Azerbaijan 2009
MICROFINANCE ANALYSIS AND BENCHMARKING REPORT

A report from Microfinance Information Exchange(MIX) and
Azerbaijan Micro-finance Association (AMFA)

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Microfinance Information eXchange

Azərbaycan Mikromaliyyə Assosiasiyası

AMFA

Azerbaijan Micro-finance Association

INTRODUCTION

Over the past few years the Azerbaijan microfinance sector has evolved with remarkable growth in outreach, scale and competition among microfinance institutions (MFIs). The number of active borrowers has increased sixfold since 2004, and the outstanding portfolio close to tenfold. In recent years, MFIs expanded outside of the capital city Baku into underserved rural areas. As of 31 December 2008, 16 microfinance providers served more than 200,000 clients throughout Azerbaijan, with over 90 branch offices reaching 61 of the 77 districts in the country (see **Figure 1**). From 1 January 2003 to 30 September 2009, the aggregate portfolio value for non bank credit organizations (NBCOs) increased from 10 million USD to over 171 million USD.

The global financial crisis, which commenced in the middle of 2008, put pressure on the growth and funding flows of Azeri MFIs. However, the economic recession that has spread in the region of Eastern Europe and Central Asia so far has not affected Azerbaijan acutely. The financial crisis did lead to lower levels of capital market funding and lower liquidity levels across the banking sector of Azerbaijan. The uncertainties in the global financial market could affect the ability of

FIGURE 1 BRANCHES OF AZERI MFIS AS OF DECEMBER 31, 2008. [1]

1 AccessBank opened 6 branches in Zagatala, Gazakh, Mingechevir, Khirdalan, Mardakan, and Babek, one branch per area; Normiicro expanded its operations by establishing 4 new branches in the Yasamal district of Baku, Shirvan, Davachi, and Garadag; FINCA, Viator, AzeriStar and CredAgro opened one branch per MFI in the Bayil settlement of Baku, Gazakh, Goychay and Barda districts respectively. AzerCredit started serving clients in the Beylagan, Saatli, Ter-ter, and Garadag districts by opening 4 sub-branches.

Legend: ● Branches existing prior to 2008
◆ Branches established in 2008

MFIs in Azerbaijan to obtain new borrowings and re-finance existing borrowings at terms and conditions similar to those of the past few years. However, as of 31 December 2008 the global economic recession had limited impact on the credit risk levels in Azerbaijan, especially in the rural areas outside of Baku. This is due in part to public spending that has continued to fuel the economy while oil export revenues allow the country to run very large external account and fiscal surpluses. Moreover, inflation levels have come down in 2009 after reaching 20.8 percent in 2008, which eases the pressure on the profitability of Azeri MFIs.

TABLE 1 MACROECONOMIC INDICATORS FOR AZERBAIJAN, 2006-2009

Macroeconomic Indicators	2006	2007	2008	2009 (30 Sep.)
GDP (billion USD)	19.8	31.1	53.3	
GDP per capita (USD)	2,509	3,906	5,404	
Inflation rate (end of period)	8.4%	16.7%	20.8%	2.1%
Real GDP growth	32.5%	24.7%	15.6%	
Population (million)	8.5	8.5	8.7	8.9
Exchange rate AZN Manat : USD	0.87	0.85	0.8	
Average nominal monthly wage per employee (USD)	171	254	335	

Sources: State Statistics Committee of Azerbaijan, Central Bank of Azerbaijan, International Finance Statistics, EU.

Azeri MFIs were faced with other challenges in 2008 due to legislative developments in the country that require them to pay retroactive fees and re-register. Microfinance development in Azerbaijan started with the arrival of international relief organizations around 1994 to address the humanitarian crisis following the Nagorno-Karabakh war. The development of the microfinance sector as it stands today began in 1997 when international NGOs such as FINCA, Oxfam, World Vision, etc. entered the sector. Since 1999, the government has considered these institutions as humanitarian and granted them certain benefits. In 2008, after an appraisal of the activities of some MFIs, the government took measures to revoke these benefits and a thorough review of the legal form of non bank MFIs was undertaken.

This report, jointly produced by the Azerbaijan Microfinance Association (AMFA) and the Microfinance Information Exchange (MIX), will analyze the trends in performance and growth of Azeri MFIs in view of the financial crisis and economic recession in the region as well as the changing legislative environment in 2008. The report will explore the following themes:

- The sector has enjoyed very high growth in the past three years but is slowing down due to market concentration and slower economic growth.
- As a fast-growing market with a stable currency, the Azerbaijan microfinance sector has been an attractive choice for foreign investors.
- High growth, coupled with double-digit inflation, has pushed demand for more and larger loans. Increasing loan sizes are keeping relative costs down, but transaction costs are on the rise.

OUTREACH AND SCALE

⇨ *Market share in Azerbaijan is concentrated within a few institutions and there is increasing competition from commercial banks with a downscaling portfolio*

⇨ *After a period of high growth, MFIs slowed down expansion in 2008 and 2009, as the market becomes more saturated and MFIs concentrate on risk management*

Microfinance services are offered through three types of institutions in Azerbaijan: commercial banks, non bank credit organizations (NBCOs), and credit unions. In 2008 three institutions – microfinance bank AccessBank and NBCOs FINCA and Azercredit – had a combined market share of 64 percent in active

TABLE 2 MICROFINANCE PROVIDERS IN AZERBAIJAN, 31 DECEMBER 2008

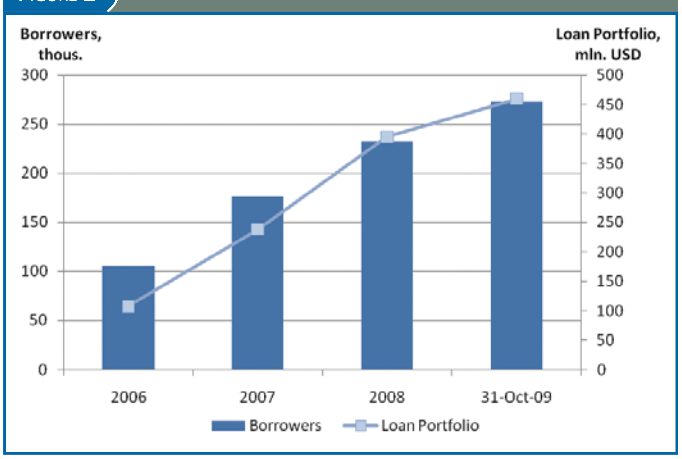
Institution Legal Type	Number of Institutions	Number of Active Borrowers	Share of Total Borrowers	Portfolio Outstanding in thous. USD	Share of Total Portfolio	Avg. Loan Balance, USD	Number of Depositors	Deposits in thous. USD
Downscaling Bank	9	13,070	5%	39,796	8%	3,045	N/A	N/A
Bank	1	69,448	26%	207,142	43%	2,983	22,641	26,978
Non Bank Credit Organization	16	178,731	66%	216,728	45%	1,213	0	0
Credit Union	48	9,333	3%	15,744	3%	1,687	0	0
Total	101	270,681	100%	481,041	100%	1,777	22,641	26,978

Sources: AMFA, Azerbaijan Credit Union Association, EBRD, MIX Market.

borrowers and 60 percent in outstanding loan portfolio. For NBCOs and credit unions, microfinance is the core business. For downscaling banks, 16 percent of borrowers and 15 percent of loan portfolio were associated with microcredit programs.

While deposit mobilization remained negligible due to legislative restrictions and limitations, Azeri NBCOs diversified their products to include consumer, automobile, small and medium enterprise, household, and seasonal loans, as well as leasing services. However, consumer lending is still a relatively smaller portion of the Azeri MFI portfolio, at 14 percent.

FIGURE 2 TRENDS IN OUTREACH AND SCALE



Sources: MIX Market, 2006-2008; AMFA Matrix, October 31, 2009. Results are peer group totals.

Microfinance in Azerbaijan demonstrated exceptional growth in the years 2005 - 2007. In 2007 growth in total borrowers was 64 percent, and in loan portfolio 122 percent. The latest figures for 31 October 2009 show that rapid growth has stalled. The borrower base of Azeri MFIs increased by 31 percent in 2008 and 17 percent by the third quarter of 2009. Growth in loan portfolio was especially sluggish; while it increased by 65 percent in 2008, by October 2009 it was down to 16 percent. Several of the biggest MFIs in the country saw a decrease in their portfolio in 2009, which drove sector growth down. However, for some MFIs negative growth resulted from internal problems such as fraud rather than as a consequence of the financial crisis. Moreover, as MFIs already have expanded in most districts in Azerbaijan, there is not as much room to grow quickly as there was in 2006 and 2007. The slower expansion was proactive – rather than reactive – to the crisis development, as evidenced by slower growth in staff in 2008 in line with decreased outreach growth; while the median MFI increased its staff from 70 to 83 in 2007, in 2008 growth in personnel was slower from 83 to 90.

LEGAL AND REGULATORY ENVIRONMENT

⇨ *In 2008, the status of humanitarian organizations that MFIs held was suspended by Azeri authorities, following a disputed change in ownership structure of some MFIs which received donated equity as grants from international governmental & private funds.*

⇨ *Benefits to MFIs associated with humanitarian legal status were revoked and retroactive fees were imposed.*

⇨ *MFIs will face higher costs in 2009 associated with retroactive fees, re-registration, and ownership of donated equity.*

According to the current regulation, all NBCOs have to be legally registered as limited liability companies (LLCs), and pursuant to the Central Bank's (CBA) decree each LLC receives a special non bank credit organization license. In 2002 – 2003, 14 institutions registered their microcredit programs as LLCs with the Ministry of Justice, and received NBCO licenses from the CBA. Pursuant to letters issued by the Cabinet of Ministers (COM), the NBCOs were granted all the benefits accorded to humanitarian institutions under Azerbaijan law. The humanitarian status, confirmed annually in the COM humanitarian institutions registry, translates to exemptions from the 22 percent social insurance fund contribution (i.e. payroll tax), customs duties on humanitarian cargo, and assistance with the humanitarian visa status for their foreign employees.

In 2006 - 2008, several microcredit NBCOs changed their ownership structures to allow foreign investors a stake in their equity. According to the COM, the change of ownership and organizational form to the for-profit status was not consistent with the humanitarian status of the NBCOs and could lead to a change in the original purpose of the grant funding, as well as distribution of profits among shareholders. COM required that NBCOs assure in writing that the grant funds originally allocated for microfinance activities, as well as proceeds from those funds, would stay in the country and continue to be used for the same purposes. In the last months of 2008 and into 2009, the State Social Protection Fund (SSPF) conducted inspections of several NBCOs and sanctioned that the NBCOs should pay social insurance taxes retroactively for the last three years, plus a 50 percent penalty on the sanctioned amount. Some MFIs started court procedures to invalidate the claims of the SSPF.

Regardless of the outcome of this dispute on retroactive payments, effective from 1 January 2009, NBCOs are subject to the 22 percent Azeri payroll tax. To date, only a few NBCOs have followed the steps required by the COM, thereby allocating granted funds to local NGOs or NBCOs and/or making requested amendments to the charters ensuring that grant funds and retained earnings from these funds will remain permanently in Azerbaijan. It appears that rather than adopting a uniform legal solution, the Government will most likely decide to reach individual agreements with each microcredit NBCO.

The draft law "On non banking credit organizations," which has been in the Parliament's agenda since 2007,[2] does not address these issues directly, but it makes clear that the non bank sector shall be supervised and regulated by the CBA. This law provides general guidelines on such concrete NBCO matters as licensing, organizational forms, governance, reporting, minimum charter capital, and other prudential requirements. It will also allow local NBCOs to attract collateralized deposits. In June 2009, the law was adopted in the first reading by the Parliament of Azerbaijan, and it is expected to pass by the end of 2009. It remains to be seen how the developments regarding the humanitarian status of NBCOs will play out in the context of the law "On non banking credit organizations."

2 For more information on the draft law "On non banking credit organizations" please refer to *Benchmarking Azerbaijan Microfinance, 2008.*

FUNDING STRUCTURE

⇨ High growth and lower foreign exchange and credit risks than in other countries in the region makes the Azerbaijan sector an attractive market for foreign investors

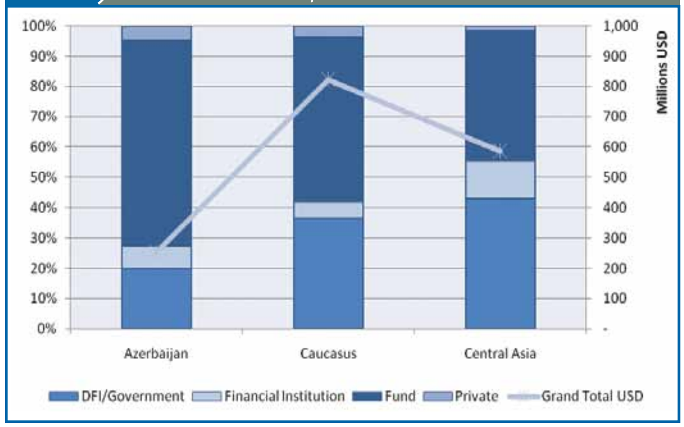
⇨ Local funding is limited with less favorable terms than foreign funding

⇨ Azeri MFIs have high foreign exchange exposure as a result

Azeri MFIs have significantly increased their leverage since 2006. Due to a stable currency and exceptional economic growth, the microfinance market of Azerbaijan is less vulnerable to risks that MFIs in other ECA countries face, such as currency exposure or high credit risk, and is thus very attractive for foreign investors. Debt to equity ratio increased from 1.5 in 2006 to 2.91 in 2007 and then 3.6 in 2008. In contrast, in 2008 the same indicator for the Caucasus overall has slightly decreased from 3.22 in 2007 to 2.93 in 2008. Borrowings of Azeri MFIs amounted to 253 million USD in 2008 and constituted 30 percent of the total borrowings in the Caucasus. The total borrowings for non bank MFIs is much smaller (85 million USD). However, because the portfolio of Azeri MFIs makes up the largest share of the NBFI portfolio in the Caucasus (58 percent), Azeri NBFIs also attract the biggest portion of retail funding in the sub-region (45 percent).

Azeri MFIs access borrowings at lower cost than their Central Asian peers, where compensation for the risks of less developed financial infrastructure makes commercial funding more expensive. However, funding for Azeri MFIs is more costly than for its immediate neighbors in the Caucasus where non-commercial funding is still a significant source for non bank MFIs (see **Table 3**). Maturity terms are the highest among the selected peers as investors have increased confidence in the Azerbaijan market.

FIGURE 3 RETAIL BORROWINGS IN AZERBAIJAN, CAUCASUS AND CENTRAL ASIA BY LENDER TYPE, 2008



Source: MIX Funding Structure Database, 2008. Results are peer group totals.

Around 95 percent of Azeri MFI funding came from foreign sources in 2008, as terms have been better overall than those offered locally. Average interest rates from local banks are 12 percent with an average two year maturity. MFIs accessed funding from microfinance investment vehicles (a.k.a. funds), which make up the lion's share of funding for Azeri MFIs at lower rates (9.7 percent) and longer terms (close to four years). In the local market, banks, many of which have opened a downscaling line of credit, are reluctant to lend to NBCOs because they consider them competitors. MFIs may also finance their activities from other local sources like government funds,

TABLE 3 AMOUNT, COST, AND MATURITY OF DEBT FOR NON BANK MFIS IN SELECTED COUNTRIES

Indicator	Azerbaijan	Armenia	Georgia	Kyrgyzstan	Tajikistan
2008 Borrowings mln. USD	85	59	43	133	47
Weighted Avg. Interest Rate (%)	9.1%	7.3%	9.0%	10.4%	10.0%
Weighted Avg. Maturity (Months)	46	42	38	40	39

Source: MIX Funding Structure Database, 2008. Results are peer group totals and weighted averages.

but terms and covenants are often strict. As a result, 88 percent (222 million USD) of debt was denominated in USD in 2008.

In the past three years the Azerbaijan manat has appreciated against the dollar (see **Table 1**), spurred by rising inflation and an influx of foreign currency from oil sales that shield MFIs from significant foreign exchange risk. However, since the economy and exchange rate of Azerbaijan are heavily dependent on oil revenues, should there be shocks in oil prices in the future, Azeri MFIs may find themselves in the same situation many of their peers in the rest of the Caucasus and Central Asia currently are in, with high exposure to foreign debt and a depreciating local currency. Given the characteristics of the market, many MFIs would like to mobilize deposits to fund their lending operations, but the uncertainty of the legal framework indicates that unless they transform into banks, borrowing from foreign sources remains the main funding option for Azeri MFIs. Several institutions have started procedures for transformation to banks as a result.

FINANCIAL PERFORMANCE

⇨ *Azeri MFIs were more profitable in 2008, due to higher revenues rather than lower costs*

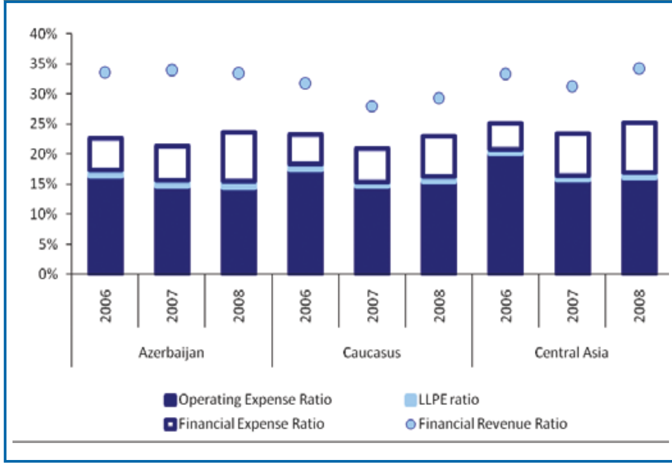
⇨ *Despite the continuing rise in loan balances, Azeri MFIs did not record high gains in their overall cost structure*

⇨ *Azeri MFIs have the highest productivity among peers*

⇨ *MFIs continued to maintain high portfolio quality*

Azeri MFIs increased their profitability slightly with ROA going from 6.5 percent in 2007 to 7.5 percent in 2008 and ROE increasing from 20 percent to 28 percent. However, double-digit inflation continued to exert downward pressure on real returns bringing adjusted ROA to 1.4 percent and adjusted ROE to 8 percent in 2008.

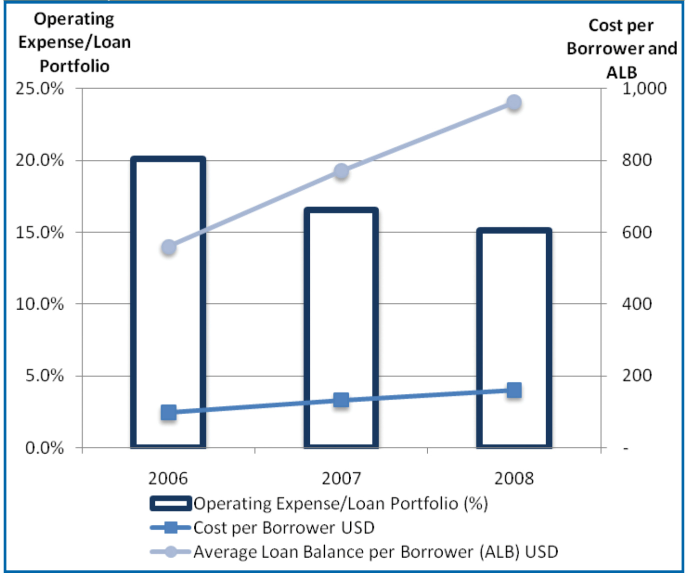
Figure 4 Deconstruction of Return on Assets



Source: MIX Market, 2006-2008. Results are peer group medians.

Increase in profitability for Azeri MFIs was due to higher revenues, as opposed to significant efficiency gains, in 2008. Operating expenses have remained at the same level as in 2007, at 14 percent of total assets (see **Figure 4**). The cost structure of Azeri MFIs is in line with Caucasus peers, but financial revenues continue to be higher at a median of 34 percent versus 29 percent in the Caucasus overall. Microcredit in Azerbaijan is priced at similar levels to Central Asian markets. The slight downward trend in financial revenue in 2008 was driven by a decrease in the portfolio yield of several MFIs, but some of the bigger MFIs in fact increased the interest rates on their products. As the competition from downscaling credit lines in the Baku area and from MFIs in other districts of the country intensifies, Azeri MFIs will likely have to price credit at more competitive rates. Margins will be squeezed as financial expenses continue to rise due to a higher leveraging of the sector and a further shift from non-commercial to market-priced funding sources.

FIGURE 5 CHANGE IN EFFICIENCY, 2006-2008

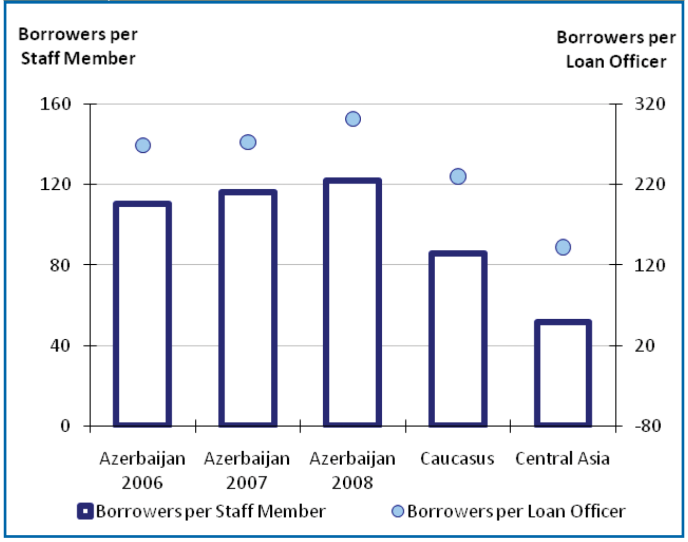


Source: MIX Market, 2006-2008. Results are peer group medians.

Azeri MFIs experienced significant efficiency gains in 2007 due to higher loan balances, which have almost doubled since 2006 to reach 963 USD in 2008. However, efficiency gains were more modest in 2008 with operating expense to loan portfolio ratio decreasing from 16 to 15 percent (see **Figure 5**). MFIs are disbursing larger loans as the needs of their clients' businesses grow and as a way to maintain client retention rate in the face of competition from loans offered by commercial downscaling banks. The flip side of this trend is that cost per borrower has increased as well from 96 USD in 2006 to 160 USD in 2008. Moreover, in 2008 to prevent higher credit risk MFIs required additional guarantees before disbursement, which increased the cost per borrower.

Despite the slowdown in growth in 2008, MFIs in Azerbaijan maintained their productivity levels. The number of borrowers per staff member has been above 100 for the past three years, while borrowers per loan officer increased from 273 in 2007 to 302 in 2008 (see **Figure 6**). Moreover, Azeri MFIs exhibit significantly higher productivity levels than their peers in the Caucasus and Central Asia.

FIGURE 6 PRODUCTIVITY OF AZERI MFIS AND PEERS



Source: MIX Market, 2006-2006. Results are peer group medians.

Compared to peers, the Azerbaijan market had the lowest credit risk in 2008. While the Caucasus and Central Asia had portfolio at risk over 30 days at 1.6 and 1.7 percent, respectively, this indicator remained at very low levels (0.7 percent) in Azerbaijan with only a slight increase from 0.2 percent in 2007. Write-off ratio was minimal at 0.1 percent in both years.

LOOKING AHEAD

In 2008 the microfinance sector in Azerbaijan continued on a path of stable, though much slower, growth and registered positive returns and high portfolio quality. The microfinance sector in Azerbaijan proved to be less vulnerable than other markets to the effects of the global financial crisis, due to a stable macroeconomic environment coupled with MFIs' ability to generate high growth levels while maintaining solid portfolio quality. In 2009, the banking sector in Azerbaijan suffered from higher credit risk – as of 31 October 2009, 14 downscaling banks, members of AMFA, registered a median portfolio at risk (PAR) over 30 days of 4.73 percent for their microcredit portfolio. In contrast, microfinance providers had a median PAR>30 days of 1.03 percent, demonstrating ability to maintain portfolio quality at a time of heightened credit risk. However, there are some challenges for 2009; maintaining portfolio quality as well as settling of legislative matters will drive costs up for MFIs. At the same time revenues and growth prospects may be under pressure as competition from banks increases, especially in the Baku area. Nevertheless, the microfinance sector is well positioned to meet these new challenges, as unlike many of their peers in the region MFIs in Azerbaijan have been spared the highly negative impacts of the global financial crisis.

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DATA AND DATA PREPARATION

For benchmarking purposes, MIX collects and prepares MFI financial and outreach data according to international microfinance reporting standards as applied in the MicroBanking Bulletin. Raw data are collected from the MFI, inputted into standard reporting formats and crosschecked with audited financial statements, ratings and other third party due diligence reports, as available. Performance results are then adjusted, using industry standard adjustments, to eliminate subsidy, guarantee minimal provisioning for risk, and reflect the impact of inflation on institutional performance. This process increases comparability of performance results across institutions.

In addition, the report referred to data from the AMFA Matrix, AMFA's Quarterly Performance Monitoring Report on microfinance sector development in Azerbaijan. Performance monitoring is one of the most important services that AMFA has been offering its members and the industry at large since 2002. This was one of the core functions of AMFA at the very beginning of its establishment and continues to remain an essential service for their membership to date.

MFI Participants

AMFA Members, October 31, 2009

Downscaling Banks: Amrah Bank, Azerbaijan Credit Bank, Azerdemiryolbank , Azerigazbank, Bank of Azerbaijan, Bank of Baku, Bank Respublika, Damirbank, NBC Bank, Parabank, Royal Bank, Texnica Bank, Turan Bank, Unibank

Microfinance Bank, NBCOs and Credit Unions: AccessBank, Aqrarkredit, Aqroinvest, Avrasiya Credit, Azercredit, Azeri Star, Caucasus Credit, CredAgro, DAYAQ-Credit, FinDev, FINCA-AZE, Invest Credit, Komak Credit, Komak Credit Union, Nakhchivan, Normicro, Umid Credit, Viator

Azerbaijan 2008 (18 MFIs)

AccessBank, Aqrarkredit, Aqroinvest, Azercredit, Azerdemiryolbank, Azeri Star, Bank of Baku, CredAgro NBCO, DAYAQ-Credit, FINCA – AZE, FinDev, Invest Credit, Komak Credit, MikroMaliyye Credit, Normicro, Parabank, Umid-Credit, Viator

Azerbaijan Trends 2006-2008 (11 MFIs)

AccessBank, Aqroinvest, Azercredit, Azerdemiryolbank, Azeri Star, CredAgro NBCO, FINCA – AZE, FinDev, MikroMaliyye Credit, Normicro, Viator

Caucasus (36 MFIs)

Armenia: ACBA, AREGAK UCO, ECLOF – ARM, Farm Credit Armenia, FINCA – ARM, Nor Horizon, INECO, KAMURJ, SEF-ARM

Azerbaijan: AccessBank, Aqrarkredit, Aqroinvest, Azercredit, Azerdemiryolbank, Azeri Star, Bank of Baku, CredAgro NBCO, DAYAQ-Credit, FINCA – AZE, FinDev, Invest Credit, Komak Credit, MikroMaliyye Credit, Normicro, Parabank, Umid-Credit, Viator

Georgia: Alliance Group, CREDO, Crystal, FinAgro, FINCA – GEO, ImerCredit, JSC Bank Constanta, Lazika Capital, ProCredit Bank - GEO

Central Asia (57 MFIs)

Kazakhstan: Abzal Kredit, ACF, A-invest, Arnur Credit, Bereke, FFSA, Kemek, KMF, MCO 'Oral', Moldir

Kyrgyzstan: 1st MCC, Agrocredit Plus, Aiyl Bank, Bai Tushum, Bereke-credit, BTA Bank, Dirigible, Elet-Capital, FMCC, FNT Credit, Joldosh Group, Kompanion, Mol Bulak Finance, OXUS - KGS

Mongolia: Credit Mongol, Khan Bank, TFS, VFM, XacBank

Tajikistan: Agroinvestbank, Amlok, ASTI, Bank Eskhata, Borshud, Ehyoi kuhiston, FINCA – TJK, FMFB – TJK, Imkoniyat, Imodi Hutal, IMON, JOVID, Maqsadi dasgiri, MLF Chiluchor chashma, MLF Kiropol, MLF Madina, MLF MicroInvest, MLF Vahsh Microfin, MLO HUMO, MLO 'Saodat Invest', Nov Credit, OXUS – TJK, Sugd Microfin

Uzbekistan: ASR, Garant-Invest, Mikrokredit Bank, SABR, Umid

Indicator Definitions

INSTITUTIONAL CHARACTERISTICS	
Number of MFIs	Sample Size of Group
Age	Years Functioning as an MFI
Total Assets	Total Assets, adjusted for Inflation and standardized provisioning for loan impairment and write-offs
Offices	Number, including head office
Personnel	Total number of staff members
FINANCING STRUCTURE	
Capital/ Asset Ratio	Adjusted Total Equity/ Adjusted Total Assets
Debt to Equity	Adjusted Total Liabilities/ Adjusted Total Equity
Deposits to Loans	Deposits/ Adjusted Gross Loan Portfolio
Deposits to Total Assets	Deposits/ Adjusted Total Assets
Portfolio to Assets	Adjusted Gross Loan Portfolio/ Adjusted Total Assets
OUTREACH INDICATORS	
Number of Active Borrowers	Number of borrowers with loans outstanding, adjusted for standardized write-offs
Percent of Women Borrowers	Number of active women borrowers/ Adjusted Number of Active Borrowers
Number of Loans Outstanding	Number of loans outstanding, adjusted for standardized write-offs
Gross Loan Portfolio	Gross Loan Portfolio, adjusted for standardized write-offs
Average Loan Balance per Borrower	Adjusted Gross Loan Portfolio/ Adjusted Number of Active Borrowers
Average Loan Balance per Borrower/ GNI per Capita	Adjusted Average Loan Balance per Borrower/ GNI per Capita
Average Outstanding Balance	Adjusted Gross Loan Portfolio/ Adjusted Number of Loans Outstanding
Average Outstanding Balance / GNI per Capita	Adjusted Average Outstanding Balance/ GNI per Capita
Number of Depositors	Number of depositors with any type of deposit account
Number of Deposit Accounts	Number of all deposit accounts
Deposits	Total value of all deposit accounts
Average Deposit Balance per Depositor	Deposits/ Number of Depositors
Average Deposit Balance per Depositor / GNI per capita	Average Deposit Balance per Depositor / GNI per capita
Average Deposit Account Balance	Depositors/ Number of Deposit Accounts
Average Deposit Account Balance / GNI per capita	Average Deposit Account Balance / GNI per capita
MACROECONOMIC INDICATORS	
GNI per Capita	Total income generated by a country's residents, irrespective of location / Total number of residents (World Development Indicators)
GDP Growth Rate	Annual growth in the total output of goods and services occurring within the territory of a given country (World Development Indicators)
Deposit Rate	Interest rate offered to resident customers for demand, time, or savings deposits (IMF/International Financial Statistics)
Inflation Rate	Annual change in average consumer prices (IMF/International Financial Statistics)
Financial Depth	Money aggregate including currency, deposits and electronic currency (M3) / GDP, measuring the monetization of the economy (IMF/International Financial Statistics)
OVERALL FINANCIAL PERFORMANCE	
Return on Assets	(Adjusted Net Operating Income - Taxes)/ Adjusted Average Total Assets
Return on Equity	(Adjusted Net Operating Income - Taxes)/ Adjusted Average Total Equity
Operational Self-Sufficiency	Financial Revenue/ (Financial Expense + Impairment Losses on Loans + Operating Expense)
Financial Self-Sufficiency	Adjusted Financial Revenue/ Adjusted (Financial Expense + Impairment Losses on Loans + Operating Expense)
REVENUES	
Financial Revenue/Assets	Adjusted Financial Revenue/ Adjusted Average Total Assets
Profit Margin	Adjusted Net Operating Income/ Adjusted Financial Revenue
Yield on Gross Portfolio (nominal)	Adjusted Financial Revenue from Loan Portfolio/ Adjusted Average Gross Loan Portfolio
Yield on Gross Portfolio (real)	(Adjusted Yield on Gross Portfolio (nominal) - Inflation Rate)/ (1 + Inflation Rate)
EXPENSES	
Total Expense/ Assets	Adjusted (Financial Expense + Net Impairment Loss + Operating Expense) / Adjusted Average Total Assets
Financial Expense/Assets	Adjusted Financial Expense / Adjusted Average Total Assets
Provision for Loan Impairment/ Assets	Adjusted Impairment Losses on Loans/ Adjusted Average Total Assets
Operating Expense / Assets	Adjusted Operating Expense/ Adjusted Average Total Assets
Personnel Expense/ Assets	Adjusted Personnel Expense/ Adjusted Average Total Assets
Administrative Expense/ Assets	Adjusted Administrative Expense/ Adjusted Average Total Assets
Adjustment Expense/ Assets	(Unadjusted Net Operating Income - Adjusted Net Operating Income)/ Adjusted Average Total Assets
EFFICIENCY	
Operating Expense/ Loan Portfolio	Adjusted Operating Expense/ Adjusted Average Gross Loan Portfolio
Personnel Expense/ Loan Portfolio	Adjusted Personnel Expense/ Adjusted Average Gross Loan Portfolio
Average Salary/ GNI per Capita	Adjusted Average Personnel Expense/ GNI per capita
Cost per Borrower	Adjusted Operating Expense/ Adjusted Average Number of Active Borrowers
Cost per Loan	Adjusted Operating Expense/ Adjusted Average Number of Loans
PRODUCTIVITY	
Borrowers per Staff Member	Adjusted Number of Active Borrowers/ Number of Personnel
Loans per Staff Member	Adjusted Number of Loans Outstanding/Number of Personnel
Borrowers per Loan Officer	Adjusted Number of Active Borrowers/ Number of Loan Officers
Loans per Loan Officer	Adjusted Number of Loans Outstanding/ Number of Loan Officers
Depositors per Staff Member	Number of Depositors/ Number of Personnel
Deposit Accounts per Staff Member	Number of Deposit Accounts/ Number of Personnel
Personnel Allocation Ratio	Number of Loan Officers/ Number of Personnel
RISK AND LIQUIDITY	
Portfolio at Risk > 30 Days	Outstanding balance, portfolio overdue> 30 Days + renegotiated portfolio/ Adjusted Gross Loan Portfolio
Portfolio at Risk > 90 Days	Outstanding balance, portfolio overdue> 90 Days + renegotiated portfolio/ Adjusted Gross Loan Portfolio
Write-off Ratio	Adjusted Value of loans written-off/ Adjusted Average Gross Loan Portfolio
Loan Loss Rate	(Adjusted Write-offs - Value of Loans Recovered)/ Adjusted Average Gross Loan Portfolio
Risk Coverage Ratio	Adjusted Impairment Loss Allowance/ PAR > 30 Days
Non-earning Liquid Assets as a % of Total Assets	Adjusted Cash and banks/ Adjusted Total Assets

Benchmarks

	Benchmarks				Trend Indicators (unadjusted)		
	ECA	Azerbaijan	Caucasus	Central Asia	Azerbaijan 2008	Azerbaijan 2007	Azerbaijan 2006
INSTITUTIONAL CHARACTERISTICS							
Number of MFIs	217	18	36	57	11	11	11
Age	9	7	9	5	8	7	6
Total Assets	4,721,984	14,387,546	13,724,164	2,821,242	14,361,873	7,002,164	3,908,557
Offices	6	9	8	4	11	12	8
Personnel	34	88	88	38	90	83	70
FINANCING STRUCTURE							
Capital/ Asset Ratio	22.9%	19.0%	21.3%	28.1%	18.8%	23.4%	39.1%
Debt to Equity	2.9	4.3	3.7	2.3	4.3	3.3	1.6
Deposits to Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deposits to Total Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Portfolio to Assets	88.0%	85.5%	84.0%	87.4%	88.1%	89.2%	90.7%
OUTREACH INDICATORS							
Number of Active Borrowers	2,156	6,011	6,237	1,765	13,773	9,399	8,331
Percent of Women Borrowers	43.1%	33.0%	34.1%	46.4%	34.1%	38.1%	38.2%
Number of Loans Outstanding	2,250	6,071	6,237	2,029	13,773	9,399	8,331
Gross Loan Portfolio	3,949,277	10,238,006	9,424,560	1,396,845	14,092,575	6,910,148	3,335,263
Average Loan Balance per Borrower	2,174	1,007	1,219	822	963	771	561
Average Loan Balance per Borrower/ GNI per Capita	68.3%	38.1%	49.7%	101.5%	36.5%	29.2%	29.7%
Average Outstanding Balance	2,115	1,007	1,149	822	963	771	561
Average Outstanding Balance / GNI per Capita	65.1%	38.1%	47.6%	101.5%	36.5%	29.2%	29.7%
Number of Voluntary Depositors	0	0	0	0	0	0	0
Number of Voluntary Deposit Accounts	0	0	0	0	0	0	0
Voluntary Deposits	0	0	0	0	0	0	0
Average Deposit Balance per Depositor	1,855	2,843	1,192	1,431	2,017	8,068	7,914
Average Deposit Balance per Depositor/ GNI per Capita	44.0%	108.0%	45.0%	196.0%	76.5%	305.5%	419.0%
Average Deposit Account Balance	1,620	2,843	959	1,250	1,901	7,960	7,706
Average Deposit Account Balance/ GNI per Capita	41.5%	108.0%	36.0%	171.0%	72.0%	301.5%	408.0%
MACROECONOMIC INDICATORS							
GNI per Capita	3,780	2,710	2,645	610	2,710	2,710	1,890
GDP Growth Rate	8.1%	25.0%	19.4%	8.2%	25.0%	25.0%	34.5%
Deposit Rate	5.4%	11.6%	10.5%	8.4%	11.6%	11.6%	10.6%
Inflation Rate	9.0%	16.7%	13.0%	10.8%	16.7%	16.7%	8.3%
Financial Depth	42.9%	20.5%	21.2%	30.9%	20.5%	20.5%	17.9%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	0.3%	1.4%	1.6%	1.2%	7.5%	6.5%	5.5%
Return on Equity	2.8%	7.8%	9.5%	6.3%	28.3%	19.8%	12.2%
Operational Self-Sufficiency	117.2%	128.4%	118.0%	120.6%	157.5%	149.6%	138.2%
Financial Self-Sufficiency	104.3%	109.0%	110.1%	104.8%	N/A	N/A	N/A
REVENUES							
Financial Revenue/ Assets	24.4%	29.6%	29.2%	33.9%	33.4%	34.0%	33.6%
Profit Margin	4.0%	8.3%	9.1%	4.4%	36.2%	33.2%	27.7%
Yield on Gross Portfolio (nominal)	29.5%	32.0%	32.3%	35.5%	37.4%	39.0%	37.9%
Yield on Gross Portfolio (real)	19.3%	13.1%	17.7%	22.4%	17.7%	19.1%	27.3%
EXPENSES							
Total Expense/ Assets	24.4%	28.1%	26.4%	29.5%	22.8%	22.1%	24.3%
Financial Expense/ Assets	8.9%	11.8%	10.4%	10.6%	8.2%	5.7%	5.2%
Provision for Loan Impairment/ Assets	1.3%	1.1%	1.0%	1.4%	1.1%	1.1%	1.1%
Operating Expense/ Assets	12.8%	13.5%	15.4%	17.0%	14.4%	14.5%	16.2%
Personnel Expense/ Assets	7.2%	8.5%	9.7%	9.5%	8.9%	9.0%	9.2%
Administrative Expense/ Assets	5.1%	6.1%	5.9%	6.7%	6.0%	5.7%	7.0%
Adjustment Expense/ Assets	2.0%	4.7%	3.0%	2.9%	N/A	N/A	N/A
EFFICIENCY							
Operating Expense/ Loan Portfolio	15.0%	13.7%	16.6%	19.2%	15.1%	16.5%	20.1%
Personnel Expense/ Loan Portfolio	8.2%	8.3%	10.6%	10.4%	9.3%	9.6%	11.4%
Average Salary/ GNI per Capita	388.0%	391.5%	435.0%	671.0%	462.0%	391.0%	351.0%
Cost per Borrower	312	162	200	164	160	132	97
Cost per Loan	293	161	185	155	159	132	87
PRODUCTIVITY							
Borrowers per Staff Member	57	109	86	52	122	116	110
Loans per Staff Member	59	109	92	54	124	116	110
Borrowers per Loan Officer	167	286	230	142	302	273	269
Loans per Loan Officer	167	287	244	151	302	277	269
Voluntary Depositors per Staff Member	10	10	0	0	14	0	0
Deposit Accounts per Staff Member	49	34	52	14	47	0	0
Personnel Allocation Ratio	36.9%	34.7%	37.5%	35.1%	37.5%	37.8%	41.0%
RISK AND LIQUIDITY							
Portfolio at Risk> 30 Days	2.0%	0.4%	1.2%	1.7%	0.3%	0.2%	0.8%
Portfolio at Risk> 90 Days	1.0%	0.2%	0.4%	0.9%	0.2%	0.2%	0.4%
Write-off Ratio	0.4%	0.2%	0.3%	0.1%	0.1%	0.0%	0.4%
Loan Loss Rate	0.3%	0.2%	0.2%	0.1%	0.0%	0.0%	0.2%
Risk Coverage Ratio	79.2%	258.9%	144.0%	77.4%	367.6%	464.3%	146.9%
Non-earning Liquid Assets as a % of Total Assets	5.5%	8.9%	8.9%	6.2%	5.5%	6.1%	3.7%

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