients									
	Client retention									
	None of the above									
HR policies related to SP	Social protection (medical insurance and/or pension contribution)									
	Safety policy									
	Anti-harassment policy									
	Non-discrimination policy									
	Grievance resolution policy									
	None of the above									

Microfinance Institutes		RCDP	SSF	SSSF	SVDP	Micro-options	SRDO	ASA-P	DSP	GBTI
Social Goals										
Target market	Clients living in rural areas									
	Clients living in urban areas									
	Women									
	Adolescents and youth (below 18)									
	None of the above									
Development goals	Increased access to financial services									
	Poverty reduction									
	Employment generation									
	Development of start-up enterprises									
	Growth of existing businesses									
	Improvement of adult education									
	Youth opportunities									
	Children's schooling									
	Health improvement									
	Gender equality and women's empowerment									
	Water and sanitation									
	Housing									
	None of the above									
Poverty level	Very poor clients									
	Poor clients									
	Low income clients									
	No specific poverty target									
Does MFP measure poverty	Yes									
	No									
	Unknown									
Poverty measurement tool	Grameen Progress out of Poverty Index (PPI)									
	USAID Poverty Assessment Tool (PAT)									
	Per capita household expenditure									
	Per capita household income									
	Participatory Wealth Ranking (PWR)									
	Housing index									
	Food security index									
	Means test									
	Own proxy poverty index									
	None of the above									
Governance and HR										
Board orientation of social mission	Yes									
	No									
	Unknown									
SPM champion/ committee at Board	Yes									
	No									
	Unknown									
Board experience in SPM	Yes									
	No									
	Unknown									
Staff incentives related to SP	Number of clients									
	Quality of interaction with clients based on client feedback mechanism									
	Quality of social data collected									
	Portfolio quality									
	None of the above									
How number of clients is incentivized	Total number of clients									
	Number of new clients									
	Client retention									
	None of the above									
HR policies related to SP	Social protection (medical insurance and/or pension contribution)									
	Safety policy									
	Anti-harassment policy									
	Non-discrimination policy									
	Grievance resolution policy									
	None of the above									

Microfinance Institutes

Products and Services

Products and Services		AGAHE	Akhuwat	CSC	FFO	JWS	Kashf Found.	MOJAZ	OCT	ORIX Leasing
Types of credit products	Income generating loans									
	Non-income generating loans									
	Does not offer credit products									
Types of income generating loans	Microenterprise loans									
	SME loans									
	Agriculture/livestock loans									
	Express loans									
	None of the above									
Types of non-income generating loans	Education loans									
	Emergency loans									
	Housing loans									
	Other household needs/consumption									
	None of the above									
Types of savings products	Compulsory savings accounts									
	Voluntary savings accounts									
	Does not offer savings accounts									
Types of voluntary savings products	Demand deposit accounts									
	Time deposit accounts									
	None of the above									
Compulory insurance required	Yes									
	No									
	Unknown									
Types of compulory insurance required	Credit life insurance									
	Life/accident insurance									
	Agriculture insurance									
	None of the above									
Voluntary insurance offered	Yes									
	No									
	Unknown									
Types of voluntary insurance offered	Credit life insurance									
	Life/accident insurance									
	Agriculture insurance									
	Health insurance									
	House insurance									
	Workplace insurance									
	None of the above									
Other financial services offered	Yes									
	No									
	Unknown									
Types of other financial services offered	Debit/credit card									
	Mobile/branchless banking services									
	Savings facilitation services									
	Remittance/money transfer services									
	Payment services									
	Microleasing									
	Scholarship/educational grants									
	None of the above									
Enterprise services offered	Yes									
	No									
	Unknown									
Types of enterprise services offered	Enterprise skills development									
	Business development services									
	None of the above									
Women's enpowerment services	Yes									
	No									
	Unknown									
Types of women's empowerment services offered	Leadership training for women									
	Women's rights education/gender issues training									
	Counseling/legal services for female victims of violence									
	None of the above									
Education services offered	Yes									
	No									
	Unknown									
Types of education services offered	Financial literacy education									
	Basic health/nutrition education									
	Child and youth education									
	Occupational health and safety in the workplace education									
	None of the above									
Health services offered	Yes									
	No									
	Unknown									
Types of health services offered	Basic medical services									
	Special medical services for women and children									
	None of the above									

Microfinance Institutes

Products and Services

Products and Services		RCDP	SSF	SSSF	SVDP	Micro-options	SRDO	ASA-P	DSP	GBTI
Types of credit products	Income generating loans									
	Non-income generating loans									
	Does not offer credit products									
Types of income generating loans	Microenterprise loans									
	SME loans									
	Agriculture/livestock loans									
	Express loans									
	None of the above									
Types of non-income generating loans	Education loans									
	Emergency loans									
	Housing loans									
	Other household needs/consumption									
	None of the above									
Types of savings products	Compulsory savings accounts									
	Voluntary savings accounts									
	Does not offer savings accounts									
Types of voluntary savings products	Demand deposit accounts									
	Time deposit accounts									
	None of the above									
Compulory insurance required	Yes									
	No									
	Unknown									
Types of compulory insurance required	Credit life insurance									
	Life/accident insurance									
	Agriculture insurance									
	None of the above									
Voluntary insurance offered	Yes									
	No									
	Unknown									
Types of voluntary insurance offered	Credit life insurance									
	Life/accident insurance									
	Agriculture insurance									
	Health insurance									
	House insurance									
	Workplace insurance									
	None of the above									
Other financial services offered	Yes									
	No									
	Unknown									
Types of other financial services offered	Debit/credit card									
	Mobile/branchless banking services									
	Savings facilitation services									
	Remittance/money transfer services									
	Payment services									
	Microleasing									
	Scholarship/educational grants									
	None of the above									
Enterprise services offered	Yes									
	No									
	Unknown									
Types of enterprise services offered	Enterprise skills development									
	Business development services									
	None of the above									
Women's enpowerment services	Yes									
	No									
	Unknown									
Types of women's empowerment services offered	Leadership training for women									
	Women's rights education/gender issues training									
	Counseling/legal services for female victims of violence									
	None of the above									
Education services offered	Yes									
	No									
	Unknown									
Types of education services offered	Financial literacy education									
	Basic health/nutrition education									
	Child and youth education									
	Occupational health and safety in the workplace education									
	None of the above									
Health services offered	Yes									
	No									
	Unknown									
Types of health services offered	Basic medical services									
	Special medical services for women and children									
	None of the above									

Microfinance Institutes		AGAHE	Akhuwat	CSC	FFO	JWS	Kashf Found.	MOJAZ	OCT	ORIX Leasing
Client Protection										
Do policies support good repayment capacity analysis	Yes No Partially Unknown									
Does internal audit verify compliance with policies	Yes No Partially Unknown									
The institution fully discloses to the clients all prices, installments, terms, and conditions of all financial products, including all charges and fees, associated prices, penalties, linked products, third party fees, and whether these can change over time.	Yes No Partially Unknown									
Do policies support good repayment capacity analysis	Yes No Partially Unknown									
The institution clearly presents to clients the total amount that the client pays for the product, regardless of local regulations (including in the absence of industry-wide requirements).	Yes No Partially Unknown									
Do policies support good repayment capacity analysis	Yes No Partially Unknown									
The institution clearly spells out in a Code of Conduct (i.e., in Code of Conduct, Code of Ethics, Book of Employee Rules) the specific standards of professional conduct that are expected of all employees involved in collections (including third party staff).	Yes No Partially Unknown									
The institution sanctions cases of violations of the Code of Conduct or collections policies (identified by management, internal audit or an efficient complaint mechanism) according to set rules.	Yes No Partially Unknown									
The institution's policies include how to handle complaints. They include how to inform clients about the complaint mechanism. The institution's clients receive a timely response to their issues, within a month of complaint submission.	Declining balance interest method Flat interest method									
Environment										
Environmental policies in place	Awareness raising on environmental impacts Clauses in loan contracts requiring clients to imrove environmental practices/mitigate environmental risks Tools to evaluate environmental risks of clients' activities Specific loans linked to environmentally friendly products and/or practices None of the above									
Types of environmentally friendly products and/or practices offered	Products related to renewable energy (e.g. solar panels, biogas digesters, etc) Products related to energy efficiency (e.g. insulation, improved cooking stove, etc) Products related to environmentally friendly practices (e.g. organic farming, recycling, waste management, etc) None of the above									

Microfinance Institutes		RCDP	SSF	SSSF	SVDP	Micro-options	SRDO	ASA-P	DSP	GBTI
Client Protection										
Do policies support good repayment capacity analysis	Yes No Partially Unknown									
Does internal audit verify compliance with policies	Yes No Partially Unknown									
The institution fully discloses to the clients all prices, installments, terms, and conditions of all financial products, including all charges and fees, associated prices, penalties, linked products, third party fees, and whether these can change over time.	Yes No Partially Unknown									
Do policies support good repayment capacity analysis	Yes No Partially Unknown									
The institution clearly presents to clients the total amount that the client pays for the product, regardless of local regulations (including in the absence of industry-wide requirements).	Yes No Partially Unknown									
Do policies support good repayment capacity analysis	Yes No Partially Unknown									
The institution clearly spells out in a Code of Conduct (i.e., in Code of Conduct, Code of Ethics, Book of Employee Rules) the specific standards of professional conduct that are expected of all employees involved in collections (including third party staff).	Yes No Partially Unknown									
The institution sanctions cases of violations of the Code of Conduct or collections policies (identified by management, internal audit or an efficient complaint mechanism) according to set rules.	Yes No Partially Unknown									
The institution's policies include how to handle complaints. They include how to inform clients about the complaint mechanism. The institution's clients receive a timely response to their issues, within a month of complaint submission.	Declining balance interest method Flat interest method									
Environment										
Environmental policies in place	Awareness raising on environmental impacts Clauses in loan contracts requiring clients to imrove environmental practices/mitigate environmental risks Tools to evaluate environmental risks of clients' activities Specific loans linked to environmentally friendly products and/or practices None of the above									
Types of environmentally friendly products and/or practices offered	Products related to renewable energy (e.g. solar panels, biogas digesters, etc) Products related to energy efficiency (e.g. insulation, improved cooking stove, etc) Products related to environmentally friendly practices (e.g. organic farming, recycling, waste management, etc) None of the above									

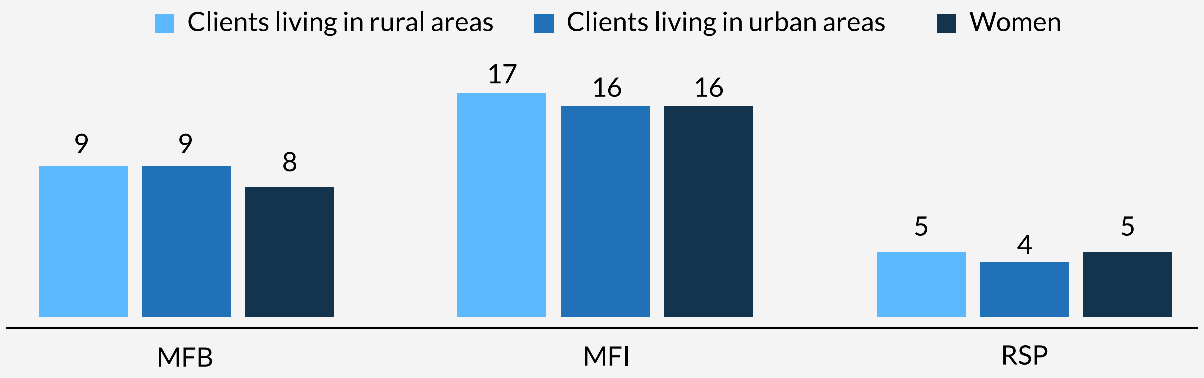
Social Performance Indicators

Rural Support Programmes		NRSP	SRSP	PRSP	SRSO	AMRDO	Thardeep
Social Goals							
Target market	Clients living in rural areas Clients living in urban areas Women Adolescents and youth (below 18) None of the above						
Development goals	Increased access to financial services Poverty reduction Employment generation Development of start-up enterprises Growth of existing businesses Improvement of adult education Youth opportunities Children's schooling Health improvement Gender equality and women's empowerment Water and sanitation Housing None of the above						
Poverty level	Very poor clients Poor clients Low income clients No specific poverty target						
Does MFP measure poverty	Yes No Unknown						
Poverty measurement tool	Grameen Progress out of Poverty Index (PPI) USAID Poverty Assessment Tool (PAT) Per capita household expenditure Per capita household income Participatory Wealth Ranking (PWR) Housing index Food security index Means test Own proxy poverty index None of the above						
Governance and HR							
Board orientation of social mission	Yes No Unknown						
SPM champion/ committee at Board	Yes No Unknown						
Board experience in SPM	Yes No Unknown						
Staff incentives related to SP	Number of clients Quality of interaction with clients based on client feedback mechanism Quality of social data collected Portfolio quality None of the above						
How number of clients is incentivized	Total number of clients Number of new clients Client retention None of the above						
HR policies related to SP	Social protection (medical insurance and/or pension contribution) Safety policy Anti-harassment policy Non-discrimination policy Grievance resolution policy None of the above						

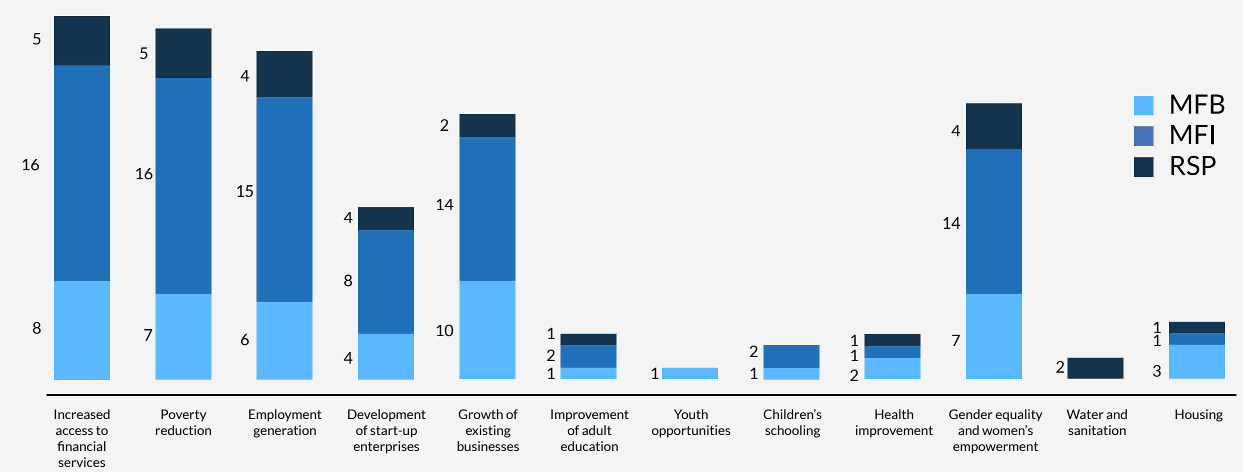
Rural Support Programmes		NRSP	SRSP	PRSP	SRSO	AMRDO	Thardeep
Products and Services							
Types of credit products	Income generating loans Non-income generating loans Does not offer credit products						
Types of income generating loans	Microenterprise loans SME loans Agriculture/livestock loans Express loans None of the above						
Types of non-income generating loans	Education loans Emergency loans Housing loans Other household needs/consumption None of the above						
Types of savings products	Compulsory savings accounts Voluntary savings accounts Does not offer savings accounts						
Types of voluntary savings products	Demand deposit accounts Time deposit accounts None of the above						
Compulory insurance required	Yes No Unknown						
Types of compulory insurance required	Credit life insurance Life/accident insurance Agriculture insurance None of the above						
Voluntary insurance offered	Yes No Unknown						
Types of voluntary insurance offered	Credit life insurance Life/accident insurance Agriculture insurance Health insurance House insurance Workplace insurance None of the above						
Other financial services offered	Yes No Unknown						
Types of other financial services offered	Debit/credit card Mobile/branchless banking services Savings facilitation services Remittance/money transfer services Payment services Microleasing Scholarship/educational grants None of the above						
Enterprise services offered	Yes No Unknown						
Types of enterprise services offered	Enterprise skills development Business development services None of the above						
Women's enpowerment services	Yes No Unknown						
Types of women's empowerment services offered	Leadership training for women Women's rights education/gender issues training Counseling/legal services for female victims of violence None of the above						
Education services offered	Yes No Unknown						
Types of education services offered	Financial literacy education Basic health/nutrition education Child and youth education Occupational health and safety in the workplace education None of the above						
Health services offered	Yes No Unknown						
Types of health services offered	Basic medical services Special medical services for women and children None of the above						

Rural Support Programmes		NRSP	SRSP	PRSP	SRSO	AMRDO	Thardeep
Client Protection							
Do policies support good repayment capacity analysis	Yes No Partially Unknown						
Does internal audit verify compliance with policies	Yes No Partially Unknown						
The institution fully discloses to the clients all prices, installments, terms, and conditions of all financial products, including all charges and fees, associated prices, penalties, linked products, third party fees, and whether these can change over time.	Yes No Partially Unknown						
Do policies support good repayment capacity analysis	Yes No Partially Unknown						
The institution clearly presents to clients the total amount that the client pays for the product, regardless of local regulations (including in the absence of industry-wide requirements).	Yes No Partially Unknown						
Do policies support good repayment capacity analysis	Yes No Partially Unknown						
The institution clearly spells out in a Code of Conduct (i.e., in Code of Conduct, Code of Ethics, Book of Employee Rules) the specific standards of professional conduct that are expected of all employees involved in collections (including third party staff).	Yes No Partially Unknown						
The institution sanctions cases of violations of the Code of Conduct or collections policies (identified by management, internal audit or an efficient complaint mechanism) according to set rules.	Yes No Partially Unknown						
The institution's policies include how to handle complaints. They include how to inform clients about the complaint mechanism. The institution's clients receive a timely response to their issues, within a month of complaint submission.	Declining balance interest method Flat interest method						
Environment							
Environmental policies in place	Awareness raising on environmental impacts Clauses in loan contracts requiring clients to imrove environmental practices/mitigate environmental risks Tools to evaluate environmental risks of clients' activities Specific loans linked to environmentally friendly products and/or practices None of the above						
Types of environmentally friendly products and/or practices offered	Products related to renewable energy (e.g. solar panels, biogas digesters, etc) Products related to energy efficiency (e.g. insulation, improved cooking stove, etc) Products related to environmentally friendly practices (e.g. organic farming, recycling, waste management, etc) None of the above						

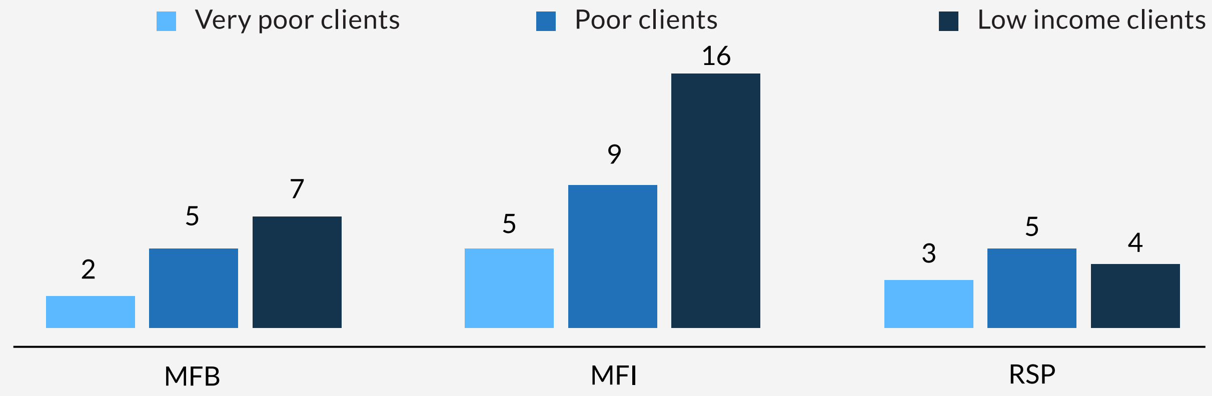
		MFB	MFI	RSP
Target market	Clients living in rural areas	9	17	5
	Clients living in urban areas	9	16	4
	Women	8	16	5
	Adolescents and youth (below 18)	-	-	-
	None of the above	-	-	-
		-	-	-



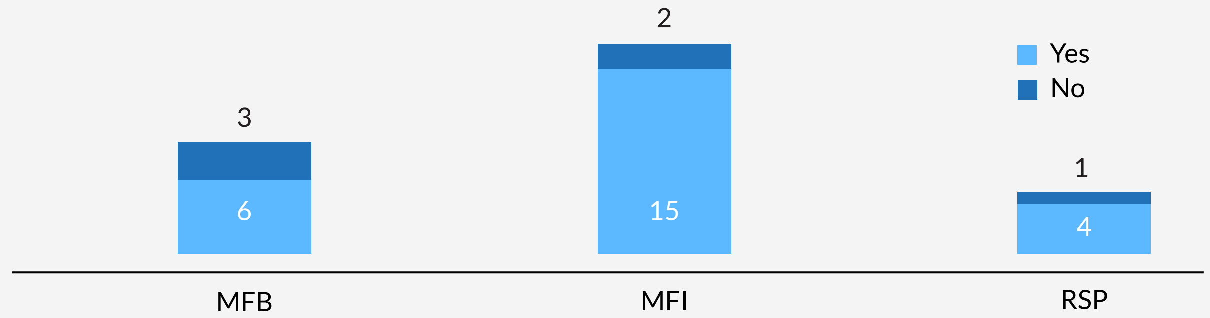
		MFB	MFI	RSP
Development Goals	Increased access to financial services	8	16	5
	Poverty reduction	6	16	5
	Employment generation	4	13	4
	Development of start-up enterprises	3	8	2
	Growth of existing businesses	6	14	4
	Improvement of adult education	1	-	1
	Youth opportunities	-	2	-
	Children's schooling	2	2	1
	Health improvement	2	2	1
	Gender equality and women's empowerment	4	12	6
	Water and sanitation	-	0	1
	Housing	3	1	2
	None of the above			



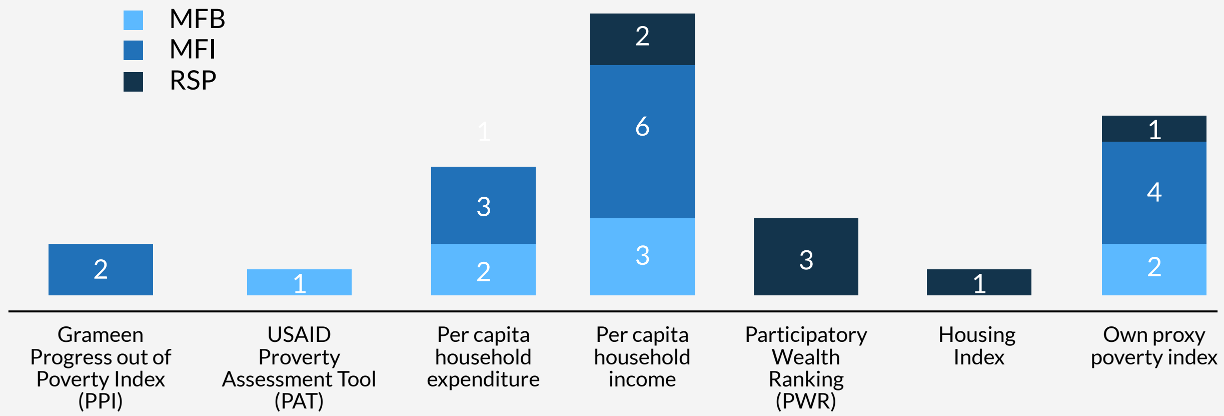
		MFB	MFI	RSP
Poverty level	Very poor clients	2	5	3
	Poor clients	5	9	5
	Low income clients	7	16	4
	No specific poverty target	2	1	1



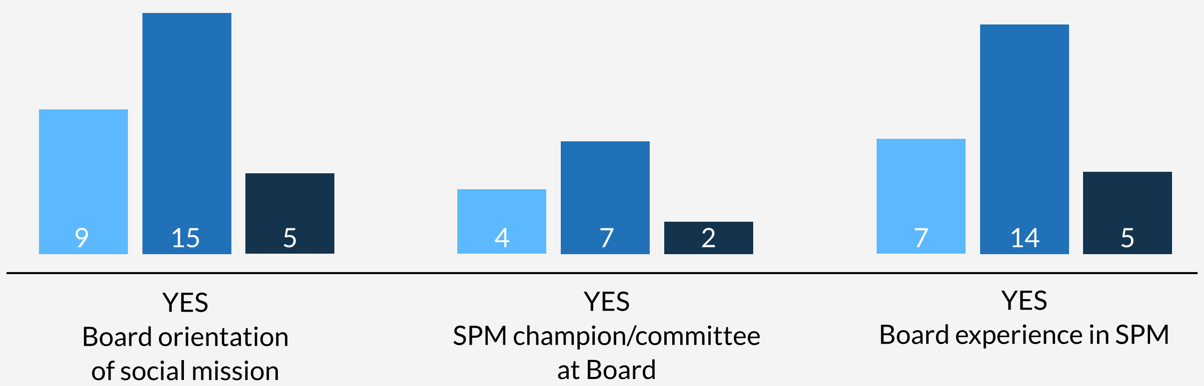
		MFB	MFI	RSP
Does MFP measure poverty	Yes	6	15	4
	No	3	2	1
	Unknown	-	-	1



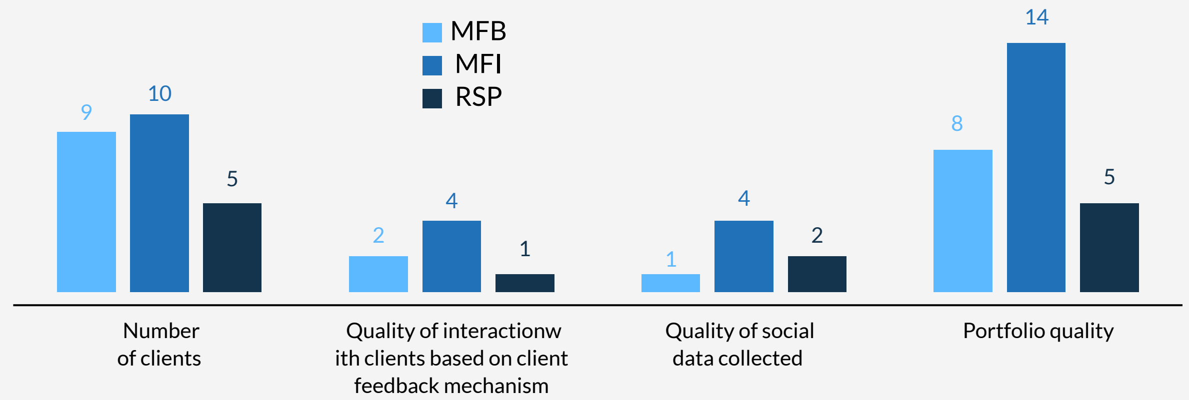
		MFB	MFI	RSP
Poverty Measurement Tool	Grameen Progress out of Poverty Index (PPI)	-	2	-
	USAID Poverty Assessment Tool (PAT)	-	1	-
	Per capita household expenditure	-	3	-
	Per capita household income	3	6	2
	Participatory Wealth Ranking (PWR)	-	-	3
	Housing index	-	1	-
	Food security index	-	-	-
	Means test	-	-	-
	Own proxy poverty index	2	4	1
	None of the above	5	5	1



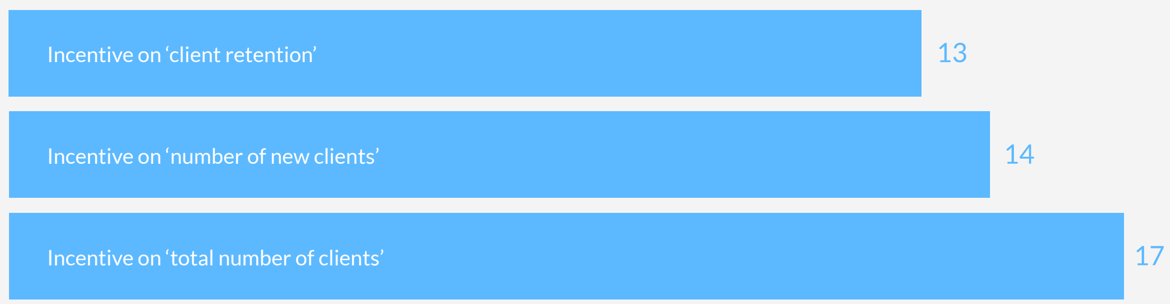
		MFB	MFI	RSP	Total
Board Orientation Of Social Mission	Yes	9	15	5	29
	No	-	1	1	-
	Unknown	-	1	-	-
SPM champion/ committee at Board	Yes	4	7	2	13
	No	5	9	4	-
	Unknown	-	1	-	-
Board experience in SPM	Yes	7	14	5	26
	No	2	3	1	-
	Unknown	-	-	-	-



		MFB	MFI	RSP
Staff incentives related to SP	Number of clients	9	10	5
	Quality of interaction with clients based on client feedback mechanism	2	4	1
	Quality of social data collected	1	4	2
	Portfolio quality	8	14	5
	None of the above	-	3	-

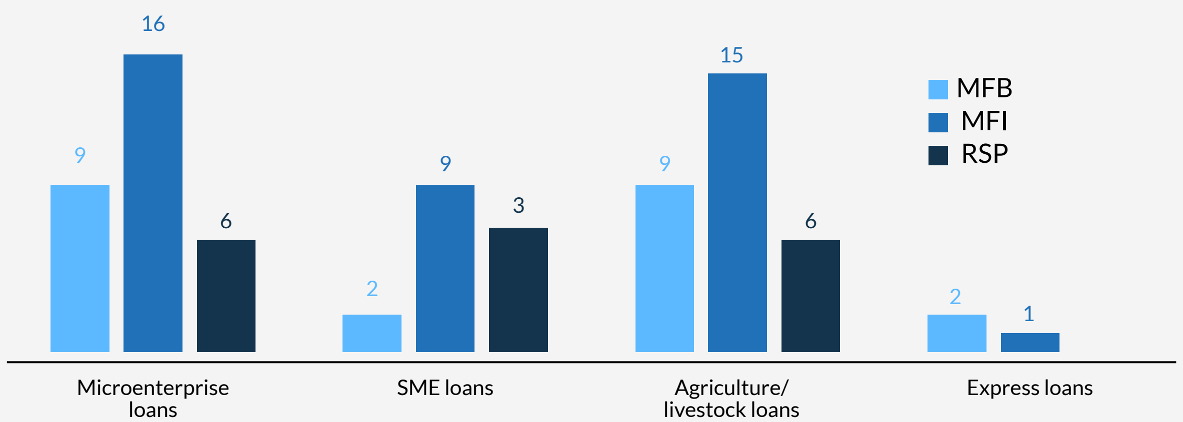


		MFB	MFI	RSP	Total
How number of clients is incentivized	Incentive on "total number of clients"	6	7	4	17
	Incentive on "number of new clients"	5	7	2	14
	Incentive on "client retention"	5	6	2	13
	None of the above	-	5	1	-



		MFB	MFI	RSP	Total
Types of credit products	Income generating loans	9	16	6	31
	Non-income generating loans	5	6	1	22
	Does not offer credit products	-	1	-	-

		MFB	MFI	RSP
Types Of Income Generating Loans	Microenterprise loans	9	16	6
	SME loans	2	9	3
	Agriculture/livestock loans	9	15	6
	Express loans	2	1	-
	None of the above	-	-	-



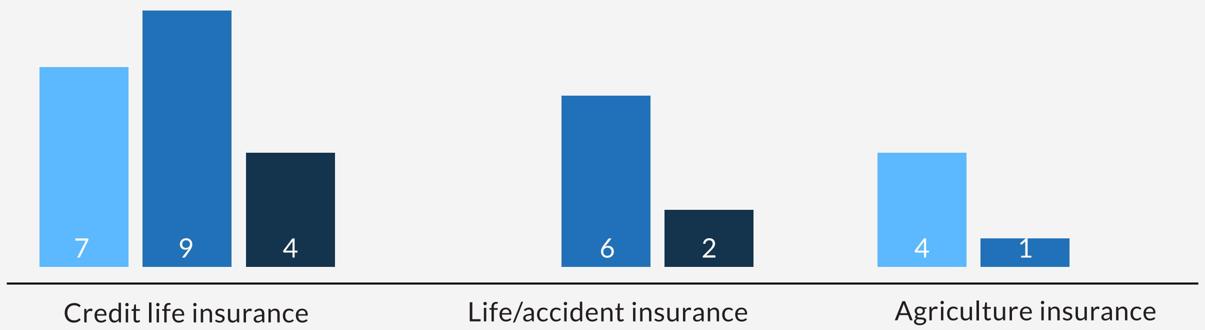
		MFB	MFI	RSP
Types Of Non-income Generating Loans	Education loans	1	5	1
	Emergency loans	3	5	1
	Housing loans	3	2	1
	Other household needs/consumption	5	4	3
	None of the above	3	10	3

		MFB	MFI	RSP	Total
Types Of Savings Products	Compulsory sacings accounts	2	-	-	2
	Voluntary savings accounts	9	1	3	3
	Does not offer savings accounts	-	16	3	13

		MFB	MFI	RSP	Total
Types Of Voluntary Savings Products	Compulsory sacings accounts	9	-	-	9
	Voluntary savings accounts	9	-	1	10
	Does not offer savings accounts	-	17	5	22

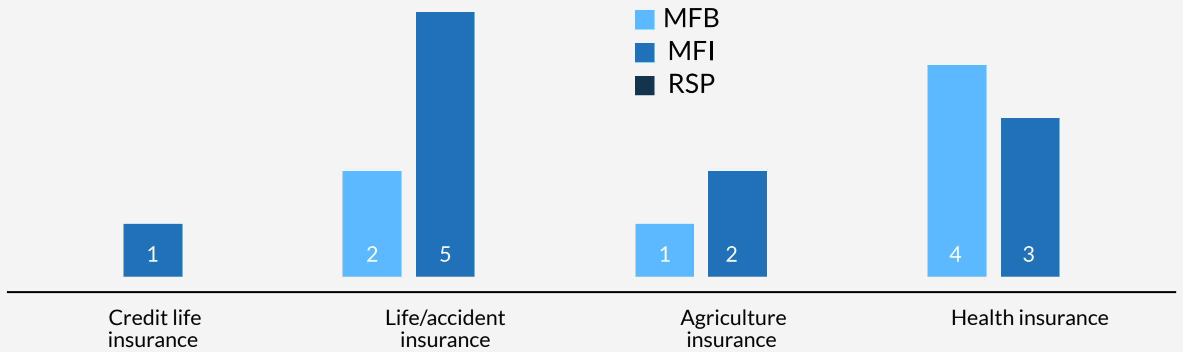
		MFB	MFI	RSP
Compulory insurance required	Yes	8	12	5
	No	1	4	1
	Unknown	-	1	-

		MFB	MFI	RSP
Types Of Compulory Insurance Required	Credit life insurance	7	9	4
	Life/accident insurance	-	6	2
	Agriculture insurance	4	1	-
	None of the above	2	5	1



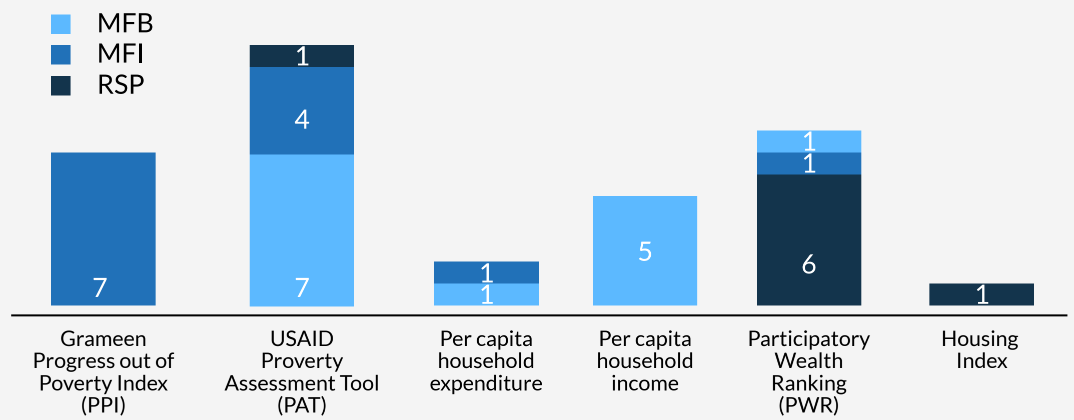
		MFB	MFI	RSP
Voluntary Insurance Offered	Yes No Unknown	5 4	7 10	1 5

		MFB	MFI	RSP
Types Of Voluntary Insurance Offered	Credit life insurance	-	1	-
	Life/accident insurance	2	5	-
	Agriculture insurance	1	2	-
	Health insurance	4	3	-
	House insurance	-	-	-
	Workplace insurance	-	-	-
	None of the above	4	10	6



		MFB	MFI	RSP
Other Financial Services Offered	Yes No Unknown	8 1 -	4 13 -	2 4 -

		MFB	MFI	RSP
Types Of Other Financial Services Offered	Debit/credit card	7	-	-
	Mobile/branchless banking services	7	4	1
	Savings facilitation services	1	-	1
	Remittance/money transfer services	5	-	-
	Payment services	6	1	1
	Microleasing	-	-	-
	Scholarship/educational grants	-	1	-
	None of the above	1	12	4



		MFB	MFI	RSP
Enterprise Services Offered	Yes No Unknown	1 8 -	10 6 1	5 1 -

		MFB	MFI	RSP
Types Of Enterprise Services Offered	Enterprise skills development	1	8	4
	Business development services	-	7	2
	None of the above	8	8	2

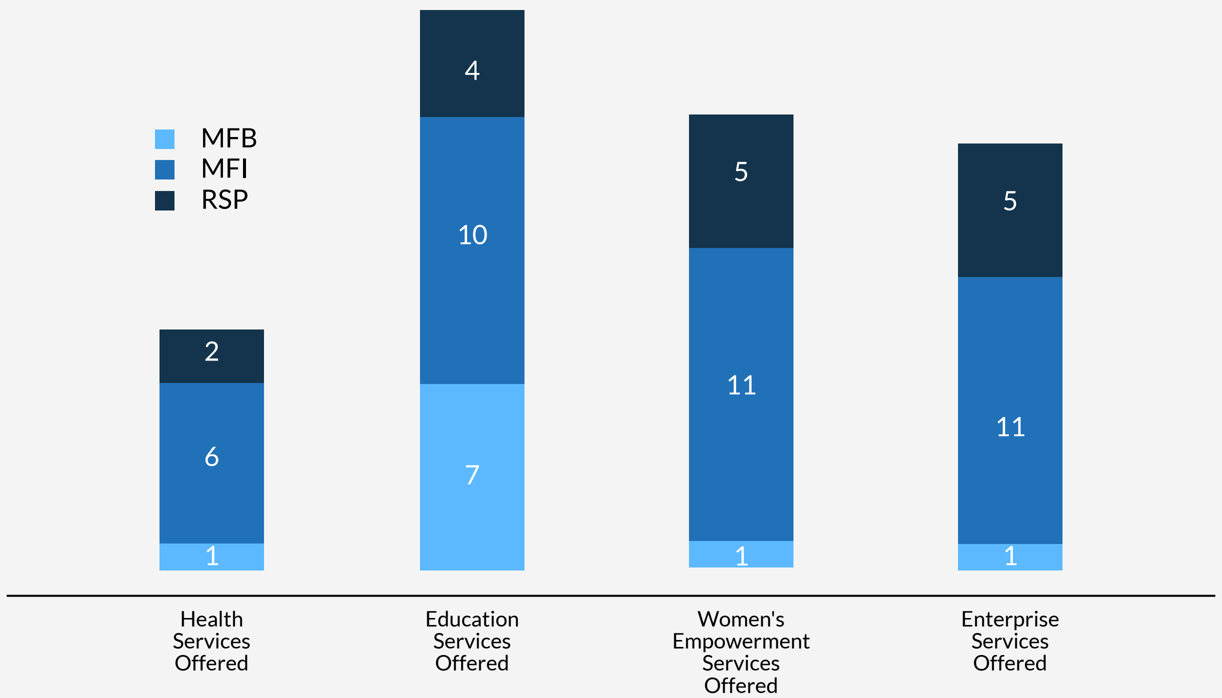
		MFB	MFI	RSP
Enterprise Services Offered	Yes No Unknown	1 8 -	11 6 -	5 1 -

		MFB	MFI	RSP
Types Of Women's Empowerment Services Offered	Leadership training for women	-	9	3
	Women's rights education/gender issues training	1	8	3
	Counseling/legal services for female victims of voilence	-	3	-
	None of the above	8	7	2

		MFB	MFI	RSP
Education Services Offered	Yes	7	10	4
	No	2	7	2
	Unknown	-	-	-

		MFB	MFI	RSP
Types Of Education Services Offered	Financial literacy education	6	8	5
	Basic health/nutrition education	-	5	3
	Child and youth education	-	3	2
	Occupational health and safety in the workplace education	-	3	-
	None of the above	3	9	1

		MFB	MFI	RSP
Non Financial Services Offered	Health Services Offered	1	6	2
	Education Services Offered	7	10	4
	Women's Empowerment Services Offered	1	11	5
	Enterprise Services Offered	1	10	5

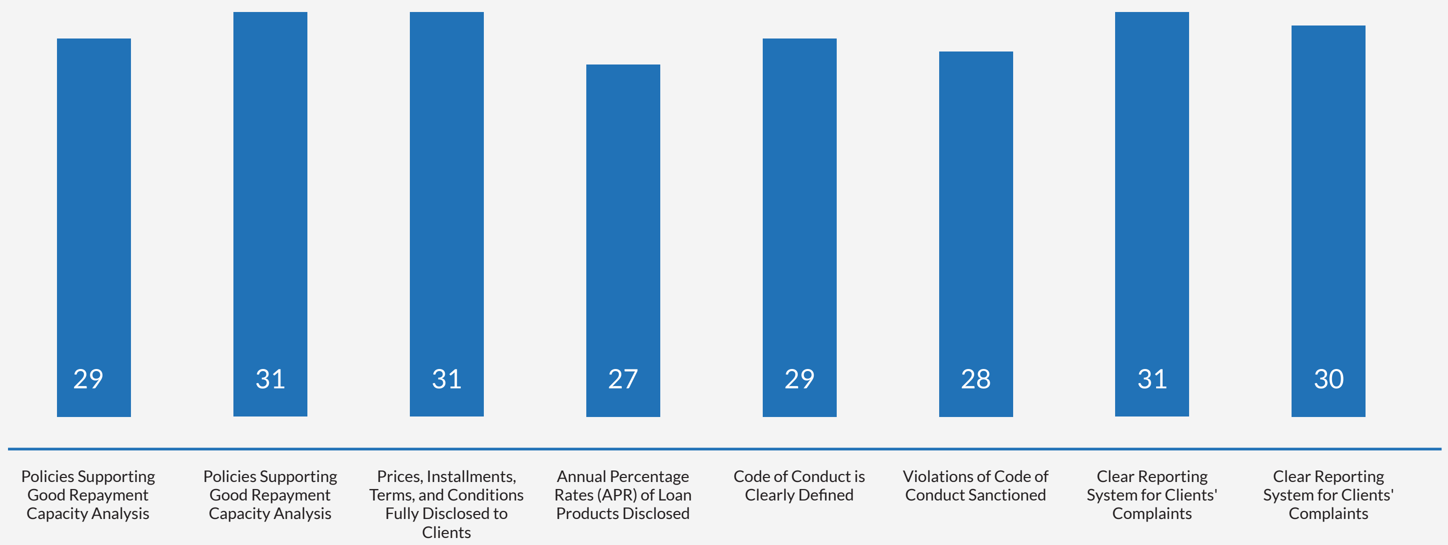


		MFB	MFI	RSP
Health Services Offered	Yes	1	6	2
	No	8	11	3
	Unknown	-	-	1

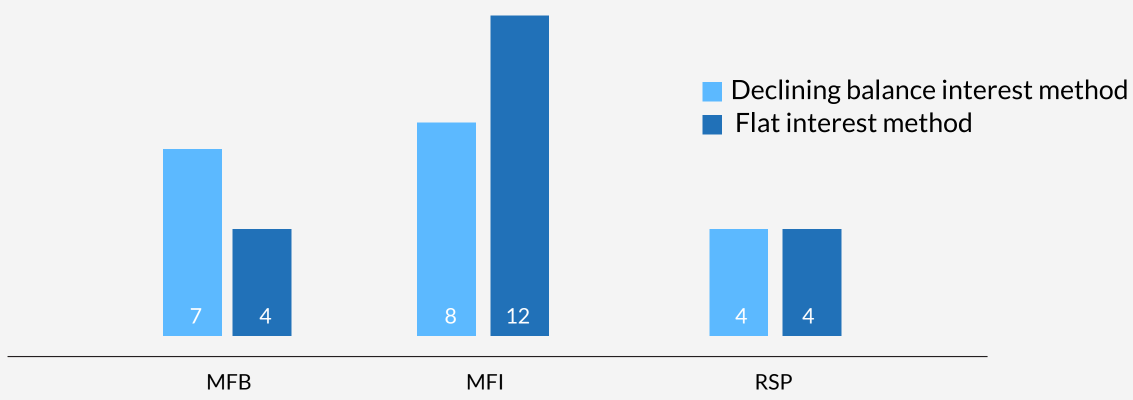
		MFB	MFI	RSP
Types Of Health Services Offered	Basic medical services	1	3	1
	Special medical services for women and children	-	2	1
	None of the above	8	13	4

Client's Protection

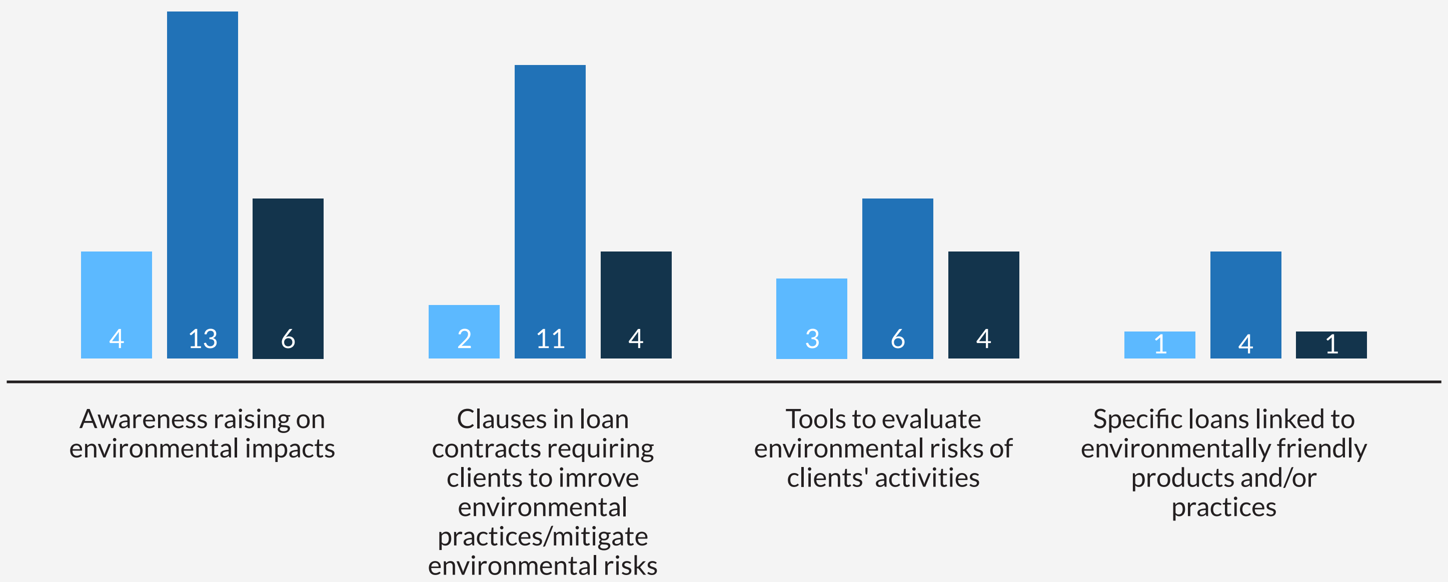
		MFB	MFI	RSP	Total
Policies Supporting Good Repayment Capacity Analysis	Yes No Partially Unknown	9 - - -	15 - 2 -	5 1 - -	29 1 2 -
Policies Supporting Good Repayment Capacity Analysis	Yes No Partially Unknown	9 - - -	17 - - -	5 1 - -	31 1 2 -
Prices, Installments, Terms, and Conditions Fully Disclosed to Clients	Yes No Partially Unknown	8 - 1 -	17 - - -	6 - - -	31 - 1 -
Annual Percentage Rates (APR) of Loan Products Disclosed	Yes No Partially Unknown	8 - 1 -	12 - - 2	6 - - -	27 - 1 2
Code of Conduct is Clearly Defined	Yes No Partially Unknown	7 1 - -	16 - 1 -	6 - - -	29 1 2 -
Violations of Code of Conduct Sanctioned	Yes No Partially Unknown	7 1 1 -	16 - 1 -	5 1 - -	28 2 2 -
Clear Reporting System for Clients' Complaints	Yes No Partially Unknown	8 - 1 -	16 1 - -	6 - - -	31 1 1 -
Clear Reporting System for Clients' Complaints	Yes No Partially Unknown	8 - 1 -	16 1 - -	6 - - -	30 1 1 -



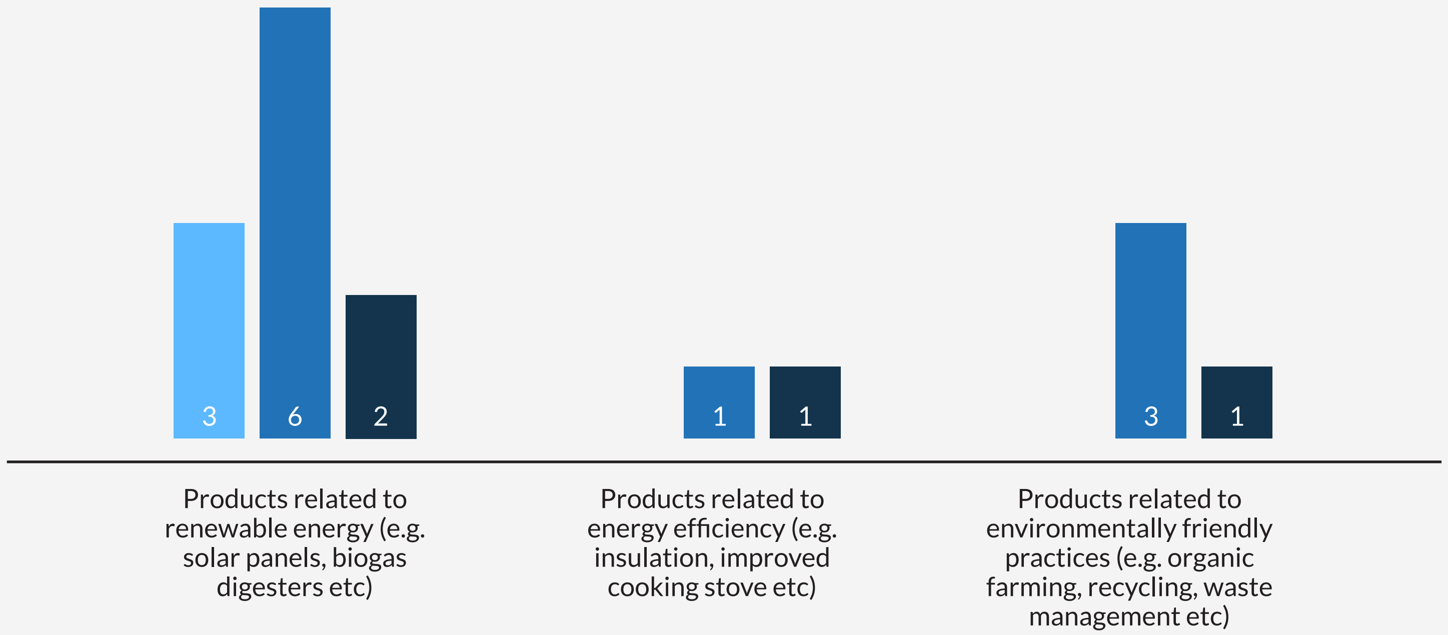
		MFB	MFI	RSP	Total
How Interest Rate Of Most Representative Credit Product Is Stated	Declining balance interest method	7	8	4	19
	Flat interest method	4	12	4	20



		MFB	MFI	RSP
Environmental policies in place	Awareness raising on environmental impacts	4	13	6
	Clauses in loan contracts requiring clients to imrove environmental practices/mitigate environmental risks	2	11	4
	Tools to evaluate environmental risks of clients' activities	3	-	4
	Specific loans linked to environmentally friendly products and/or practices	1	4	1
	None of the above	4	2	-



		MFB	MFI	RSP
Types Of Environmentally Friendly Products And/or Practices Offered	Products related to renewable energy (e.g. solar panels, biogas digesters etc)	3	6	2
	Products related to energy efficiency (e.g. insulation, improved cooking stove etc)	-	1	1
	Products related to environmentally friendly practices (e.g. organic farming, recycling, waste management etc)	-	3	1
	None of the above	6	10	3



ANNEX B

SOURCES OF DATA

A. Microfinance Banks (MFBs)

A.1. ADVANS Pakistan Microfinance Bank Limited (ADVANS)

A.F. Ferguson & Co. Chartered Accountants audited the annual accounts of ADVANS for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (as highlighted in the audited accounts).

A.2. APNA Microfinance Bank Limited (AMFB)

Ilyaas Saeed & Co. Chartered Accountants audited the annual accounts of AMFB for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

Due to incomplete information/details generated from the organisation's MIS, the auditors were unable to determine the quantum of non-performing advances, related provisions and suspended income in the running finance portfolio for the period prior to November 2016 in accordance with the requirements of Prudential Regulations.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.3. FINCA Microfinance Bank Limited (FINCA)

KPMG Taseer Hadi and Co. audited the annual accounts of FINCA for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.4. The First Microfinance Bank Limited (FMFB)

A.F. Ferguson & Co., Chartered Accountants audited the annual accounts of FMFB for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.5. Khushhali Bank Limited (KBL)

Ernst and Young Ford Rhodes audited the annual accounts of KBL for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.6. Mobilink Microfinance Bank Limited (MMFB)

A.F. Ferguson & Co. audited the annual accounts of MMFB for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.7. National Rural Support Programme Microfinance Bank (NRSP-B)

A.F. Ferguson & Co., Chartered Accountants audited the annual accounts of NRSP-B for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's

MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.8. Pak-Oman Microfinance Bank (POMFB)

Ernst and Young Ford Rhodes audited the annual accounts of POMFB for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.9. Sindh Microfinance Bank Limited (SMFB)

Grant Thornton Anjum Rahman audited the annual accounts of SMFB for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.10. Telenor Microfinance Bank Limited (TMFB)

KPMG Taseer Hadi and Co. audited the annual accounts of TMFB for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The auditors have drawn attention to a material uncertainty in relation to going concern, based on losses incurred by the bank during the financial year.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.11. U Microfinance Bank Limited (U-bank)

KPMG Taseer Hadi and Co. audited the annual accounts of U-Bank for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the State Bank of Pakistan.

The related party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B. Microfinance Institutions (MFI)

B.1. ASA Pakistan limited (ASA-P)

Ernst and Young Ford Rhodes have audited the annual accounts of ASA-P for the year ending at 31st December 2019. The numbers reported in the PMR match these audited accounts.

ASA-P prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

All necessary adjustments to ASA-P data have been made in order to remove subsidies.

There is proper disclosure in the balance sheet of the loan portfolio and loan loss provision; expense charged during the year is disclosed in the income statement.

Related-party transactions have been properly disclosed in notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex.

B.2. Agahe Pakistan (Agahe)

Grant Thornton Anjum Rahman has reviewed the annual accounts of Agahe for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

Agahe prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to Agahe data have been made in order to remove subsidies.

Related-party transactions have been properly disclosed in notes to the financial statements.

Grant income has been properly disclosed in financial statements.

B.3. Akhuwat Islamic Microfinance (Akhuwat)

Deloitte Yousuf Adil has audited the annual accounts of Akhuwat for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

Akhuwat prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex.

B.4. CSC Empowerment & Inclusion Programme (CEIP)

Riaz Ahmad & Co. audited the annual accounts of CSC for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

All necessary adjustments to CSC data have been made in order to remove subsidies.

CSC prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

Grant income has been properly disclosed in financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; aging on number of loans and value of portfolio (as highlighted in the audited accounts); number of staff; number of credit officers; and number of branches.

B.5. Damen Support Programme (DAMEN)

A.F. Ferguson and Co. audited the annual accounts for DAMEN for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

DAMEN prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; aging on number of loans and value of portfolio (verifiable from audited accounts); number of loans doubtful; number of staff; number of credit officers; and number of branches.

B.6. FFO Support Program (FFO)

Tariq Abdul Ghani Maqbool & Co. audited the annual accounts for FFO for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

All necessary adjustments to FFO data have been made in order to remove subsidies. There is no adjustment on loan loss provisioning expense as FFO is aggressive in its policies.

FFO prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; aging on number of loans and value of portfolio; number of staff; number of credit officers; and number of branches.

B.7. Ghazi Barotha Taraqiati Idara (GBTI)

Horwath Hussain Chaudhury & Co. audited the annual accounts for GBTI for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

GBTI prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

There is proper disclosure in the balance sheet of the loan portfolio and loan loss provision; expense charged during the year is disclosed in the income statement.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; aging on number of loans and value of portfolio (not verifiable from audited accounts); number of staff; number of credit officers; and number of branches.

B.8. JWS Pakistan (JWS)

Rahman Sarfaraz Rahim Iqbal Rafiq & Co. audited the annual accounts for JWS for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

JWS prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; aging on number of loans and value of portfolio (verifiable from audited accounts); number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.9. Kashf Foundation (KF)

Deloitte Yousuf Adil Chartered Accountants audited the annual accounts for KF for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

The financial statements have been presented as per the requirements of the Securities & Exchange Commission of Pakistan.

All necessary adjustments to KF data have been made in order to remove subsidies.

KF prepares accounts on historical cost basis using the accrual system of accounting.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.10. Mojaz Support Program (MOJAZ)

BDO Ebrahim & Co. has audited the annual accounts of Mojaz for the year ending at 30st June 2019. The numbers reported in the PMR match these audited accounts.

MOJAZ prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.11. Micro Options Support Program (MO)

Tariq Abdul Ghani Maqbool & Co. has audited the annual accounts of MO for the year ending at 30st June 2019. The numbers reported in the PMR match these audited accounts.

MO prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.12. OPD Support Program (OPD)

Grant Thornton Anjum Rahman & Co. has audited the annual accounts of OPD for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

OPD prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

B.13. Organization for Poverty Reduction & Community Training Program (OPRCT)

H.A.M.D & Co. has audited the annual accounts of OPRCT for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

OPRCT prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Related-party transactions have been properly disclosed in notes to the financial statements.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

B.14. Orix Leasing Pakistan Ltd. (Orix)

Given that Orix's audited accounts do not disclose figures related to its Microfinance Division (MFD), the data reported in the PMR is not verifiable through audited accounts.

Orix has separate staff and offices for microfinance. Orix's MFD has provided data specific to its microfinance operations.

Orix prepares its financial statements under the historical cost convention in using accrual system of accounting.

Adjustments to the data have been made as per the PMN's adjustment policies. These adjustments are in line with international practices being followed by the MIX.

B.15. Rural Community Development Program (RCDP)

Grant Thornton Anjum Rahman & Co. has audited the annual accounts of RCDP for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

RCDP prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.16. Saaya Microfinance Company (SMC)

RSM Avais Hyder Liaquat Nauman Chartered Accountants audited the annual accounts for SMC for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

All necessary adjustments to SMC data have been made in order to remove subsidies.

SMC prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

B.17. Saath Microfinance Foundation Pakistan (Saath)

Horwath Hussain Chaudhury & Co. has audited the annual accounts of Saath for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

Saath prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

B.18. SAFCO Support Foundation (SAFCO)

Deloitte Yousuf Adil audited the annual accounts for SAFCO for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

All necessary adjustments to SAFCO data have been made in order to remove subsidies.

SAFCO prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

B.19. Shah Sami Sachal Foundation (SSSF)

Baker Tilly Mehmood Idrees Qamar has audited the annual accounts of SSSF for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

SSSF prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

B.20. Soon Valley Development Program (SVDP)

Kreston Hyder Bhimji and Co. has audited the annual accounts of SVDP for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

SVDP prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

B.21. Villagers Development Organisation (VDO)

Horwath Hussain Chaudhury & Co. has audited the annual accounts of VDO for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts.

VDO prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

B.22. Wasil Foundation (Wasil)

Aamir Salman Rizwan & Co Chartered Accountants. has audited the annual accounts of Wasil for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts, which were provided to PMN by Wasil.

Wasil prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

C. Rural Support Programmes (RSP)

C.1. National Rural Development Programme (NRSP)

KPMG Taseer Hadi and Co. has audited the annual accounts of NRSP for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts, which were provided to PMN by NRSP.

NRSP prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

C.2. Punjab Rural Support Programme (PRSP)

A.F Ferguson and Co. audited the annual accounts for PRSP for the year ending at 30th June 2019.

All necessary adjustments to PRSP data have been made in order to remove subsidies.

PRSP prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

C.3. Sindh Rural Support Organisation (SRSO)

Deloitte Yousuf Adil Chartered Accountnats has audited the annual accounts of SRSO for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts, which were provided to PMN by SRSO.

SRSO prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Related-party transactions have been properly disclosed in notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

C.4. Sarhad Rural Support Programme (SRSP)

KPMG Taseer Hadi and Co. has audited the annual accounts of SRSO for the year ending at 30th June 2019. The numbers reported in the PMR match these audited accounts, which were provided to PMN by SRSP.

SRSP prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.

All necessary adjustments to data have been made in order to remove subsidies.

Related-party transactions have been properly disclosed in notes to the financial statements.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

C.5. Thardeep Microfinance Foundation (TMF)

BDO Ebrahim & Co. audited the annual accounts for TMF for the year ending at 30th June 2019.

All necessary adjustments to TMF data have been made in order to remove subsidies.

TMF prepares its financial statements under the historical cost convention in conformity with accepted accounting practices.

The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

ANNEX C

ADJUSTMENTS TO FINANCIAL DATA

Rationale

Adjustments to financial statements are made when doing benchmark analysis. They are made for two primary reasons:

-to give an institution a more accurate picture of its financial position by accounting for factors unique to an MFP, including the predominance of below-market-rate funding sources as such factors distort an MFP's on-going performance; and

-to make the data of various MFPs comparable.

Thus, adjustments are made in order to bring organisations operating under varying conditions and with varying levels of subsidy onto a level playing field.

The following adjustments are made to data used for the PMR:

A. Inflation Adjustment

B. Subsidies Adjustment

C. Loan Loss Provisioning

A. Inflation Adjustment

Inflation adjustment adjusts for the effect of inflation on an MFP's equity and non-monetary assets, i.e. fixed assets. Inflation decreases the real value of an MFP's equity. As the monetary value of fixed assets increases, it is possible to track increases in price levels. The net loss (or gain) is considered to be a cost of funds, and results in a decrease (or increase) in net operating income.

Calculation of inflation adjustment

Inflation-adjusted revenue = net fixed assets (prior FY) × average annual inflation rate (current FY)

Inflation-adjusted expense = equity (prior FY) × average annual inflation rate (current FY)

Net Inflation-adjusted expense = (inflation-adjusted revenue) — (inflation-adjusted expense)

B. Subsidies Adjustment

Adjustments for three types of subsidies are made:

B.1 A cost-of-funds subsidy from loans at below-market rates

B.2 Current-year cash donations to fund portfolio and cover expenses

B.3 In-kind subsidies, such as rent-free office space or the services of personnel not paid by the MFP and thus not reflected on its income statement

Additionally, for multipurpose MFPs, an attempt to isolate the performance of the financial services programme is made by removing the effect of any cross-subsidisation. Cash donations flowing through the income statement are accounted for by reclassifying them below net operating income in the income statement. Thus, adjustments for cash donations are not made since these are handled through a direct reclassification in the income statement. This year no MFP has disclosed receipt of any in-kind subsidy.

B.1 Cost-of-funds Subsidy

The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of an MFP. The analyst needs to calculate the difference between what an MFP actually paid in interest on its subsidised liabilities and a shadow market rate for each country. This difference represents the value of the subsidy, considered an additional financial expense. Only funds received as loans that have a finite (1-5 years) term length need to be adjusted. Client deposits are not adjusted. Subordinated debt and other quasi-equity accounts are reclassified as 'other equity' on the balance sheet.

Care is taken in the choice of an appropriate shadow rate, thus PMN has used the KIBOR rate on outstanding loans as reported by the State Bank of Pakistan on its website (12.5%) to make this adjustment.

Steps in calculation of cost-of-funds subsidy adjustment

1. Calculate the average balance for all borrowings. Borrowings do not include deposits or "other liabilities". If an MFI has given an average balance, see if this is more appropriate to use; if not, calculate the 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 than "market" rate, impute the difference (market price minus financial expense paid on borrowings) to the cubsidised cost-of-funds adjustment expense.

B.2 Cash Donations

Funds donated to cover operational costs constitute a direct subsidy to an MFP. The value of the subsidy is therefore equal to the amount donated to cover expenses incurred in the period reported. Some donations are provided to cover operating shortfall over a period greater than one year. Only the amount spent in the year is recorded on the income statement as revenue. Any amount still to be used in subsequent years appears as a liability on the balance sheet (deferred revenue). This occurs because theoretically, if an MFP stopped operations in the middle of a multi-year operating grant, it would have to return the unused portion of the grant to the donor. The unused amount is therefore, considered as a liability.

Funds donated to pay for operations should be reported on the income statement separately from the revenue generated by lending and investment activities. This practice is meant for accurately reporting the earned revenue of an MFP. Donated funds are deducted from revenue or net income prior to any financial performance analysis because they do not represent revenue earned from operations.

Note: Costs incurred to obtain donor funds (fundraising costs) should also be separated from operating expenses, because the benefit of receiving the funds is not included.

B.3 In-kind Subsidy

Imputed costs (book value) of donated/loaned-out vehicles, machinery and buildings need to be included in operating expenses. Expatriate staff salaries paid by the donor or parent company, or other technical assistance, need to be accounted for. Here, imputed salaries are used instead of salaries actually received by them, i.e. the salary range that a local hire would get for the same level of workload/position is used.

Note: The analyst must use his/her judgment in deciding whether or not the in-kind donation represents a key input to the ongoing operations of the MFP. An appropriate basis for valuation is important. This could include selecting a percentage of the total cost and attributing it to programme expense. The percentage may be selected on the basis of sales proportion, management input, etc.

Calculation of in-kind subsidy adjustment

Add the in-kind subsidy of a given operating expense account to the unadjusted number for the account.

C. Loan Loss Provisioning

PMN standardises loan loss provisioning for MFPs to a minimum threshold or risk. MFPs 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 MFPs 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 MFPs and adjusts where necessary to bring them to the minimum threshold. In some cases, these adjustments may not be precise. Portfolio aging information may only be available on different aging scales.

Steps in calculation of loan loss provisioning adjustment

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

-PAR up to 90 days – no provisioning

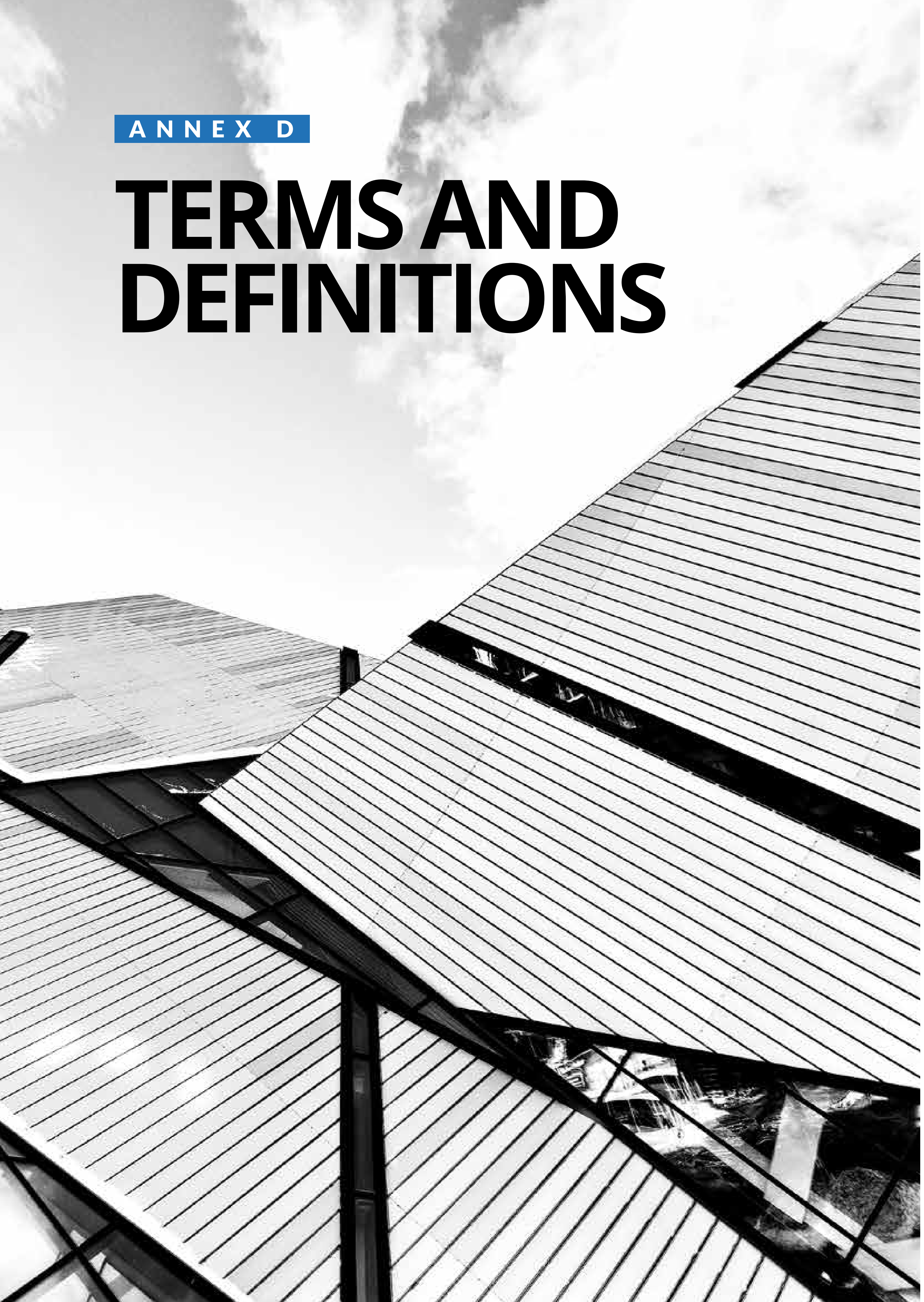
-PAR 91-180 days x 0.50

-PAR 181-360 days x 1.00

-Renegotiated loans x 0.50

2. Add the above reserve calculations. If the sum is more than the current reserves, make calculated the reserve the new loan loss reserve. If not, keep the 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.



ANNEX D

TERMS AND DEFINITIONS

Age
The number of years an organisation has been functioning as a microfinance provider (MFP).

Active Saving Account Balance
The average balance of savings per account (as opposed to average balance of savings per depositor).

Adjustment Expense
Total adjustment cost related to inflation, subsidized cost of borrowing, loan loss provisioning and in-kind subsidies.

Adjusted Financial Expense Ratio
The adjusted financial expense ratio is calculated by using the standardised ageing-of-portfolio technique. The principle of conservatism is used hence loan loss provision in audited accounts is greater than the amount computed by the analyst.

Adjusted Loan Loss Reserve
Formula = (adjusted financial expense)/(adjusted average total assets)

Adjusted Operating Expense
Also included in operating expense:
- -Imputed cost (book value) of donated/loaned vehicles, machinery and buildings
- -Expatriate staff salaries paid by donor or parent company
- -Other technical assistance paid for with donations

Formula = personal expense+administration expense
Note: Imputed salaries should be used instead of salaries actually received by such persons. Thus, the salary range that a local hire would get for the same level of workload/position should be used. Judgment is used to decide whether or not the in-kind donation represents a key input to the ongoing operations of the MFP.

Adjusted Operating Expense Ratio
Formula = (adjusted operating expense)/(adjusted average total assets)

Adjusted Portfolio at Risk > (30, 60, 90 Days)
Indicates the credit risk of a borrower above the specified number of days (30, 60, 90) past his/her due date for instalment payment.
Formula *= (outstanding balance less loans overdue > 30 or 60 or 90 days)/(adjusted gross loan portfolio)*

Adjusted Cost per Borrower
Accounts for loan size differentials. Generally the operating expense ratio is lower (more efficient) for institutions with higher loan sizes, ceteris paribus. This indicator discounts the effect of loan size on efficient management of loan portfolio.
Formula *= (adjusted operating expense)/(average number of active borrowers)*

Adjusted Cost per Loan
Formula *= (adjusted operating expense)/(average number of active loans)*

Adjusted Financial Expense
Includes actual cost of borrowing and shadow cost of subsidised funding.

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 MFP actually paid in interest on its subsidised 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.

Adjusted Loan Loss Provision Expense Ratio
Formula *= (adjusted net loan loss provision expense) / (adjusted average total assets)*

Adjusted Loan Loss Provision Expense
Loan loss provision expense is calculated with the standardised ageing-of-portfolio technique. It is, however, ensured that if the actual loan loss provision expense is higher than the adjusted number then the conservatism principle is followed.

Adjusted Operating Expense
Includes actual operational expenses and in-kind subsidy adjustments.

Adjusted Operating Expense Ratio
Indicative of the efficiency of an MFP's loan portfolio.
Formula *= (adjusted operating expense)/(average gross loan portfolio)*

Adjusted Personnel Expense
Includes actual personnel expenses (salaries and benefits), and in-kind subsidy adjustments.

Adjusted Personnel Expense Ratio
Formula *= (adjusted personnel expense)/(average gross loan portfolio)*

Adjusted Profit Margin
Formula *= (adjusted net operating income)/(adjusted financial revenue)*

Adjusted Return on Assets
Formula *= (adjusted net operating income, net of taxes)/(average total assets)*

Adjusted Return on Equity
Formula *= (adjusted net operating income, net of taxes)/(average total equity)*

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

Adjusted Total Expense Ratio
Formula *= (adjusted (financial expense + net loan loss provision expense + operating expense) cost)/(average total assets)*

Average Gross Loan Portfolio
Average of opening and closing balance of gross loan portfolio.

Average Loan Balance per Active Borrower
Indicates average loan balance outstanding.

Average Loan Balance per Active Borrower to Per Capita Income
Used to measure depth of outreach. The lower the ratio the more poverty-focused the MFP.

Average Number of Active Borrowers
The average of opening and closing balance of active borrowers.
Formula *= (active borrowers (opening balance) + active borrowers (closing balance))/2*

Average Number of Active Loans
Average of opening and closing balance of active loans

Average Outstanding Balance
Indicates the average balance of loans outstanding.
***Formula** = (adjusted gross loan portfolio)/(adjusted number of loans outstanding)*

Average Outstanding Balance to Per Capita Income
Measure of depth of outreach. The lower the ratio the more poverty-focused the MFP.
***Formula** = (average outstanding balance)/(per capita income)*

Average Saving Balance per Saver
Indicates average amount of saving balance per saver.

Average Total Assets
Average of opening and closing balance of total assets.

Average Total Equity
Average of opening and closing balance of total equity.

Borrowers per Loan Officer
Measure of loan officer productivity indicating the number of borrowers managed by a loan officer.
***Formula** = (number of active borrowers)/(number of loan officers)*

Borrowers per Staff
Measure of staff productivity, indicating the number of borrowers managed by the staff on average.
***Formula** = (number of active borrowers)/(number of total personnel)*

Commercial Liabilities
The principal balance of all borrowings, including overdraft accounts, for which the organisation pays a nominal rate of interest that may be greater than or equal to the local commercial interest rate.

Commercial Liabilities-to-Gross Loan Portfolio Ratio
Indicates efficiency of an MFP's loan portfolio.
***Formula** = (all liabilities at "market" price)/(gross loan portfolio)*

Deposits
Demand deposits from the general public and members (clients) held with the institution. These deposits are not conditional to accessing a current or future loan from the MFP and include certificates of deposit or other fixed term deposits.

Deposit-to-Gross Loan Portfolio Ratio
Inverse of the advance-to-deposit ratio.
***Formula** = deposits/(gross loan portfolio)*

Deposit-to-Total Asset Ratio
Indicates the percentage of assets financed through deposits.
***Formula** = deposits/(total assets)*

Equity-to-Asset Ratio
This is a simple version of the capital adequacy ratio as it does not take into account risk weighted assets. This ratio indicates the proportion of a company's equity that is accounted for by assets.
***Formula** = (total equity)/(total assets)*

Financial Expense
Total of financial expense on liabilities and deposits.

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

Financial Revenue from Other Financial Assets
Net gains on other financial assets.

Financial Revenue from Loan Portfolio
Total interest, fees and commission on loan portfolio.

Financial Revenue Ratio
Indicates the efficiency with which an MFP is utilising its assets to earn income from them.
***Formula** = (financial revenue)/(average total assets)*

Financial Self-Sufficiency
***Formula** = (financial revenue)/(adjusted expenses (financial + net loan loss provision + operating) + inflation adjustment)*

Gross Loan Portfolio
The outstanding principal for all outstanding client loans, including current, delinquent and restructured loans. It does not include:
-loans that have been written-off;
-interest receivable; and
-employee loans.
For accounting purposes, the gross loan portfolio is categorised as an asset.

Gross Loan Portfolio-to-Total Asset Ratio
Indicates the efficiency of assets deployed in high yield instruments and core business of an MFP.
***Formula** = (gross loan portfolio)/(total assets)*

Inflation Adjustment Expense
Inflation decreases the real value of an MFP's equity. Fixed assets are considered to track the increase in price levels, and their value is considered increased. The net loss (or gain) treated as a cost of funds is disclosed on the income statement and decreases net operating income.

Inflation Rate[1]
The rate at which prices increase over time, resulting in a fall in the purchasing value of money. This rate is derived from the annualised consumer price index (CPI) as reported by the State Bank of Pakistan.

Liabilities-to-Equity Ratio (Debt-Equity Ratio)
***Formula** = (total liabilities)/(total equity)*

Loan Loss Provision Expense
The sum of loan loss provision expense and recovery on loan loss provision.

Loans per Loan Officer
***Formula** = (number of active loans)/(number of loan officers)*

Loans per Staff
***Formula** = (number of active loans)/(number of personnel)*

Net Adjusted Loan Loss Provision Expense[2]
The sum of loan loss provision expense and recovery on loan loss provision. MFPs 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 MFPs 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.

[1]PMN adjusts for the effect of inflation on an MFP's equity and its non-monetary assets - essentially fixed assets - on its balance sheet.
[2]PMN applies a standard write-off and loan loss provisioning to all MFPs, and adjusts where necessary to bring them to the minimum threshold

Number of Active Borrowers
Number of borrowers with loans outstanding.

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

Number of Active Women Borrowers
Number of women borrowers with loan amount outstanding.

Number of Active Women Borrowers to total Active Borrowers
Indicates percentage of women borrowers to total active borrowers.

Number of Loans Outstanding
The number of loans outstanding at the end of the reporting period. Depending on the policy of the MFP, one borrower can have two or more loans outstanding; hence, the number of loans could be more than the number of borrowers.

Number of Savers
The number of depositors maintaining voluntary demand deposit and time deposit accounts with an MFP.

Number of Saving Accounts
One depositor can have more than two deposit accounts. Hence, the number of deposit accounts could be more than the number of depositors.

Number of Women Savers
The number of women savers with voluntary demand deposit and time deposit accounts.

Offices
The total number of staffed points of service (POS) and administrative sites (including head office) used to deliver or support the delivery of financial services to microfinance clients.

Operating Expense
Total of personnel expense and administrative expense.

Operational Self-Sufficiency
***Formula** = (financial revenue)/(financial expense + net loan loss provision expense + operating expense)*

Per Capita Income
Average income per person.

Percentage of Women Savers to Total Savers
Indicates the percentage of women in the total saving portfolio.

Personnel
The number of individuals actively employed by an MFP. This number includes contract employees and advisors who dedicate the majority of their time to the organisation, even if they are not on the MFP's roster of employees. This number is expressed as a full-time equivalent, such that an advisor who spends two-thirds of his/her time with the MFP is accounted for as two-thirds of a full-time employee.

Personnel Allocation Ratio
The higher this indicator is, the more lean the head office structure of the organisation. This indicator is used to measure organisational efficiency.
***Formula** = (loan officers)/(total staff)*

Risk Coverage Ratio
Indicates the provision created by an MFP against its credit risk.
***Formula** = (adjusted loan loss reserve)/(PAR > 30 days)*

Saving Outstanding
Total value of demand deposit and time deposit accounts.

Savers per Staff
***Formula** = (number of savers)/(number of personnel)*

Loan Loss Provision Expense
The sum of loan loss provision expense and recovery on loan loss provision.

Loans per Loan Officer
***Formula** = (Number of Active Loans)/(Total Loan Officers)*

Total Assets
Total net asset accounts, i.e. all asset accounts net of any allowance. The one exception to this is the separate disclosure of the gross loan portfolio and loan loss reserve.

Total Equity
Equity represents the worth of an organisation net of what it owes (liabilities). Equity accounts are presented net of distributions, such as dividends.
***Formula** = total assets-total liabilities*

Total Liabilities
Liabilities represent the borrowings of an organisation, i.e. the amount owed. Examples of liabilities include loans and deposits. This number includes both interest-bearing and non-interest-bearing liabilities of an MFP.

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.

Loans Written Off during Year
The value of loans written off during the year.

Write-Off Rate
***Formula** = (loans written off during the year)/(average gross loan portfolio)*

Yield on Gross Portfolio (Nominal)
Indicates the yield on an MFP's loan portfolio and is usually used as a proxy to look at the MFP's (realized) effective interest rate.
***Formula** = (financial revenue from loan portfolio)/(average gross loan portfolio)*

Yield on Gross Portfolio (Real)
The number of depositors maintaining voluntary demand deposit and time deposit accounts with an MFP.
***Formula** = (yield on gross portfolio (nominal) - inflation rate)/(1 + inflation rate)*

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