



# Pakistan Microfinance Network

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REPORT SEVEN

PERFORMANCE INDICATORS REPORT  
2003

# PAKISTAN MICROFINANCE NETWORK

## PERFORMANCE INDICATORS REPORT 2003

REPORT SEVEN

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# Performance Indicators Report

## *An Introduction*

One of the primary objectives of the Pakistan Microfinance Network (PMN) is to establish the use of performance measures, benchmarks and promote financial transparency in retail microfinance institutions (MFIs). Members seek to improve their microfinance programs by adopting best practices. To further this objective, the PMN publishes Performance Indicators Report (PIR) every six months.

Readers should be aware of the following:

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

*Previous PERFORMANCE  
INDICATORS REPORTS  
Published By PMN*

Report 1: Jan - Dec	1999
Report 2: Jan - Dec	2000
Report 3: Jan - Jun	2001
Report 4: Jan - Dec	2001
Report 5: Jan - Jun	2002
Report 6: Jan - Dec	2002



# About Pakistan Microfinance Network

## Background & Introduction

The PMN is a network for organizations engaged in microfinance and dedicated to improving the outreach & sustainability of microfinance in Pakistan. Compared to some other countries, the microfinance sector in Pakistan is in the initial stages of development. Estimates suggest that almost 5.6 million households in Pakistan need microfinance services, but services reach only a tiny fraction of this population, possibly less than five percent. If microfinance is to reach its potential, and serve a large share of the microfinance market, practitioners must improve their programs. The PMN in an effort to address these issues has become increasingly active since 1999. The PMN has built greater awareness among policy makers, arranged specialized trainings, and established initial standards for financial transparency.

## Mission and Objectives

The PMN's mission is "to support the microfinance sector to provide financial services to the poor, with focus on retail microfinance".

This mission will be achieved through three objectives:

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

## Rationale

PMN believes that publishing PIR will:

- ✚ Promote a culture of self regulation in the sector,
- ✚ Enhance transparency,
- ✚ Enable members in particular and other stakeholders in general to map the sector progress,
- ✚ Create an environment of healthy competition,
- ✚ Help members to understand their strength and weaknesses and share financial information with each other,
- ✚ Develop benchmarks for the microfinance sector at the national level
- ✚ Help members in their program assessment and
- ✚ Enable members to move towards rating.

At PMN, we also intend to enhance the understanding of these ratios and their composition so that members can use this report in their own organizations at different levels of management and organizational structures.

### Future plans

From the next report PMN will be making adjusted financial statements using the MIX standardized benchmarking tool kit. PMN is also looking at various options to adjust the impact of financial year ending of different member organizations. We intend to provide this data to other international networks that have approached the PMN. We also plan to open up this publication to other MFIs that are not members of the PMN.

## Changes & Improvements from the last report



Over the last one year, since the 2002 annual report was published, a lot of changes have occurred that have put this report at par with international microfinance financial bulletins.

PMN has entered into an agreement with The Mix Market to create its members profile on the Mix Market. PMN members' data will also be published in the next MicroBanking Bulletin (MBB). PMN has adopted mix data collection tool kit to gather financial, institutional and credit related data from the member organizations. In this publication, PMN will report all those indicators that have been reported in the 9th addition of the MBB. In addition, all the indicators have been computed according to the MBB standards.

The current year's data is of a much higher quality since it is backed by audited accounts and has been fed into a tool kit that checks for data discrepancies. However, this higher quality data has a trade off; the PIR shows annual figures of member organizations based on their financial year. The financial year followed by each organization is disclosed at the top of each member's data.

The PMN has moved towards peer grouping members so that we can start a process that leads to benchmarking within peer groups. The different peer groups are clearly identifiable in the following tables where members' performances have been analyzed.

For integrated MFIs, the issue of resource allocation to a large extent has been settled. It was agreed through consensus that instead of standardizing the process of allocation, each member should develop criteria for allocation and report it to the PMN. These allocation methods are disclosed at the end of this report. The data collection tool kit was adjusted to meet this particular requirement of resource allocation. For the first time, all the PMN members have developed their income statements, balance sheets for the institution and for the microfinance programs using international format developed by the mix market. It is also for the first time that most of the institutions carried out reconciliation between data generated by the finance and credit department.

The issue of crediting investment income earned on endowments by Rural Support Programmes has been resolved. It was decided that income

earned on endowment will be credited to the microfinance program in the same proportion in which members allocate their common operational expenses. To make this process more transparent, it was decided that the PMN will report operational and financial self-sufficiency ratios with and without the impact of this allocated income.

The PMN members have been analyzed against the following set of performance measure:

- ↘ Institutional Characteristics
- ↘ Financial Management
- ↘ Outreach
- ↘ Financial Performance, including Revenue and Expense structures
- ↘ Efficiency
- ↘ Productivity
- ↘ Risk and Liquidity

# Performance Indicators and Definitions



## List of Acronyms used in the tables:

- ✎ BOK The Bank of Khyber: Microfinance Division
- ✎ FMFB The First MicroFinanceBank Limited
- ✎ Kashf KASHF Foundation
- ✎ NRSP National Rural Support Programme
- ✎ PRSP Punjab Rural Support Programme
- ✎ SRSP Sarhad Rural Support Programme
- ✎ TRDP Thardeep Rural Development Programme
- ✎ DAMEN Development Action for Mobilization and Emancipation
- ✎ OPP Orangi Pilot Project
- ✎ Taraqee Taraqee Foundation
- ✎ SUNGI Sungi Development Foundation
- ✎ SAFWCO Sindh Agricultural & Forestry Workers Coordinating Organization

# Institutional Characteristics

PEER GROUP - SPECIALIZED MFI's/BANKS (JANUARY - DECEMBER 2003)				
INDICATORS	BOK	FMFBL	Kashf	Total
A Age (years)	8	2	8	
B Total Assets (In Rs.)	244,201,808	1,189,379,918	774,466,003	2,208,047,729
C Offices	17	23	37	77
D Personnel	41	123	262	426

PEER GROUP - RURAL SUPPORT PROGRAMMES (JULY 2002 - JUNE 2003)					
INDICATORS	NRSP	PRSP	SRSP	TRDP	Total
A Age (years)	11	6	13	7	
B Total Assets	976,982,573	982,122,479	62,774,025	52,755,876	2,074,634,953
C Offices	106	27	25	9	167
D Personnel	483	315	59	20	877

PEER GROUP - NGO MFI's						
INDICATORS	JANUARY - DECEMBER 2003			JAN'02-JUN'03	JUL'02-JUN'03	Total
	DAMEN	SUNGI	SAFWCO	Taraqee	OPP	
A Age (years)	8	10	10	8	17	
B Total Assets	42,233,691	25,738,537	21,420,288	112,537,436	66,398,024	268,327,976
C Offices	9	6	4	13	1	33
D Personnel	60	10	18	163	22	273

## Definition of Terms and Indicators: Institutional Characteristics

### A. Age:

Indicates Years of functioning as a Microfinance Institution.

### B. Total Assets:

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

### C. Offices:

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

### D. Personnel:

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

# Financing Structure

PEER GROUP - SPECIALIZED MFI's/BANKS (JANUARY - DECEMBER 2003)						
INDICATORS			BOK	FMFBL	Kashf	Total
E	Total Assets	(PRs.)	244,201,808	1,189,379,918	774,466,003	2,208,047,729
F	Total Equity	(PRs.)	(809,279)	729,422,363	315,914,855	1,044,527,939
G	Total Debt	(PRs.)	245,011,087	459,957,555	458,551,148	1,163,519,790
H	Commercial Liabilities	(PRs.)	245,011,087	25,000,000	-	270,011,087
I	Deposits/Voluntary Savings	(PRs.)	-	392,047,913	11,165,497	403,213,410
J	Gross Loan Portfolio	(PRs.)	245,011,087	65,793,905	347,116,339	657,921,331
1	Equity-to-Asset ratio	(F/E)	-0.33%	61.33%	40.79%	47.31%
2	Commercial Liabilities-to-Gross Loan Portfolio ratio	(H/J)	100.00%	38.00%	0.00%	41.04%
3	Debt-to-Equity ratio	(G/F)	-30275.23%	63.06%	145.15%	111.39%
4	Deposits-to-Gross Loan Portfolio ratio	(I/J)	0.00%	595.87%	3.22%	61.29%
5	Deposits-to-Total Assets Ratio	(I/E)	0.00%	32.96%	1.44%	18.26%
6	Gross Loan Portfolio-to-Total Assets ratio	(J/E)	100.33%	5.53%	44.82%	29.80%

PEER GROUP - RURAL SUPPORT PROGRAMMES (JULY 2002 - JUNE 2003)							
INDICATORS			NRSP	PRSP	SRSP	TRDP	Total
E	Total Assets	(PRs.)	976,982,573	982,122,479	62,774,025	52,755,876	2,074,634,953
F	Total Equity	(PRs.)	312,336,052	644,220,734	(6,375,414)	14,024,497	964,205,869
G	Total Debt	(PRs.)	664,646,521	337,901,745	69,149,439	38,731,379	1,110,429,084
H	Commercial Liabilities	(PRs.)	89,702,741	124,811,167	8,192,885	-	222,706,793
I	Deposits/Voluntary Savings	(PRs.)	-	-	-	-	-
J	Gross Loan Portfolio	(PRs.)	632,654,109	408,278,630	43,758,855	38,391,595	1,123,083,189
1	Equity-to-Asset ratio	(F/E)	31.97%	65.59%	-10.16%	26.58%	46.48%
2	Commercial Liabilities-to-Gross Loan Portfolio ratio	(H/J)	14.18%	30.57%	18.72%	0.00%	19.83%
3	Debt-to-Equity ratio	(G/F)	212.80%	52.45%	-1084.63%	276.17%	115.17%
4	Deposits-to-Gross Loan Portfolio ratio	(I/J)	0.00%	0.00%	0.00%	0.00%	0.00%
5	Deposits-to-Total Assets Ratio	(I/E)	0.00%	0.00%	0.00%	0.00%	0.00%
6	Gross Loan Portfolio-to-Total Assets ratio	(J/E)	64.76%	41.57%	69.71%	72.77%	54.13%

PEER GROUP - NGO MFI 's

				JANUARY-DECEMBER 2003			JAN'02-JUN'03	JUL'02-JUN'03	
INDICATORS			DAMEN	SUNGI	SAFWCO	Taraqee	OPP	Total	
E	Total Assets	(PRs.)	42,233,691	25,738,537	21,420,288	112,537,436	66,398,024	268,327,976	
F	Total Equity	(PRs.)	9,958,867	25,071,773	5,067,068	13,008,312	59,784,161	112,890,181	
G	Total Debt	(PRs.)	32,274,824	666,764	16,353,220	99,529,124	6,613,863	155,437,795	
H	Commercial Liabilities	(PRs.)	-	-	-	-	6,589,522	6,589,522	
I	Deposits/Voluntary Savings	(PRs.)	-	-	-	1,904,177	-	1,904,177	
J	Gross Loan Portfolio	(PRs.)	35,275,051	3,869,044	11,433,035	71,174,686	34,940,550	156,692,366	
1	Equity-to-Asset ratio	(F/E)	23.58%	97.41%	23.66%	11.56%	90.04%	42.07%	
2	Commercial Liabilities-to-Gross Loan Portfolio ratio	(H/J)	0.00%	0.00%	0.00%	0.00%	18.86%	4.21%	
3	Debt-to-Equity ratio	(G/F)	324.08%	2.66%	322.74%	765.12%	11.06%	137.69%	
4	Deposits-to-Gross Loan Portfolio ratio	(I/J)	0.00%	0.00%	0.00%	2.68%	0.00%	1.22%	
5	Deposits-to-Total Assets Ratio	(I/E)	0.00%	0.00%	0.00%	1.69%	0.00%	0.71%	
6	Gross Loan Portfolio-to-Total Assets ratio	(J/E)	83.52%	15.03%	53.37%	63.25%	52.62%	58.40%	

Definition of Terms and Indicators:  
Financing Structure

E. Total Assets: See B for definition

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

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

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

I. Deposits/Voluntary Savings: Demand deposits from the general public and members that are not maintained as a condition for accessing a current or future loan and are held with the institution. Also includes certificates of deposit or other fixed term deposits.

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

1. Equity-to-Asset Ratio: Total Equity/Total Assets

2. Commercial Liabilities-to-Gross Loan Portfolio Ratio: All liabilities with "market" price/ Gross Loan Portfolio

3. Liabilities-to-Equity Ratio: Total Liabilities/Total Equity

4. Deposit-to-Gross Loan Portfolio Ratio: Voluntary Savings/Gross Loan Portfolio

5. Deposit-to-Total Asset Ratio: Voluntary Savings/Total Assets

6. Gross Loan Portfolio-to-Total Asset Ratio: Gross Loan Portfolio/Total Assets

# Outreach Indicators

PEER GROUP - SPECIALIZED MFI's/BANKS (JANUARY - DECEMBER 2003)						
INDICATORS			BOK	FMFBL	Kashf	Total
K	Number of Active Borrowers	Number	8,648	3,558	59,389	71,595
L	Number of Active Women Borrowers	Number	827	-	59,389	60,216
M	Gross Loan Portfolio	(PRs.)	245,011,087	65,793,905	347,116,339	657,921,331
N	Per Capita Income	(PRs.)	28,500	28,500	28,500	28,500
O	Number of Savers	Number	-	10,151	57,058	67,209
P	Number of Women Savers	Number	-	-	57,058	57,058
Q	Saving (in Rs.)	(PRs.)	-	392,047,913	11,165,497	403,213,410
7	Number of Active Women Borrowers-to-Total Active Borrowers	(L/K)	9.56%	0.00%	100.00%	84.11%
8	Average Loan Balance per Active Borrower	(M/K)	28,332	18,492	5,845	9,189
9	Average Loan Balance per Active Borrower-to-Per Capita Income	(8/N)	99.41%	64.88%	20.51%	32.24%
10	Percentage of Women Savers-to-Total Active Savers	(P/O)	0.00%	0.00%	100.00%	84.90%
11	Average Saving Balance per Active Saver	(Q/O)	0	38,622	196	5,999

PEER GROUP - RURAL SUPPORT PROGRAMMES (JULY 2002 - JUNE 2003)							
INDICATORS			NRSP	PRSP	SRSP	TRDP	Total
K	Number of Active Borrowers	Number	70,375	60,464	6,389	5,488	142,716
L	Number of Active Women Borrowers	Number	27,587	19,348	2,112	1,480	50,527
M	Gross Loan Portfolio	(PRs.)	632,654,109	408,278,630	43,758,855	38,391,595	1,123,083,189
N	Per Capita Income	(PRs.)	28,500	28,500	28,500	28,500	28,500
O	Number of Savers	Number	401,611	180,070	151,500	56,041	789,222
P	Number of Women Savers	Number	115,398	68,524	43,546	16,812	244,280
Q	Saving (in Rs.)	(PRs.)	326,480,000	77,790,000	69,298,000	22,889,220	496,457,220
7	Percentage of Women Borrowers-to-Total Active Borrowers	(L/K)	39.20%	32.00%	33.06%	26.97%	35.40%
8	Average Loan Balance per Active Borrower	(M/K)	8,990	6,752	6,849	6,996	7,869
9	Average Loan Balance per Active Borrower-to-per Capita Income	(8/N)	31.54%	23.69%	24.03%	24.55%	27.61%
10	Percentage of Women Savers-to-Total Active Savers	(P/O)	28.73%	38.05%	28.74%	30.00%	30.95%
11	Average Saving Balance per Active Saver	(Q/O)	813	432	457	408	629

PEER GROUP - NGO MFI's

INDICATORS		DAMEN	SUNGI	SAFWCO	Taraqee	OPP	Total	
K	Number of Active Borrowers	Number	10,140	1,033	2,973	10,078	2,481	26,705
L	Number of Active Women Borrowers	Number	10,140	465	1,240	7,342	205	19,392
M	Gross Loan Portfolio (in Rs.)	(PRs.)	35,275,051	3,869,044	11,433,035	71,174,686	34,940,550	156,692,366
N	Per Capita Income	(PRs.)	28,500	28,500	28,500	28,500	28,500	28,500
O	Number of Savers	Number	-	12,985	3,703	14,356	-	31,044
P	Number of Women Savers	Number	-	5,876	2,677	7,342	-	15,895
Q	Saving (in Rs.)	(PRs.)	-	92,255,033	694,801	1,904,177	-	94,854,011
7	Percentage of Women Borrowers-to-Total Active Borrowers	(L/K)	100.00%	45.01%	41.71%	72.85%	8.26%	72.62%
8	Average Loan Balance per Active Borrower	(M/K)	3,479	3,745	3,846	7,062	14,083	5,868
9	Average Loan Balance per Active Borrower-to-Per Capita Income	(8/N)	12.21%	13.14%	13.49%	24.78%	49.41%	20.59%
10	Percentage of Women Savers-to-Total Active Savers	(P/O)	0.00%	45.25%	72.29%	51.14%	0.00%	51.20%
11	Average Saving Balance per Active Saver	(Q/O)	0	7,105	188	133	0	3,055

Definition of Terms and Indicators:  
Outreach Indicators

K. Number of Active Borrowers: Number of borrowers with loans outstanding

L. Number of Active Women Borrowers: Number of women borrowers with loans outstanding

M. Gross Loan Portfolio: See (J) for definition

N. Per Capita Income: Average income per household per person as reported by Khadim Ali Shah Bukahri in its April 30th 2004 Market Monitor (US\$ 492).

O. Number of Savers: Number of savers with voluntary demand deposit and time deposit accounts.

P. Number of Women Savers: Number of women savers with voluntary demand deposit and time deposit accounts.

Q. Saving: Total value of voluntary demand deposit and time deposit accounts.

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

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

9. Average Loan Balance per Active Borrower to Per Capita Income: Tool to measure depth of outreach. The lower the ratio the more poverty focused the MFI.

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

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

# Overall Financial Performance



## PEER GROUP - SPECIALIZED MFI's/BANKS ( JANUARY - DECEMBER 2003 )

INDICATORS		BOK	FMFBL	Kashf	Total
7	Financial Revenue from Loan Portfolio (PRs.)	31,086,120	9,670,678	79,622,818	120,379,616
R2	Financial Revenue from Other Financial Assets (PRs.)	-	59,042,011	8,014,163	67,056,174
R3	Other Revenue from Financial Services (PRs.)	-	3,097,411	4,193,179	7,290,590
R	Financial Revenue (PRs.)	31,086,120	71,810,100	91,830,160	194,726,380
S	Less : Financial Expense on Borrowings (PRs.)	14,971,375	5,518,216	17,777,761	38,267,352
	Gross Financial Margin (PRs.)	16,114,745	66,291,884	74,052,399	156,459,028
T	Less: Adjusted Loan Loss Provision Expense (PRs.)	33,783,264	432,069	-	34,215,333
	Net Financial Margin (PRs.)	(17,668,519)	65,859,815	74,052,399	122,243,695
U	Less: Adjusted Operating Expense (PRs.)	20,660,944	62,216,914	52,822,195	135,700,053
	Net Income before taxation (PRs.)	(38,329,463)	3,642,901	21,230,204	(13,456,358)
	Provision for Taxation (PRs.)	-	2,422,000	-	2,422,000
	Net Income/(Loss) Before Adjustments (PRs.)	(38,329,463)	1,220,901	21,230,204	(15,878,358)
V	Adjusted Financial Expense on Borrowings (PRs.)	-	-	-	-
W	Inflation Adjustment Expense (PRs.)	-	25,029,463	9,192,209	34,221,672
X	Net Income/(Loss) After Adjustments (PRs.)	(38,329,463)	(23,808,562)	12,037,995	(50,100,030)
Y	Average Total Assets (PRs.)	244,224,993	1,030,867,167	550,962,132	1,826,054,292
Z	Average Total Equity (PRs.)	3,836,235	733,947,667	294,233,095	1,032,016,997
12	Adjusted Return-on-Assets (X/Y)	-15.69%	-2.31%	2.18%	-2.74%
13	Adjusted Return-on-Equity (X/Z)	-999.14%	-3.24%	4.09%	-4.85%
14	Operational Self-Sufficiency ('R)/(S+T+U)	44.78%	105.34%	130.07%	93.54%
15	Financial Self-Sufficiency (R)/(S+T+U+V+W)	44.78%	77.05%	115.09%	80.33%

PEER GROUP - RURAL SUPPORT PROGRAMMES (JULY 2002 - JUNE 2003)

INDICATORS			NRSP	PRSP	SRSP	TRDP	Total
R1	Financial Revenue from Loan Portfolio	(PRs.)	94,074,650	71,720,718	7,143,883	4,591,522	177,530,773
R2	Financial Revenue from Other Financial Assets	(PRs.)	35,828,779	53,808,693	1,156,580	321,627	91,115,679
R3	Other Revenue from Financial Services	(PRs.)	-	-	-	-	-
R	<b>Financial Revenue</b>	(PRs.)	<b>129,903,429</b>	<b>125,529,411</b>	<b>8,300,463</b>	<b>4,913,149</b>	<b>268,646,452</b>
S	Less : Financial Expense on Borrowings	(PRs.)	33,493,406	26,998,551	6,060,591	2,052,970	68,605,518
	<b>Gross Financial Margin</b>	(PRs.)	<b>96,410,023</b>	<b>98,530,860</b>	<b>2,239,872</b>	<b>2,860,179</b>	<b>200,040,934</b>
T	Less: Adjusted Loan Loss Provision Expense	(PRs.)	8,454,124	27,003,448	14,506,313	1,041,627	51,005,512
	<b>Net Financial Margin</b>	(PRs.)	<b>87,955,899</b>	<b>71,527,412</b>	<b>(12,266,441)</b>	<b>1,818,552</b>	<b>149,035,422</b>
U	Less: Adjusted Operating Expense	(PRs.)	86,947,288	65,237,725	8,093,978	6,201,287	166,480,278
	<b>Net Income before taxation</b>	(PRs.)	<b>1,008,611</b>	<b>6,289,687</b>	<b>(20,360,419)</b>	<b>(4,382,735)</b>	<b>(17,444,856)</b>
	Provision for Taxation	(PRs.)	-	-	-	-	-
	<b>Net Income / (Loss) Before Adjustments</b>	(PRs.)	<b>1,008,611</b>	<b>6,289,687</b>	<b>(20,360,419)</b>	<b>(4,382,735)</b>	<b>(17,444,856)</b>
V	Adjusted Financial Expense on Borrowings	(PRs.)	-	-	-	-	-
W	Inflation Adjustment Expense	(PRs.)	9,563,509	20,091,143	-	127,869	29,782,521
X	<b>Net Income / (Loss) After Adjustments</b>	(PRs.)	<b>(8,554,898)</b>	<b>(13,801,456)</b>	<b>(20,360,419)</b>	<b>(4,510,604)</b>	<b>(47,227,377)</b>
Y	Average Total Assets	(PRs.)	934,616,039	904,091,481	80,387,910	42,223,121	1,961,318,551
Z	Average Total Equity	(PRs.)	304,132,773	623,602,356	(7,156,500)	11,708,186	932,286,815
12	Adjusted Return-on-Assets	(X/Y)	-0.92%	-1.53%	-25.33%	-10.68%	-2.41%
13	Adjusted Return-on-Equity	(X/Z)	-3%	-2%	0%	-39%	-5%
14	Operational Self-Sufficiency	(R)/(S+T+U)	100.78%	105.27%	28.96%	52.85%	93.90%
15	Financial Self-Sufficiency	(R)/(S+T+U+V+W)	93.82%	90.09%	28.96%	52.14%	85.05%
14A	Adjusted Operational Self-Sufficiency	(R+R3)/(S+T+U)	72.99%	60.15%	24.93%	49.39%	62.05%
15A	Adjusted Financial Self-Sufficiency	(R+R3)/(S+T+U+V+W)	67.94%	51.48%	24.93%	48.72%	56.20%

PEER GROUP - NGO MFI's								
		JANUARY - DECEMBER 2003			JAN'02-JUN'03		JUL'02-JUN'03	
INDICATORS		DAMEN	SUNGI	SAFWCO	TARAQEE	OPP	Total	
R1	Financial Revenue from Loan Portfolio	(PRs.)	8,911,036	655,063	2,457,408	9,834,903	3,328,285	25,186,695
R2	Financial Revenue from Other Financial Assets	(PRs.)	298,847	362,683	50,569	-	657,438	1,369,537
R3	Other Revenue from Financial Services	(PRs.)	200,723	-	55,082	-	3,920	259,725
R	<b>Financial Revenue</b>	(PRs.)	<b>9,410,606</b>	<b>1,017,746</b>	<b>2,563,059</b>	<b>9,834,903</b>	<b>3,989,643</b>	<b>26,815,957</b>
S	Less : Financial Expense on Borrowings	(PRs.)	2,361,672	208,967	477,208	2,218,150	160,534	5,426,531
	<b>Gross Financial Margin</b>	(PRs.)	<b>7,048,934</b>	<b>808,779</b>	<b>2,085,851</b>	<b>7,616,753</b>	<b>3,829,109</b>	<b>21,389,426</b>
T	Less: Adjusted Loan Loss Provision Expense	(PRs.)	-	2,666,049	484,610	-	120,137	4,360,796
	<b>Net Financial Margin</b>	(PRs.)	<b>7,048,934</b>	<b>(1,857,270)</b>	<b>1,601,241</b>	<b>7,616,753</b>	<b>2,618,972</b>	<b>17,028,630</b>
U	Less: Adjusted Operating Expense	(PRs.)	7,638,976	4,446,575	5,699,213	24,688,751	3,785,034	46,258,549
	<b>Net Income before taxation</b>	(PRs.)	<b>(590,042)</b>	<b>(6,303,845)</b>	<b>(4,097,972)</b>	<b>(17,071,998)</b>	<b>(1,166,062)</b>	<b>(29,229,919)</b>
	Provision for Taxation	(PRs.)	-	-	-	-	-	-
	<b>Net Income / (Loss) Before Adjustments</b>	(PRs.)	<b>(590,042)</b>	<b>(6,303,845)</b>	<b>(4,097,972)</b>	<b>(17,071,998)</b>	<b>(1,166,062)</b>	<b>(29,229,919)</b>
V	Adjusted Financial Expense on Borrowings	(PRs.)	-	-	39,595	755,905	14,088	809,588
W	Inflation Adjustment Expense	(PRs.)	94,189	834,914	46,657	163,240	2,038,157	3,177,157
X	<b>Net Income / (Loss) After Adjustments</b>	(PRs.)	<b>(684,231)</b>	<b>(7,138,759)</b>	<b>(4,184,224)</b>	<b>(17,991,143)</b>	<b>(3,218,307)</b>	<b>(33,216,664)</b>
Y	Average Total Assets	(PRs.)	39,529,368	25,083,450	15,646,191	73,615,662	63,140,243	217,014,914
Z	Average Total Equity	(PRs.)	6,941,447	24,702,794	4,268,709	9,422,653	59,822,402	105,158,005
12	Adjusted Return-on-Assets	(X/Y)	-1.73%	-28.46%	-26.74%	-24.44%	-5.10%	-15.31%
13	Adjusted Return-on-Equity	(X/Z)	-9.86%	-28.90%	-98.02%	-190.94%	-5.38%	-31.59%
14	Operational Self-Sufficiency	(R)/(S+T+U)	94.10%	13.90%	38.48%	36.55%	77.38%	47.85%
15	Financial Self-Sufficiency	(R)/(S+T+U+V+W)	93.22%	12.48%	37.99%	35.34%	55.35%	44.67%

### Definition of Terms and Indicators: Overall Financial Performance

R1. Financial Revenue from Loan Portfolio: Total interest, fees and commission on loan portfolio

R2. Financial Revenue from Other Financial Assets: Net gains on other financial assets.

R3. Other Revenue Related to Financial Services: Other revenue from provision of financial services, including revenue from insurance or transfer services or non-financial revenue from the provision of financial services, such as the sale of passbooks or SmartCards. This account includes net exchange gains.

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

S. Financial Expense: Total of financial expense on liabilities and deposits.

T. Net Adjusted Loan Loss Provision Expense: Sum of loan loss provision expense and recovery on loan loss provision. MFIs vary tremendously in accounting for loan delinquency. Some count the entire loan balance as overdue the day a payment is missed. Others do not consider a loan delinquent until its full term has expired. Some MFIs write off bad debt within one year of the initial delinquency, while others never write off bad loans, thus carrying forward a defaulting loan that they have little chance of ever recovering. The PMN applies a standard write-off and loan loss provisioning to all MFIs, and adjusts, where necessary, to bring them to the minimum threshold.

U. Adjusted Operating Expense: Total of Personnel Expense and Administrative Expense. Also includes, imputed cost (book value) of donated/loaned vehicles, machinery and buildings need to be included in the operating expenses. Expatriate staff salaries paid by donor or parent company, or other technical assistance, need to be accounted for. The imputed salaries are used instead of salaries actually received by such persons. For imputation, the salary range that a local hire would get for the same level of work-load/position should be used. Similarly, the analyst must use judgment in deciding whether or not the in-kind donation represents a key input to the ongoing operations of the MFI.

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

W. Inflation Adjustment Expense: PMN adjusts for the effect of inflation on an MFI's equity and its

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

X. Net Income/ (Loss) after Adjustment or Adjusted Income/ (Loss): Indicates net profit/ (loss) to the MFI after adjusting for the above four subsidies.

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

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

12. Adjusted Return on Assets:  $\text{Adjusted Net Operating Income, net of taxes} / \text{Average Total Assets}$

13. Adjusted Return on Equity:  $\text{Adjusted Net Operating Income, net of taxes} / \text{Average Total Equity}$

14. Operational Self-Sufficiency:  $\text{Financial Revenue} / (\text{Financial Expense} + \text{Net Loan Loss Provision Expense} + \text{Operating Expense})$

15. Financial Self-Sufficiency:  $\text{Financial Revenue} / \text{Adjusted (Financial Expense} + \text{Net Loan Loss Provision Expense} + \text{Operating Expense} + \text{Inflation Adjustment})$

14 A and 15 A. Adjusted Operational/Financial Self-Sufficiency: A special adjustment that removes the impact of financial revenue earned on endowment funds that MFIs have received from the federal/ provincial governments or from donors.

# Operating Income

PEER GROUP - SPECIALIZED MFI 's/BANKS (JANUARY - DECEMBER 2003)						
INDICATORS			BOK	FMFBL	Kashf	Total
AA	Financial Revenue from Loan Portfolio	(PRs.)	31,086,120	9,670,678	79,622,818	120,379,616
AB	Financial Revenue	(PRs.)	31,086,120	71,810,100	91,830,160	194,726,380
AC	Adjusted Net Operating Income / (Loss)	(PRs.)	(38,329,463)	(23,808,562)	12,037,995	(50,100,030)
AD	Average Total Assets	(PRs.)	244,224,993	1,030,867,167	550,962,132	1,826,054,292
AE	Gross Loan Portfolio, Opening Balance	(PRs.)	244,248,177	17,968,368	137,374,027	399,590,572
AF	Gross Loan Portfolio, Closing Balance	(PRs.)	245,011,087	65,793,905	347,116,339	657,921,331
AG	Average Gross Loan Portfolio	(PRs.)	244,629,632	41,881,137	242,245,183	528,755,952
AH	Inflation Rate	CPI	3.49%	3.49%	3.49%	3.49%
16	Financial Revenue Ratio (Financial Revenue-to-Average Total Assets)	(AB/AD)	12.73%	6.97%	16.67%	10.66%
17	Adjusted Profit Margin (Adjusted Profit/(loss)-to-Financial Revenue)	(AC/AB)	-123.30%	-33.15%	13.11%	-25.73%
18	Yield on Gross Portfolio (nominal)	(AA/AG)	12.71%	23.09%	32.87%	22.77%
19	Yield on Gross Portfolio (real)	(18-AH) / (1+AH)	8.91%	18.94%	28.39%	18.63%

PEER GROUP - RURAL SUPPORT PROGRAMMES (JULY 2002 - JUNE 2003)							
INDICATORS			NRSP	PRSP	SRSP	TRDP	Total
AA	Financial Revenue from Loan Portfolio	(PRs.)	94,074,650	71,720,718	7,143,883	4,591,522	177,530,773
AB	Financial Revenue	(PRs.)	129,903,429	125,529,411	8,300,463	4,913,149	268,646,452
AC	Adjusted Net Operating Income / (Loss)	(PRs.)	(8,554,898)	(13,801,456)	(20,360,419)	(4,510,604)	(47,227,377)
AD	Average Total Assets	(PRs.)	934,616,039	904,091,481	80,387,910	42,223,121	1,961,318,551
AE	Gross Loan Portfolio, Opening Balance	(PRs.)	447,442,287	383,887,467	76,976,073	28,934,575	937,240,402
AF	Gross Loan Portfolio, Closing Balance	(PRs.)	632,654,109	408,278,630	43,758,855	38,391,595	1,123,083,189
AG	Average Gross Loan Portfolio	(PRs.)	540,048,198	396,083,049	60,367,464	33,663,085	1,030,161,796
AH	Inflation Rate	CPI	3.49%	3.49%	3.49%	3.49%	3.49%
16	Financial Revenue Ratio (Financial Revenue-to-Average Total Assets)	(AB/AD)	13.90%	13.88%	10.33%	11.64%	13.70%
17	Adjusted Profit Margin (Adjusted Profit/(loss)-to-Financial Revenue)	(AC/AB)	-6.59%	-10.99%	-245.29%	-91.81%	-17.58%
18	Yield on Gross Portfolio (nominal)	(AA/AG)	17.42%	18.11%	11.83%	13.64%	17.23%
19	Yield on Gross Portfolio (real)	(18-AH) / (1+AH)	13.46%	14.12%	8.06%	9.81%	13.28%

PEER GROUP - NGO MFI's

		JANUARY - DECEMBER 2003			JAN'02-JUN'03	JUL'02-JUN'03		
INDICATORS		DAMEN	SUNGI	SAFWCO	Taraqee	OPP	Total	
AA	Financial Revenue from Loan Portfolio	(PRs.)	8,911,036	655,063	2,457,408	9,834,903	3,328,285	25,186,695
AB	Financial Revenue	(PRs.)	9,410,606	1,017,746	2,563,059	9,834,903	3,989,643	26,815,957
AC	Adjusted Net Operating Income / (Loss)	(PRs.)	(684,231)	(7,138,759)	(4,184,224)	(17,991,143)	(3,218,307)	(33,216,664)
AD	Average Total Assets	(PRs.)	39,529,368	25,083,450	15,646,191	73,615,662	63,140,243	217,014,914
AE	Gross Loan Portfolio, Opening Balance	(PRs.)	19,197,962	8,881,487	7,238,000	16,487,406	26,096,565	77,901,420
AF	Gross Loan Portfolio, Closing Balance	(PRs.)	35,275,051	3,869,044	11,433,035	71,174,686	34,940,550	156,692,366
AG	Average Gross Loan Portfolio	(PRs.)	27,236,507	6,375,266	9,335,518	43,831,046	30,518,558	117,296,894
AH	Inflation Rate	CPI	3.49%	3.49%	3.49%	3.49%	3.49%	3.49%
16	Financial Revenue Ratio (Financial Revenue-to-Average Total Assets)	(AB/AD)	23.81%	4.06%	16.38%	13.36%	6.32%	12.36%
17	Adjusted Profit Margin (Adjusted Profit/(loss)-to-Financial Revenue)	(AC/AB)	-7.27%	-701.43%	-163.25%	-182.93%	-80.67%	-123.87%
18	Yield on Gross Portfolio (nominal)	(AA/AG)	32.72%	10.28%	26.32%	22.44%	10.91%	21.47%
19	Yield on Gross Portfolio (real)	(18-AH) / (1+AH)	28.24%	6.56%	22.06%	18.31%	7.17%	17.38%

Definition of Terms and Indicators:  
Operating Income

AA. Financial Revenue from Loan Portfolio:  
See (R1) for definition

AB. Financial Revenue:  
See (R) for definition

AC. Adjusted Net Operating Income/ (loss):  
See (X) for definition

AD. Average Total Assets:  
See (Y) for definition

AE and AF. Gross Loan Portfolio:  
See (J) for definition

AG. Average Gross Loan Portfolio:  
Average of opening and closing balance of Gross Loan Portfolio

AH. Inflation Rate:  
Latest annualized CPI as reported by the State Bank of Pakistan

16. Financial Revenue Ratio:  
Financial Revenue/ Average Total Assets

17. Adjusted Profit Margin:  
Adjusted Net Operating Income/ Adjusted Financial Revenue

18. Yield on Gross Portfolio (Nominal):  
Financial Revenue from Loan Portfolio/ Average Gross Loan Portfolio

19. Yield on Gross Portfolio (Real):  
(Yield on Gross Portfolio (nominal) - Inflation Rate)/ (1 + Inflation Rate)

# Operating Expense

PEER GROUP - SPECIALIZED MFI's/BANKS (JANUARY - DECEMBER 2003)						
INDICATORS			BOK	FMFBL	Kashf	Total
AI	Adjusted Total Expense	(PRs.)	69,415,583	95,618,662	79,792,165	244,826,410
AJ	Adjusted Financial Expense	(PRs.)	14,971,375	5,518,216	17,777,761	38,267,352
AK	Adjusted Loan Loss Provision Expense	(PRs.)	33,783,264	432,069	-	34,215,333
AL	Adjusted Operating Expense	(PRs.)	20,660,944	62,216,914	52,822,195	135,700,053
AM	Adjustment Expense	(PRs.)	-	25,029,463	9,192,209	34,221,672
AN	Average Total Assets	(PRs.)	244,224,993	1,030,867,167	550,962,132	1,826,054,292
20	Adjusted Total Expense-to-Average Total Assets	(AI/AN)	28.42%	9.28%	14.48%	13.41%
21	Adjusted Financial Expense-to-Average Total Assets	(AJ/AN)	6.13%	0.54%	3.23%	2.10%
22	Adjusted Loan Loss Provision Expense-to-Average Total Assets	(AK/AN)	13.83%	0.04%	0.00%	1.87%
23	Adjusted Operating Expense-to-Average Total Assets	(AL/AN)	8.46%	6.04%	9.59%	7.43%
24	Adjustment Expense-to-Average Total Assets	(AM/AN)	0.00%	2.43%	1.67%	1.87%

PEER GROUP - RURAL SUPPORT PROGRAMMES (JULY 2002 - JUNE 2003)							
INDICATORS			NRSP	PRSP	SRSP	TRDP	Total
AI	Adjusted Total Expense	(PRs.)	138,458,327	139,330,867	28,660,882	9,423,753	315,873,829
AJ	Adjusted Financial Expense	(PRs.)	33,493,406	26,998,551	6,060,591	2,052,970	68,605,518
AK	Adjusted Loan Loss Provision Expense	(PRs.)	8,454,124	27,003,448	14,506,313	1,041,627	51,005,512
AL	Adjusted Operating Expense	(PRs.)	86,947,288	65,237,725	8,093,978	6,201,287	166,480,278
AM	Adjustment Expense	(PRs.)	9,563,509	20,091,143	-	127,869	29,782,521
AN	Average Total Assets	(PRs.)	934,616,039	904,091,481	80,387,910	42,223,121	1,961,318,551
20	Adjusted Total Expense-to-Average Total Assets	(AI/AN)	14.81%	15.41%	35.65%	22.32%	16.11%
21	Adjusted Financial Expense - to - Average Total Assets	(AJ/AN)	3.58%	2.99%	7.54%	4.86%	3.50%
22	Adjusted Loan Loss Provision Expense-to-Average Total Assets	(AK/AN)	0.90%	2.99%	18.05%	2.47%	2.60%
23	Adjusted Operating Expense-to-Average Total Assets	(AL/AN)	9.30%	7.22%	10.07%	14.69%	8.49%
24	Adjustment Expense-to-Average Total Assets	(AM/AN)	1.02%	2.22%	0.00%	0.30%	1.52%

PEER GROUP - NGO MFI's

			JANUARY - DECEMBER 2003			JAN'02-JUN'03	JUL'02-JUN'03	
INDICATORS			DAMEN	SUNGI	SAFWCO	Taraqee	OPP	Total
AI	Adjusted Total Expense	(PRs.)	10,094,837	8,156,505	6,747,282	27,826,046	7,207,950	60,032,620
AJ	Adjusted Financial Expense	(PRs.)	2,361,672	208,967	516,803	2,974,055	174,622	6,236,119
AK	Adjusted Loan Loss Provision Expense	(PRs.)	-	2,666,049	484,610	-	1,210,137	4,360,796
AL	Adjusted Operating Expense	(PRs.)	7,638,976	4,446,575	5,699,213	24,688,751	3,785,034	46,258,549
AM	Adjustment Expense	(PRs.)	94,189	834,914	86,252	919,145	2,052,245	3,986,745
AN	Average Total Assets	(PRs.)	39,529,368	25,083,450	15,646,191	73,615,662	63,140,243	217,014,914
20	Adjusted Total Expense-to-Average Total Assets	(AI/AN)	25.54%	32.52%	43.12%	37.80%	11.42%	27.66%
21	Adjusted Financial Expense-to-Average Total Assets	(AJ/AN)	5.97%	0.83%	3.30%	4.04%	0.28%	2.87%
22	Adjusted Loan Loss Provision Expense-to-Average Total Assets	(AK/AN)	0.00%	10.63%	3.10%	0.00%	1.92%	2.01%
23	Adjusted Operating Expense-to-Average Total Assets	(AL/AN)	19.32%	17.73%	36.43%	33.54%	5.99%	21.32%
24	Adjustment Expense-to-Average Total Assets	(AM/AN)	0.24%	3.33%	0.55%	1.25%	3.25%	1.84%

Definition of Terms and Indicators:  
Operating Expense

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

AJ. Adjusted Financial Expense:  
Includes actual cost of borrowing and shadow cost of subsidized funding.

AK. Adjusted Loan Loss Provision Expense:  
Loan loss provision expense calculated by PMN. Done through standardized adjustment tool using ageing of portfolio technique.

AL. Adjusted Operating Expense:  
Includes actual operational expenses and inbind subsidy adjustments.

AM. Adjustment Expense:  
Refers to the total adjustment cost related to inflation and subsidized cost of borrowing.

AN. Average Total Assets:  
See (Y) for definition.

20. Adjusted Total Expense Ratio:  
Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)/  
Average Total Assets

21. Adjusted Financial Expense Ratio:  
Adjusted Financial Expense/ Adjusted Average Total Assets

22. Adjusted Loan Loss Provision Expense Ratio:  
Adjusted Net Loan Loss Provision Expense/  
Adjusted Average Total Assets

23. Adjusted Operating Expense Ratio:  
Adjusted Operating Expense/ Adjusted Average Total Assets

24. Adjustment Expense Ratio:  
Net inflation, in kind, loan loss provision and subsidized cost-of-funds adjustment expense/  
Adjusted Average Total Assets

# Efficiency Indicators

## PEER GROUP - SPECIALIZED MFI's/BANKS (JANUARY - DECEMBER 2003)

INDICATORS			BOK	FMFBL	Kashf	Total
AO	Adjusted Operating Expense	(PRs)	20,660,944	62,216,914	52,822,195	135,700,053
AP	Adjusted Personnel Expense	(PRs)	11,946,076	30,325,983	29,558,348	71,830,407
AQ	Average Gross Loan Portfolio	(PRs)	244,629,632	41,881,137	242,245,183	528,755,952
AQ1	Average Total Assets	(PRs)	244,224,993	1,030,867,167	550,962,132	1,826,054,292
AR	Average Number of Active Borrowers	Number	8,205	2,136	44,522	54,863
AS	Average Number of Active Loans	Number	8,205	2,136	62,371	72,712
25	Adjusted Operating Expense-to-Average Gross Loan Portfolio	(AO/AQ)	8.45%	6.04%	21.81%	8.94%
26	Adjusted Personnel Expense-to-Average Gross Loan Portfolio	(AP/AQ)	4.88%	2.94%	12.20%	4.73%
27	Adjusted Cost per Borrower (Adjusted Operating Expense per Average Active Borrower)	(AO/AR)	2,518	29,128	1,186	2,473
28	Adjusted Cost per Loan (Adjusted Operating Expense per Average Active Loan)	(AO/AS)	2,518	29,128	847	1,866

## PEER GROUP - RURAL SUPPORT PROGRAMMES (JULY - JUNE 2003)

INDICATORS			NRSP	PRSP	SRSP	TRDP	Total
AO	Adjusted Operating Expense	(PRs)	86,947,288	65,237,725	8,093,978	6,201,287	166,480,278
AP	Adjusted Personnel Expense	(PRs)	43,885,592	28,840,765	5,221,921	2,906,121	80,854,399
AQ	Average Gross Loan Portfolio	(PRs)	540,048,198	396,083,049	60,367,464	33,663,085	1,030,161,796
AR	Average Number of Active Borrowers	Number	60,283	57,382	7,353	4,765	129,783
AS	Average Number of Active Loans	Number	60,283	57,382	7,353	4,765	129,783
25	Adjusted Operating Expense-to-Average Gross Loan Portfolio	(AO/AQ)	16.10%	16.47%	13.41%	18.42%	16.16%
26	Adjusted Personnel Expense-to-Average Gross Loan Portfolio	(AP/AQ)	8.13%	7.28%	8.65%	8.63%	7.85%
27	Adjusted Cost per Borrower (Adjusted Operating Expense per Average Active Borrower)	(AO/AR)	1,442	1,137	1,101	1,301	1,283
28	Adjusted Cost per Loan (Adjusted Operating Expense per Average Active Loan)	(AO/AS)	1,442	1,137	1,101	1,301	1,283

PEER GROUP - NGO MFI's

		JANUARY - DECEMBER 2003			JAN'02-JUN'03	JUL'02-JUN'03	
INDICATORS		DAMEN	SUNGI	SAFWCO	Taraqee	OPP	Total
AO	Adjusted Operating Expense (PRs)	7,638,976	4,446,575	5,699,213	24,688,751	3,785,034	46,258,549
AP	Adjusted Personnel Expense (PRs)	5,360,357	3,635,728	2,119,200	14,760,919	1,867,957	27,744,161
AQ	Average Gross Loan Portfolio (PRs)	27,236,507	6,375,266	9,335,518	43,831,046	30,518,558	117,296,894
AR	Average Number of Active Borrowers Number	8,048	1,259	2,500	5,759	1,881	19,447
AS	Average Number of Active Loans Number	8,048	1,259	2,500	5,759	1,881	19,447
25	Adjusted Operating Expense-to-Average Gross Loan Portfolio (AO/AQ)	28.05%	69.75%	61.05%	56.33%	12.40%	39.44%
26	Adjusted Personnel Expense-to-Average Gross Loan Portfolio (AP/AQ)	19.68%	57.03%	22.70%	33.68%	6.12%	23.65%
27	Adjusted Cost per Borrower (Adjusted Operating Expense per Average Active Borrower) (AO/AR)	949	3,532	2,280	4,287	2,012	2,379
28	Adjusted Cost per Loan (Adjusted Operating Expense per Average Active Loan) (AO/AS)	949	3,532	2,280	4,287	2,012	2,379

Definition of Terms and Indicators:  
Efficiency Indicators

AO. Adjusted Operating Expense:  
See (AL) for definition.

AP. Adjusted Personnel Expense:  
Includes actual personnel expenses and in-kind subsidy adjustments.

AQ. Average Gross Loan Portfolio:  
See (AG) for definition.

AR. Average Number of Active Borrowers:  
Average of opening and closing balance of active borrowers

AS. Average Number of Active Loans:  
Average of opening and closing balance of active loans

25. Adjusted Operating Expense Ratio:  
Adjusted Operating Expense/ Average Gross Loan Portfolio for FirstMicrofinanceBank  
Adjusted Operating Expense/Average Total Assets

26. Adjusted Personnel Expense ratio:  
Adjusted Personnel Expense/ Average Gross Loan Portfolio for FirstMicrofinanceBank  
Adjusted Personnel Expense/Average Total Assets

27. Adjusted Cost per Borrower:  
Adjusted Operating Expense/ Average Number of Active Borrowers

28. Adjusted Cost per Loan:  
Adjusted Operating Expense/ Average Number of Active Loans

# Productivity Indicators

PEER GROUP - SPECIALIZED MFI's/BANKS (JANUARY - DECEMBER 2003)						
INDICATORS			BOK	FMFBL	Kashf	Total
AT	Number of Active Borrowers	Number	8,648	3,558	59,389	71,595
AU	Number of Active Loans	Number	8,648	3,558	87,668	99,874
AV	Number of Active Savers	Number	-	10,151	57,058	67,209
AW	Total Number of Staff	Number	41	123	262	426
AX	Total Number of Loan Officers	Number	32	39	172	243
29	Borrowers per staff	(AT/AW)	211	29	227	168
30	Borrowers per loan officer	(AT/AX)	270	91	345	295
31	Loans per staff	(AU/AW)	211	29	335	234
32	Loans per Loan Officer	(AU/AX)	270	91	510	411
33	Savers Per staff	(AV/AW)	0	83	218	158
34	Personnel Allocation Ratio (Number of Loan Officers-to-Total Number of Staff)	(AX/AW)	78.05%	31.71%	65.65%	57.04%

PEER GROUP - RURAL SUPPORT PROGRAMMES (JULY - JUNE 2003)							
INDICATORS			NRSP	PRSP	SRSP	TRDP	Total
AT	Number of Active Borrowers	Number	70,375	60,464	6,389	5,488	142,716
AU	Number of Active Loans	Number	70,375	60,464	6,389	5,488	142,716
AV	Number of Active Savers	Number	401,611	180,070	151,500	56,041	789,222
AW	Total Number of Staff	Number	483	315	59	20	877
AX	Total Number of Loan Officers	Number	445	226	54	16	741
29	Borrowers per staff	(AT/AW)	146	192	108	274	163
30	Borrowers per loan officer	(AT/AX)	158	268	118	343	193
31	Loans per staff	(AU/AW)	146	192	108	274	163
32	Loans per Loan Officer	(AU/AX)	158	268	118	343	193
33	Savers Per staff	(AV/AW)	831	572	2,568	2,802	900
34	Personnel Allocation Ratio (Number of Loan Officers-to-Total Number of Staff)	(AX/AW)	92.13%	71.75%	91.53%	80.00%	84.49%

PEER GROUP - NGO MFI's

				JANUARY - DECEMBER 2003			JAN'02-JUN'03	JUL'02-JUN'03	
INDICATORS			DAMEN	SUNGI	SAFWCO	Taraqee	OPP	Total	
AT	Number of Active Borrowers	Number	10,140	1,033	2,973	10,078	2,481	26,705	
AU	Number of Active Loans	Number	10,140	1,033	2,973	10,078	2,481	26,705	
AV	Number of Active Savers	Number	-	12,985	3,703	14,356	-	31,044	
AW	Total Number of Staff	Number	60	10	18	163	22	273	
AX	Total Number of Loan Officers	Number	33	6	11	149	11	210	
29	Borrowers per staff	(AT/AW)	169	103	165	62	113	98	
30	Borrowers per loan officer	(AT/AX)	307	172	270	68	226	127	
31	Loans per staff	(AU/AW)	169	103	165	62	113	98	
32	Loans per Loan Officer	(AU/AX)	307	172	270	68	226	127	
33	Savers Per staff	(AV/AW)	0	1,299	206	88	0	114	
34	Personnel Allocation Ratio (Number of Loan Officers-to- Total Number of Staff)	(AX/AW)	55.00%	60.00%	61.11%	91.41%	50.00%	76.92%	

Definition of Terms and Indicators:  
Productivity Indicators

AT. Number of Active Borrowers:  
See (K) for definition

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

AV. Number of Active Savers:  
See (O) for definition

AW: Total Number of Staff/Personnel:  
See (D) for definition

AX: Total Number of Loan Officers:  
The number of staff members who dedicate the majority of their time to direct client contact. Front office staff include more than those typically qualified as credit or loan officers. They may also include tellers, personnel who open and maintain accounts such as savings

Accounts for clients, delinquent loan recovery officers and others whose primary responsibilities bring them in direct contact with microfinance clients

29. Borrowers per Staff:  
Number of Active Borrowers/ Number of personnel

30. Borrowers per Loan Officers:  
Number of Active Borrowers/ Number of Loan Officers

31. Loan Per Staff:  
Number of Active Loans/ Number of personnel

32. Loans per Loan Officers:  
Number of Active Loans/ Number of Loan Officers

33. Savers per staff:  
Number of Savers/ Number of personnel

34. Personnel Allocation Ratio:  
Number of Loan Officers/ Number of personnel

# Risk & Liquidity Indicators

PEER GROUP - SPECIALIZED MFI's/BANKS (JANUARY - DECEMBER 2003)						
INDICATORS			BOK	FMFBL	Kashf	Total
AY	Portfolio at Risk > 30 days	(PRs.)	116,222,867	1,836,862	471,907	118,531,636
AZ	Portfolio at Risk > 90 days	(PRs.)	79,887,500	1,049,882	397,537	81,334,919
BA	Adjusted Loan Loss Reserve	(PRs.)	42,868,747	791,436	198,769	43,858,952
BB	Loan written off during the year	(PRs.)	-	-	-	-
BC	Gross Loan Portfolio	(PRs.)	245,011,087	65,793,905	347,116,339	657,921,331
BD	Average Gross Loan Portfolio	(PRs.)	244,629,632	41,881,137	242,245,183	528,755,952
35	Portfolio at Risk(>30)-to-Gross Loan Portfolio	(AY/BC)	47.44%	2.79%	0.14%	18.02%
36	Portfolio at Risk(>90)-to-Gross Loan Portfolio	(AZ/BC)	32.61%	1.60%	0.11%	12.36%
37	Risk Coverage Ratio ( Adjusted Loan Loss Reserve-to-Portfolio at Risk>30days)	(BA/AY)	36.88%	43.09%	42.12%	37.00%
38	Write off-to-Average Gross Loan Portfolio	(BB/BD)	0	0	0	0

PEER GROUP - RURAL SUPPORT PROGRAMMES (JULY 2002 - JUNE 2003)							
INDICATORS			NRSP	PRSP	SRSP	TRDP	Total
AY	Portfolio at Risk > 30 days	(PRs.)	48,028,391	76,905,169	31,252,630	1,040,998	157,227,188
AZ	Portfolio at Risk > 90 days	(PRs.)	42,409,581	70,636,335	29,091,880	1,033,501	143,171,297
BA	Adjusted Loan Loss Reserve	(PRs.)	36,986,891	59,140,547	27,781,153	1,033,293	124,941,884
BB	Loan written off during the year	(PRs.)	34,698,616	281,000	8,964,034	8,334	43,951,984
BC	Gross Loan Portfolio	(PRs.)	632,654,109	408,278,630	43,758,855	38,391,595	1,123,083,189
BD	Average Gross Loan Portfolio	(PRs.)	540,048,198	396,083,049	60,367,464	33,663,085	1,030,161,796
35	Portfolio at Risk(>30)-to-Gross Loan Portfolio	(AY/BC)	7.59%	18.84%	71.42%	2.71%	14.00%
36	Portfolio at Risk(>90)-to-Gross Loan Portfolio	(AZ/BC)	6.70%	17.30%	66.48%	2.69%	12.75%
37	Risk Coverage Ratio ( Adjusted Loan Loss Reserve-to-Portfolio at Risk>30days)	(BA/AY)	77.01%	76.90%	88.89%	99.26%	79.47%
38	Write off-to-Average Gross Loan Portfolio	(BB/BD)	6.43%	0.07%	14.85%	0.02%	4.27%

PEER GROUP - NGO MFI's

		JANUARY - DECEMBER 2003			JAN'02-JUN'03	JUL'02-JUN'03	
INDICATORS		DAMEN	SUNGI	SAFWCO	Taraqee	OPP	Total
AY	Portfolio at Risk > 30 days (PRs.)	1,675,506	3,372,468	743,216	-	1,031,252	6,822,442
AZ	Portfolio at Risk > 90 days (PRs.)	527,474	3,008,142	551,416	-	741,322	4,828,354
BA	Adjusted Loan Loss Reserve (PRs.)	418,877	2,666,049	484,610	-	370,661	3,940,197
BB	Loan written off during the year (PRs.)	-	444,075	-	-	839,476	1,283,551
BC	Gross Loan Portfolio (PRs.)	35,275,051	3,869,044	11,433,035	71,174,686	34,940,550	156,692,366
BD	Average Gross Loan Portfolio (PRs.)	27,236,507	6,375,266	9,335,518	43,831,046	30,518,558	117,296,894
35	Portfolio at Risk(>30)-to-Gross Loan Portfolio (AY/BC)	4.75%	87.17%	6.50%	0.00%	2.95%	4.35%
36	Portfolio at Risk(>90)-to-Gross Loan Portfolio (AZ/BC)	1.50%	77.75%	4.82%	0.00%	2.12%	3.08%
37	Risk Coverage Ratio (Adjusted Loan Loss Reserve-to-Portfolio at Risk>30days) (BA/AY)	25.00%	79.05%	65.20%	0.00%	35.94%	57.75%
38	Write off-to-Average Gross Loan Portfolio (BB/BD)	0.00%	6.97%	0.00%	0.00%	2.75%	1.09%

Definition of Terms and Indicators:  
Risk and Liquidity Indicators

AY. Portfolio at Risk > 30 days:  
Outstanding balance, loans overdue > 30 Days

AZ. Portfolio at Risk > 90 days:  
Outstanding balance, loans overdue > 90 Days

BA. Adjusted Loan Loss Reserve:  
Loan loss reserve calculated by PMN. Done through standardized adjustment tool using ageing of portfolio technique.

BB. Loan written of during the year:  
Value of loans written off during the year

BC. Gross Loan Portfolio:  
See (J) for definition

BD: Average Gross Loan Portfolio:  
See (AG) for definition.

35. Adjusted Portfolio at Risk > 30 Days  
Outstanding balance, loans overdue > 30 Days/  
Adjusted Gross Loan Portfolio

36. Adjusted Portfolio at Risk > 90 Days  
Outstanding balance, loans overdue > 90 Days/  
Adjusted Gross Loan Portfolio

37. Risk Coverage Ratio:  
Adjusted Loan Loss Reserve/ PAR > 30 Days

38. Write-Off Rate:  
Loans written off during the year / Average  
Gross Loan Portfolio

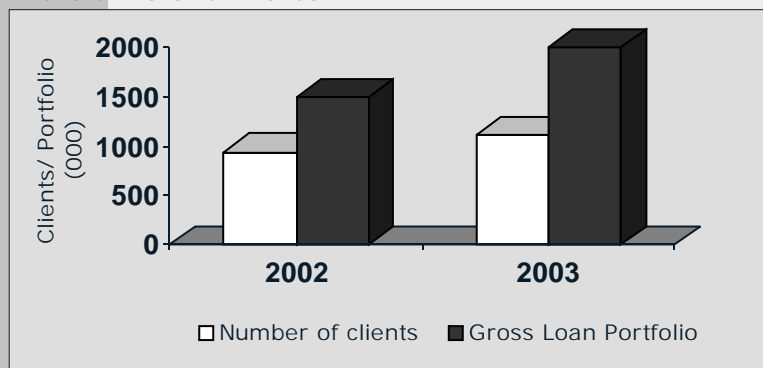
## Pakistan Microfinance Sector *Financial Trends*

As the microfinance sector in Pakistan evolves, a movement towards more sophisticated and market driven trends is seen. MFIs' willingness to be rated and assessed, NGO MFIs transformation to licensed banks and a movement towards the establishment of credit bureaus are some of the major areas indicative of the progress made in the sector.

MFIs with a strong capital base are building relationship with commercial banks. The not so large MFIs with very little capital are also able to access credit from the Pakistan Poverty Alleviation Fund. We believe the availability of credit line to MFIs is leading to growth in the sector.

The current reporting period shows growth both in terms of gross loan portfolio and number of active clients (see chart 1). The number of active borrowers increased from 177,000 to 240,000 by the end of this reporting period. The number of savers increased from 766,115 to 890,000 if we adjust for AKRSP data on savers. The amount of outstanding loan portfolio has also increased from Rs.1,500m to Rs.2,000m. This indicates a growth on average of around 25% if we adjust the impact of different reporting period.

Chart 1: Growth Trends





The overall financial performance as calculated through operational self-sufficiency shows a slight improvement from 82% to 90%. This is on the back of a much improved yield on gross portfolio (19.2% 2003: 16.7% 2002) an improvement in operating efficiency from 18.5% to 17.5% and staff productivity per loan from 153 to 171. The quality of portfolio has also improved considerably PAR > 90 days has declined to 12% from 18% last year. A good way of looking at the sector in Pakistan would be to compare some of the key indicators with international peer groups as reported in the 9th edition of The MicroBanking Bulletin.

Table I: Comparison of Microfinance sector with regional peers

Indicators	Pakistan	Africa Medium	Asia Medium	Latin America Medium
Adjusted Total Cost Ratio	15.30%	33.30%	27.90%	28.60%
Staff Productivity	153	214	167	190
Average Loan Size to Per Capita Income	30.20%	57.50%	20.30%	45.10%
Yield on Gross Portfolio (nominal)	19.20%	46.10%	37.30%	45.20%
Operational Self Sufficiency	89.70%	103.00%	111.00%	128.00%
Financial Self Sufficiency	79.80%	95.00%	100.00%	123.00%

Pakistan microfinance sector is performing efficiently and productively. Our average loan size is also in the medium range, however if we look at the sustainability indicators we can see that the sector is underperforming against other regions.

The reason is obvious. The yield from Gross Portfolio for the Pakistani sector is the lowest. This highlights the importance of pricing for the microfinance sector in Pakistan. The sector needs to be productive, efficient, and improve its portfolio quality which is on the high side (PAR > 90 days 11%). Another area that it needs to look at is the optimal asset mix.

The percentage of Gross portfolio to the total asset base for MFIs in Pakistan is less than 50%, where as for all MFIs in the MBB it is 71% and for financially sustainable MFIs it is 73%. In the given interest rate environment, MFIs will need to look at avenues that can give them good returns and perhaps increase this percentage to more reasonable levels.

# Members Financial Performance: A Review

In this section PMN will analyze the performance of its member organizations and compare them with some regional peer groups as reported in the MBB 9th edition.

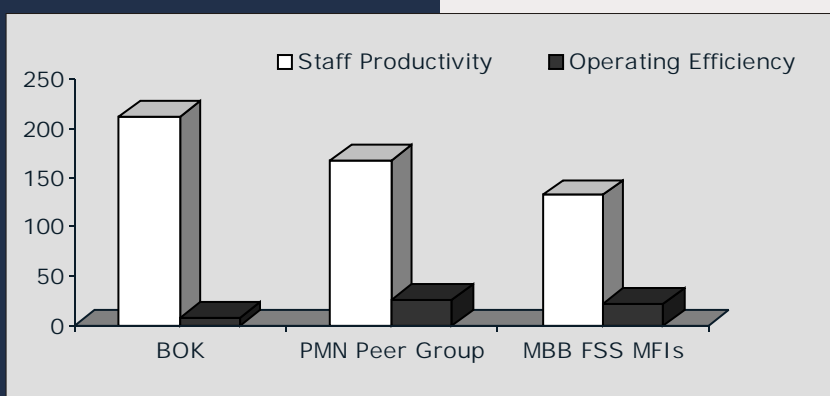
## The Bank of Khyber (BOK)

The BOK was established in 1991 through the Bank of Khyber Act of 1991. It is principally engaged in the business of commercial, investment and development banking. The BOK acquired the status of a scheduled bank in 1994 and became PMN member in 2002. In this section we will analyze the financial performance of the development side that is the Microfinance Division (MFD) of the BOK.

Age as MFD	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
8 years	-0.33%	100%	Rs. 28,332	12.70%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
12.70%	28.42%	8.45%	Rs.2,518	211
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
32.60%	47.40%	-15.70%	44.80%	44.80%

The financial performance of the bank indicates some strengths and weaknesses. The financing of the organization is not a matter of concern as the whole BOK is comfortably capitalized (Over all Equity-to-Asset ratio 9.8%).

The above table shows that the bank is performing reasonably well in terms of operating efficiency and staff productivity. However this is not translating into a financially sustainable and profitable business.



The reasons for this low profitability can be seen if we look at the portfolio quality of the bank. This is very high (PAR > 30 days 47%) not only if we do a peer group comparison but for any business by itself. This is leading to very low yield on portfolio (BOK 12.7%: PMN peer group 22.8% and MBB FSS MFIs 34.6%). The bank needs to improve its portfolio quality.

Perhaps the bank needs to look at its staff load which is very high against both national and international comparisons. One other factor that the bank should concentrate on is the financial cost ratio (6.1%) which is very high in the current economic conditions. The MFD will need to take advantage of this low interest rate environment and access cheaper financial resources to improve its profitability.



## The First MicroFinanceBank Limited (FMFBL)

The FMFBL was incorporated in 2001 as a public limited company under the Microfinance Institutions Ordinance 2001 and received certificate of incorporation in February 2002. The bank was recently rated by JCR-VIS Credit Rating Agency limited and given A+ / A-1+ rating, with a positive out look.

The table shows financial position of the FMFB against certain set of key indicators:

Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
2 years	61.30%	6%	Rs. 18,492	23.10%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity borrowers/staff
6.90%	9.30%	6.00%	Rs.29,128	29
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
1.60%	2.80%	-2.30%	105.00%	77.30%

The bank is showing good financial performance and has reached operational self-sufficiency within 1 year of its operations. The operational sustainability coupled with a good yield on portfolio and an excellent portfolio quality are some of the strengths that will help the bank in leveraging its very large capital base.

The bank will however need to look at its asset structure and may be concentrate on increasing the proportion of gross portfolio to total assets (5.5%, PMN average for this peer group 29.8% and average for FSS MFIs in the MBB is 73.1%), since this can add to its top line that is the financial income. The current gap of yield on portfolio and financial revenue can also be narrowed with more and more asset moving towards controllable assets that can return higher yield. One other factor that can improve the overall financial yield of the bank could be approval of the central bank to invest in other than government securities. The increase in portfolio will then lead to much better efficiency and staff productivity ratios.

## KASHF Foundation (Kashf)

Kashf was registered in Lahore in 1996 as a non profit association under the Societies Registration Act, 1860.

The financial and operational performance of KASHF has been tremendous in terms of both growth and financial sustainability.

Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
8 years	40.80%	45%	Rs. 5,845	32.90%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
16.70%	14.50%	21.80%	Rs.1,186	227
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
0.11%	0.14%	2.18%	130.10%	115.10%

Kashf is the only financially sustainable MFi in Pakistan. This is on the back of very high yield on gross portfolio (32.9% - peer group average 22.8% and average for FSS MFIs in the MBB 39.9%), a higher proportion of loan portfolio to total assets and investments in high yield securities.

Kashf is also improving its efficiency over the last couple of years (54% 2001: 25% 2002 and 22% 2003). The organization is also showing a good staff productivity (227 borrowers per client) and an excellent portfolio quality (PAR>30 days 0.14%). With the current performance, it is high time for Kashf to access commercial source of funding as it has a very high equity base that can be leveraged to borrow low cost funds.

The table below clearly indicates that Kashf is out-performing the industry average. The only factor for improved sustainability could be higher loan size coupled with higher portion of portfolio in the asset structure and leveraging its current capital structure to attain much faster growth.

Age	8 years	10 years
Capital Structure (Equity/Assets)	40.80%	40.40%
Gross Portfolio to Total Asset	44.80%	73.10%
Financial Depth (ALS/per capita income)	20.50%	66.40%
Number of borrowers	59,389	22,841
Yield on Gross Portfolio (real)	28.40%	34.60%
Operating Efficiency	21.80%	22.20%
Staff productivity	227	132
PAR>90 days	0.11%	1.50%



## National Rural Support Programme (NRSP)

NRSP is a company limited by guarantee and was incorporated in Pakistan in November 1991 under section 42 of the Companies Ordinance 1984. NRSP is one of the largest MFIs in Pakistan in terms of number of active borrowers and Gross Loan Portfolio.

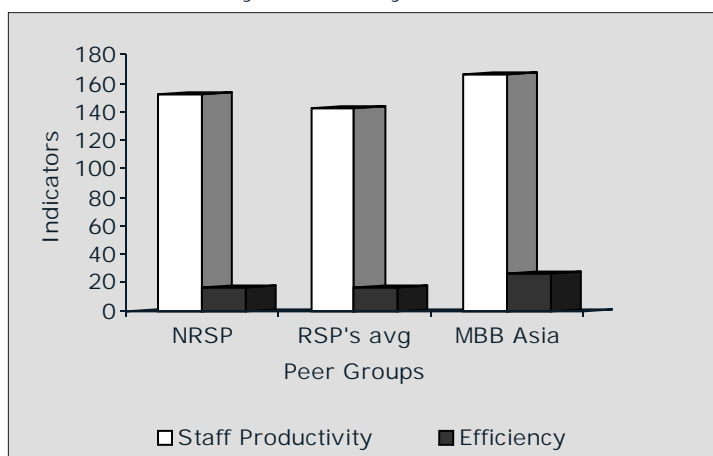
A quick look at NRSP's indicators shows growth (active borrowers 70K June 2003 61K December 2002) and improved portfolio (PAR > 90 days 6.7% 2003, 16.5% December 2002). During the reporting period NRSP has cleaned its portfolio by writing off 6.4% of its loan portfolio. see table below.

Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
11 years	32.00%	65%	Rs.8,990/-	17.40%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
13.90%	14.80%	16.10%	Rs.1,442/-	146
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
6.70%	7.60%	-0.90%	100.80%	93.80%

We believe that in the next couple of years, NRSP will be in a much better position to improve its financial sustainability, since the portfolio quality has improved considerably and the organization is increasing its outreach. Though, NRSP will need to bring its PAR>90 days down to international acceptable norms of <1.5% as reported by MBB for 66 financially sustainable MFIs. The organization can also take strength from the fact that it is reasonably efficient within its peer group while its staff productivity is also on the higher side.

NRSP's financial revenue ratio is high 13.9% (RSP peer group average 13.6, PMN all average is 11%) in the Pakistani context. However, this is low if we compare it with MBB FSS MFIs 30.2% and with Asia medium MFIs 28.8%. Going forward, this is another area that needs to be looked at by the NRSP management since the current instrument will mature and there is a high re-investment risk in the current interest rate environment.

NRSP: Productivity & Efficiency



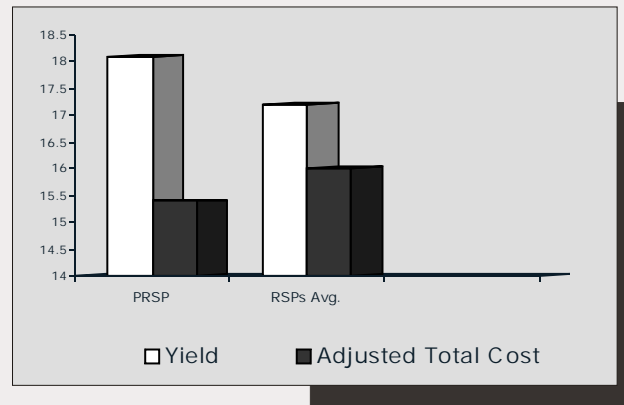


## Punjab Rural Support Programme (PRSP)

PRSP was incorporated in Pakistan in November 1997 under section 42 of the Companies Ordinance, 1984 as a guarantee limited company. PRSP started its microfinance operations in 1998. PRSP is operationally sustainable MFIs and is performing efficiently (16.5%, peer group average 16.2% and 26.6% for asian MFIs).

Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
6 years	66.00%	42%	Rs. 6,752/-	18.10%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
13.90%	15.40%	16.50%	Rs. 1,137/-	192
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
17.30%	18.90%	-1.50%	105.30%	90.10%

PRSP has achieved operational sustainability on the back of lower costs and higher yield on portfolio as compared to its peer group average.



The strength of PRSP lies in its efficient operations (PRSP 16.5%: peer group 16.2%) and productive staff (PRSP 192: peer average 163).

Area of major concern for PRSP should be a very high PAR (> 90 days 17% and > 30 days 19%). This has also risen from last reported data in December 2002 (PAR >90 days 14.6%). Another concern for the PRSP's management should be the current interest rate environment, since income from investment is 75% of income from loan portfolio (peer average 34%).



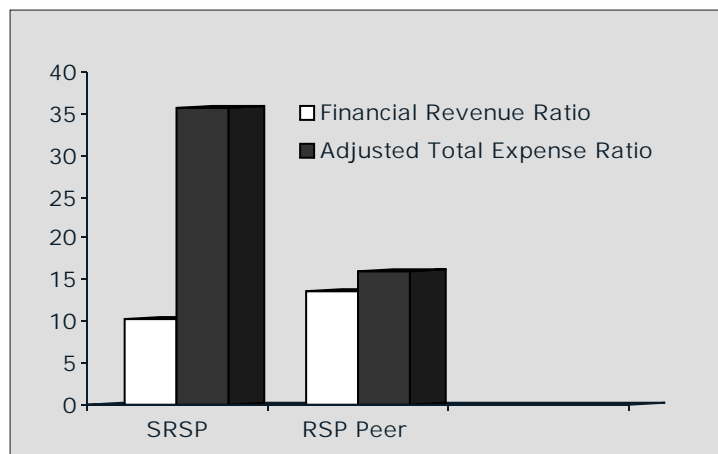
## Sarhad Rural Support Programme (SRSP)

SRSP is a company limited by guarantee and was incorporated under section 42 of the Companies Ordinance 1984 in November 1989. The company continues to be in a restructuring phase and has considerably reduced its operations and loan portfolio without reducing the infrastructure and personnel costs.

Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
13 years	-10.16%	70%	Rs.6,849/-	11.80%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
10.30%	35.70%	13.40%	Rs.1,101/-	108
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
66.50%	71.40%	-25.30%	29.00%	29.00%

SRSP continues to show declining trends in terms of OSS and FSS ratios. This is because of a very bad portfolio (PAR>90 days 67%) that needs to be written off. Other factor includes a very high adjusted expense ratio 35.7% (RSP peer average 17.7%) and a low financial revenue ratio 10.3% (RSP peer average 13.6%). The organization will need to take urgent decisions in terms of stemming this trend and building on its strength of a low operating cost environment. SRSP should also look for either increasing the work load of its staff or reducing the staff.

Going forward the management is in the process of changing its credit disbursement model. The management also plans to link staff salaries on the basis of performance. The SRSP management is also negotiating with the provincial government to swap its long term debt to endowment. The process of encouraging monitoring reports at the branch levels and decentralization will be good for SRSP in the medium to long term. SRSP should also look at improving its yield and financial revenue ratios to improve the income of the organization. The management is confident that starting 2004 the credit program will again enter the growth phase.

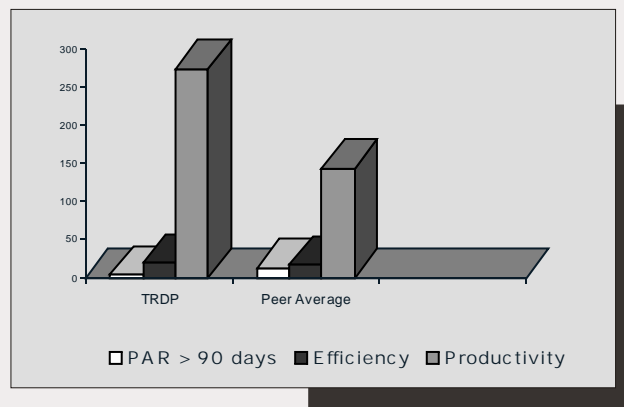


### Thardeep Rural Development Programme (TRDP)

TRDP was registered in July 1998 under the Societies Act of 1860. It is working in the desert areas of Pakistan where population density is low and the population faces severe drought during the reporting period. Hence, this area is also subject to migration risks. TRDP financial performance is outlined below:

Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
7 years	26.60%	73%	Rs.6,996/-	13.60%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
11.60%	22.30%	18.40%	Rs.1,301/-	274
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
2.69%	2.71%	-7.40%	52.90%	52.10%

TRDP's strength is its portfolio quality, staff productivity and operational efficiency.



However, TRDP has been unable to convert these into a sustainable program. This is because of underperformance on the income side. The yield to Gross Portfolio for TRDP is 13.6% (peer average 17.2%) and its financial revenue ratio (a measure of yield from total average asset) is 11.6% (peer average 13.6%). This is because the operational environment for TRDP does not allow them to invest in high yielding securities, as such a large portion of its assets remain idle.

Going forward we believe the focus of TRDP management should be to increase its income and continue to take advantage of staff productivity to lower its operational expense ratio to gain efficiencies. A very encouraging sign for the organization is the process of preparing separate budgets and keeping separate books of accounts for its microfinance operations. This will help TRDP to improve on its existing program and identify the true cost of microfinance operations.



## Development Action for Mobilization and Emancipation (DAMEN)

DAMEN was registered under the Societies Registration Act of 1860 in 1996. Since then DAMEN continues to consolidate its microfinance program. In fact through PPAF funds DAMEN has now entered a growth phase (active borrowers 10,140 current: 5,956 December 2002), doubling the number of active clients in six months.

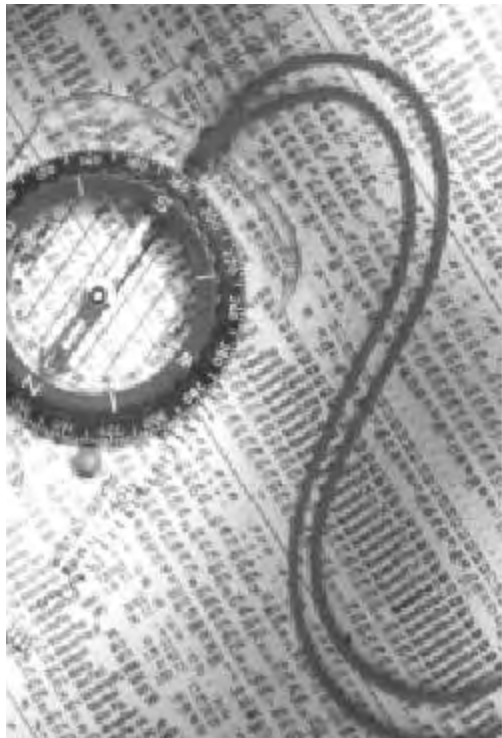
The financial performance of DAMEN can be reviewed from the following table:

Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
8 years	23.60%	84%	Rs.3,479/-	32.70%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
23.80%	25.60%	28.00%	Rs.949/-	169
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
1.50%	4.80%	-1.70%	94.10%	93.20%

The most encouraging feature of DAMEN's growth is the continuous move towards sustainability (current FSS 93.2%: last reported figure 77.9%) . This is on the back of higher yield 32.7% and improved portfolio (PAR > 90 days 1.5% current: 3.3%). The other factors that have contributed to DAMEN's better financial performance include a higher percentage of gross portfolio to total asset ratio, efficient operations and high level of staff productivity.

Indicators	DAMEN	NGO MFI peer group	MBB Asia Small
Yield on Gross Portfolio	32.70%	21.10%	33.00%
PAR > 90 days	1.50%	2.90%	0.80%
Gross Portfolio to total assets	83.50%	58.80%	50.10%
Staff Productivity	169	93	172
Out reach depth (ALS/per capita income)	12.21%	21.50%	17.00%
Operating Efficiency	28.00%	37.60%	53.90%

Going forward we believe DAMEN should look for reducing its operational cost ratio, increasing its equity and a shift in its asset mix through diversifying its investments. Perhaps an increase in loan size can have a direct impact on both efficiency gains and improved sustainability.



### Sungi Development Foundation (SUNGI)

SUNGI was registered under the Societies Registration Act of 1860 in 1994. During the last few years SUNGI has been facing problems in running its microfinance operations. The financial performance of SUNGI is shown below:

Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
10 ye ars	97.40%	15%	Rs.3,745/-	10.30%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
4.10%	32.50%	69.80%	Rs.3,532/-	103
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
77.80%	87.20%	-28.50%	13.90%	12.50%

SUNGI will need to revisit its pricing strategy (yield 10%, PMN NGO peer group 21.1% and MBB Asia low end MFIs average 33%) and change its asset mix to increase its yield and financial revenue ratio ( SUNGI 4.1%, PMN peer average 12% and MBB Asia low end average 17.4%). On the expenditure side SUNGI will either need to reduce its infrastructure and personnel cost or increase its portfolio size. However, the increase in portfolio must be preceded by an efficient MIS that can track client's quality. It is time for SUNGI to clean its portfolio since more than 80% of it is late and not giving any returns to the organization.

For us the new SUNGI management is a sign of good days ahead. The organization has developed a 5 year strategic plan and has inducted experienced and good quality staff both in the finance department and at the program level. SUNGI is also looking at building the capacity of its staff by sending them to trainings and exposure visits.

### Taraqee Foundation (Taraqee)

Taraqee was established in 1996 as a trust. It was later registered as Taraqee Foundation under section 42 of the Companies Ordinance 1984 in 2002. Taraqee is a highly leveraged firm with almost 90% of its assets finance through debt. This together with a very low sustainability ratio increases the financial risk of Taraqee. The financial performance of Tarqee is outlined below:

Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
8 years	11.60%	63%	Rs.7,062/-	22.40%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
13.40%	37.80%	56.30%	Rs.4,287/-	62
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
0.00%	0.00%	-24.40%	36.60%	35.30%



The strength of Taraqees performance lays in its excellent portfolio and good financial revenue ratios (Yield 22.4% compared to PMN NGO MFIs peer average of 21%). However Taraqee is unable to cover even 1/3rd of its cost, since its cost structure is very high. The following figures will substantiate this claim of high operational costs and low staff productivity as 2 main factors for Taraqee's very low sustainability (OSS 37% and FSS 35%)

Indicators	Taraqee	NGO MFI peer group	MBB Asia Small
Adjusted Operating Expense ratio	33.50%	20.10%	13.30%
Operating Efficiency	56.30%	37.60%	53.90%
Cost per borrower (Rs.)	4287	2393	1740
Staff Productivity	62	93	172

The table clearly indicates the areas that Tarqee needs to address to become a sustainable MFI.

### Orangi Pilot Project (OPP)

The OPP started its microfinance operations in 1987. OPP works with economically active clients. The financial performance of OPP is outlined below:


Age	Equity-Asset	Gross Portfolio / Total Assets	Average Loan Size	Yield on Gross Portfolio
8 years	11.60%	63%	Rs.7,062/-	22.40%
Financial Revenue Ratio	Adjusted Total Expense Ratio	Operational Efficiency	Cost / borrower	Staff Productivity
13.40%	37.80%	56.30%	Rs.4,287/-	62
PAR > 90 days	PAR > 30 days	Adjusted Return on Assets	Operational Sustainability	Financial Sustainability
0.00%	0.00%	-24.40%	36.60%	35.30%

OPP's strength lies in its efficiency and low cost structure. However, this is on the back of a higher loan size (OPP Rs.14,083: PMN NGO MFIs Rs.6,121: MBB low end Asian MFIs Rs. 4,500).

OPP, after a long period, has started showing growth (2,481 current active borrowers: 1,700 in Dec. 2002 and 841 in 2001). OPP has recently entered into an agreement with PPAF and plans to grow in the coming years to a much larger MFI.

OPP needs to improve its income side in its quest to becoming an operationally sustainable MFI. Since its current yield and financial revenue ratio are very low. Going forward OPP can utilize its capital base to access leverage for growth. However OPP will need to update its current MIS to avoid problems that some other members have faced in the past.

Another area where OPP can focus on is hiring a Fund Manager to take investment decisions that can increase its financial revenue ratio and make OPP a viable MFI.



## Disclosures

### The Bank of Khyber (BOK)

- ↘ The bank has provided PMN with its audited accounts. However, since the audited accounts does not disclose figures related to Microfinance Division these are not verifiable with audited accounts.
- ↘ The Bank has separate staff and office for MFD and the bank provides figures to MFD only against those accounts that directly deal with micro credit operations of the MFD.
- ↘ The bank prepares accounts on historic costs and using accrual system of accounting. However, income from service charges for the MFD has been provided on cash basis.
- ↘ PMN has made adjustments as per its adjustment policies. However the adjusted loan loss provision expense and loan loss reserve is reduced with the amount of collateral available against those balances. The amount of this security is Rs. 33.8 million.

### The First Microfinance Bank Limited (FMFBL)

- ↘ FMFBL has provided PMN with both its audited accounts and rating report. The figures match with these reports.
- ↘ The PMN analyst has made all the 4 adjustments to the FMFBL data. However we have not increased the financial cost since the bank is already carrying on commercial operations and as such the reduced financial cost indicates strength of the banks management and financial position. The additional cost would amounts to Rs. 0.7 million.
- ↘ The bank prepares accounts using accrual system of accounting.



#### KASHF Foundation (Kashf)

- ✚ Kashf has recently changed its financial year from July-June to January-December. KASHF has provided PMN with its audited accounts for July 2001-June 2002 and July 2002-June 2003. The report for July-December 2003 is awaited.
- ✚ Kashf has however provided PMN with data and figures for the period January-December 2003, since they have the necessary systems to generate this kind of report on monthly basis.
- ✚ PMN has to rely on the figures provided by Kashf.
- ✚ PMN's analyst has made all the four adjustments to the Kashf data.
- ✚ Kashf books its income using cash system of accounting and expenses on accruals.

#### National Rural Support Programme (NRSP)

- ✚ NRSP has provided its audited accounts for the reporting period to PMN and the figures tally with the reported data.
- ✚ Since NRSP is an integrated programme; the following resource allocation process was followed:
  - a) The directly identified accounts for credit and non credit functions were directly transferred to the respective programs
  - b) All other accounts that were common to the institution were transferred in the ratio of 42% to credit and 58% to non credit.
  - c) As such 42% of NRSPs investment income was credited to credit operations of NRSP
- ✚ NRSP's accounts were adjusted as per PMN adjustment policies to remove the affect of subsidies.
- ✚ NRSP prepares its accounts using accrual system of accounting.



#### Punjab Rural Support Programme (PRSP)

- ✚ PRSP has provided its audited accounts for the reporting period to PMN and the figures tally with the reported data.
- ✚ Since PRSP is an integrated programme; the following resource allocation process was followed:
  - a) The directly identified accounts for credit and non credit functions were directly transferred to the respective programs
  - b) All other accounts that were common to the institution were transferred in the ratio of 60% to credit and 40% to non credit.
  - c) As such 60% of PRSPs investment income was credited to credit operations of PRSP
- ✚ PRSP's accounts were adjusted as per PMN adjustment policies to remove the affect of subsidies.
- ✚ PRSP prepares its accounts using accrual system of accounting, except for over due loans whose income is recorded using cash basis.

#### Sarhad Rural Support Programme (SRSP)

- ✚ SRSP has provided its audited accounts for the reporting period to PMN and the figures tally with the reported data. However these accounts have not been approved by the SRSP board.
- ✚ Since SRSP is an integrated programme; the following resource allocation process was followed:
  - a) The directly identified accounts for credit and non-credit functions were directly transferred to the respective programs
  - b) The personnel cost has been transferred by allocating time to staff performing different duties and 100% of the time for staff hired only for credit operations
  - c) SRSP experience suggests that administration expense is 50% of the personnel expense; as such administration cost has been transferred to credit operations using this method.
  - d) The average allocation for operating cost to credit operations comes to 7.8%
  - e) Remaining common accounts have been allocated to credit operations at 7.8%
  - f) As such 7.8% of SRSPs investment income was credited to credit operations of SRSP
- ✚ SRSP's accounts were adjusted as per PMN adjustment policies to remove the affect of subsidies.
- ✚ SRSP prepares its accounts using accrual system of accounting, except for income from loan portfolio that is recorded using cash basis.

#### Thardeep Rural Development Programme (TRDP)

- ✚ TRDP has provided its audited accounts for the reporting period to PMN and the figures tally with the reported data.
- ✚ Since TRDP is an integrated programme; the following resource allocation process was followed
  - a) The directly identified accounts for credit and non credit functions were directly transferred to the respective programs
  - b) The common accounts were charged to credit by proportionately distributing them to credit and non-finance functions.
  - c) TRDP has provided PMN with a spreadsheet of its allocation policy for each account
- ✚ TRDP accounts were adjusted as per PMN adjustment policies to remove the affect of subsidies.
- ✚ Income is recorded on cash and expenses on accrual basis.

#### Development Action for Mobilization and Emancipation (DAMEN)

- ✚ DAMEN is another integrated program and its accounts are allocated on the following basis:
  - a) Directly identifiable items are charged directly to microfinance and non microfinance programs
  - b) Common accounts 75% to credit and 25% to non credit
- ✚ DAMEN accounts have been adjusted as per PMN adjustment policy to remove the affect of subsidy.
- ✚ DAMEN prepares its accounts on accrual basis, except for income from loan portfolio that is recorded when received

#### Sungi Development Foundation (SUNGI)

- ✚ SUNGI has provided PMN with its management accounts that have been sent to their auditors. The figures tally with those accounts.
- ✚ SUNGI though an integrated program, but keeps separate accounts for its microfinance function.
- ✚ SUNGI's accounts have been adjusted as per PMN adjustment policies.
- ✚ Expenses, other income and investment income are recorded on accrual basis. Income from loan portfolio on cash basis and donors funds is recognized on the basis of actual expenditure incurred during the period.

#### Taraqee Foundation

- ↘ Taraqee has provided PMN with its audited accounts for the 18 months ended June 30, 2003. However since Income from loan portfolio has been netted of against financial cost, the PMN analyst had to calculate the figure for Income from portfolio by adding the net figure with cost of borrowing paid to PPAF.
- ↘ Taraqee though an integrated program, but keeps separate accounts for its microfinance function.
- ↘ Accrual accounting, except for income from loan portfolio

#### Orangi Pilot Project (OPP)

- ↘ OPP has provided PMN with its audited accounts for the reporting period, and the figures tally with the reported data.
- ↘ OPP though an integrated program, but keeps separate accounts for its microfinance function.
- ↘ Revenue and expenditure are recognized on cash basis.





Sindh Agricultural and Forestry Workers Coordinating Organization (SAFWCO)

- ↘ SAFWCO has provided PMN with its management accounts that are being reviewed by the auditors
- ↘ SAFWCO is an integrated program, but keeps separate accounts for its microfinance operations
- ↘ SAFWCO records revenue on cash basis and expenditure on accrual basis



  
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