

A woman in traditional embroidered clothing, including a dark jacket with colorful floral and geometric patterns and a matching headpiece, is smiling and holding a small, light-colored clay pot. She is standing in front of a large, colorful, abstract tapestry. The background is a light green wall.

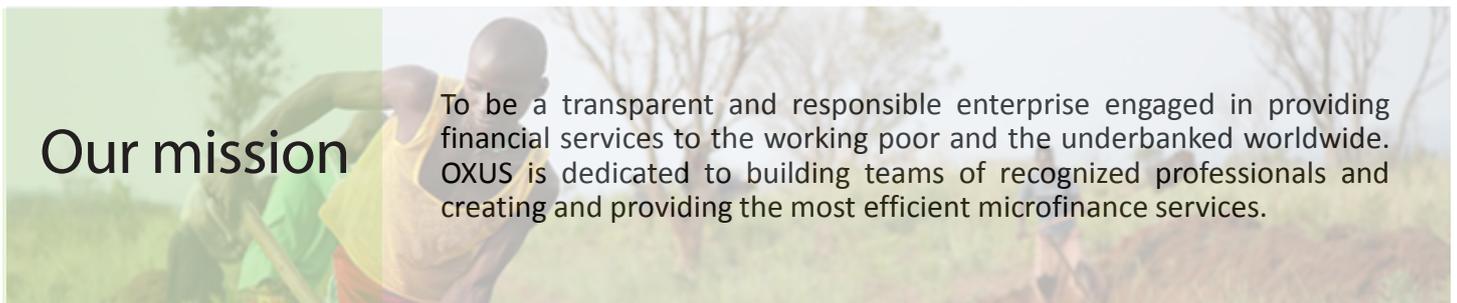
We finance,
We care



OXUS

Annual Report 2014

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Message from the Chairwoman and the Chief Executive Officer

In 2014, our loan portfolio grew for a 5th consecutive year by 32% from EUR 25.8m to EUR 35.4m. Since inception, OXUS disbursed around 207,000 loans for an amount of around EUR 190m in 3 and now 4 countries of operations: Tajikistan, Kyrgyzstan, Afghanistan and the Democratic Republic of Congo.

The strong development of our operations in the Democratic Republic of Congo (DRC) was a significant part of our growth in 2014. After 18 months of operations, OXUS D.R. Congo already reached a portfolio of EUR 3.6m, serving 17,200 clients in Kinshasa and in the provincial town of Kikwit. Our expectations remain high in this major African market with an important underserved demand and strong economic growth expected in 2015.

Our oldest institution OXUS Tajikistan managed again to grow its GLP by 35% to EUR 20.3m from EUR 15.1m. The microfinance market in the country retains a very important potential with low access to financial services for a significant part of the population. However, decrease of oil price and strong financial and economic instability in Russia in the 2nd semester of 2014 may significantly affect the Tajik market in 2015. The short-term outlook has been therefore downgraded with reduced growth planned next year.

Situation is similar in Kyrgyzstan. A restructuration plan was implemented in 2013 and 2014 in order to improve OXUS efficiency in a more competitive and regulated market, leading to an increase in efficiency indicators by 30%. This resulted in a stagnation of our portfolio around EUR 4.3m. In the frame of the Russian crisis, even if the Kyrgyz economy is less exposed than the Tajik one, we downgraded our growth expectations for 2015.

OXUS Afghanistan largely suffered from political instability in 2014 (presidential elections and withdrawal of US forces). The portfolio grew by 5% to EUR 7.3m, in line with the sector's average. Risk management was strongly overhauled to prepare for the challenges of tomorrow and a new management team was put in place. Although the net income for this year was negative, we are certain that the current turn-around and the political transition will bear fruits as soon as 2015.



Being part of our ambitious social performance management plan in line with our core value and mission, 50 social performance indicators have been put in place in 2014, enabling our institutions to pursue a double-bottom line strategy and showcasing as an excellent performer in the sector in this regard.

Finally 2015 will be an important year for OXUS as the group enters a new phase of its development towards 2018. A new Destination 2018 plan is being developed to better address the challenge of technology and the diversification of our products and services (personal loans, savings, insurance) which will be a major driver for microfinance in the near future.

As at beginning of 2015, 2 billion people remain unbanked and despite strong improvements in the past decade, the challenge of financial inclusion remains huge, especially in OXUS areas of operations in Central Asia, South Asia and Sub-Saharan Africa. This enable OXUS to remain very ambitious in term of growth, in our current countries of operations and in potential new markets currently surveyed.

We would like to finish this introduction by thanking all our 909 staff. They have done an amazing work in all our countries of operations and have remained committed to our vision and mission throughout. We are certain that they will continue doing so in the future with even more enthusiasm and passion.

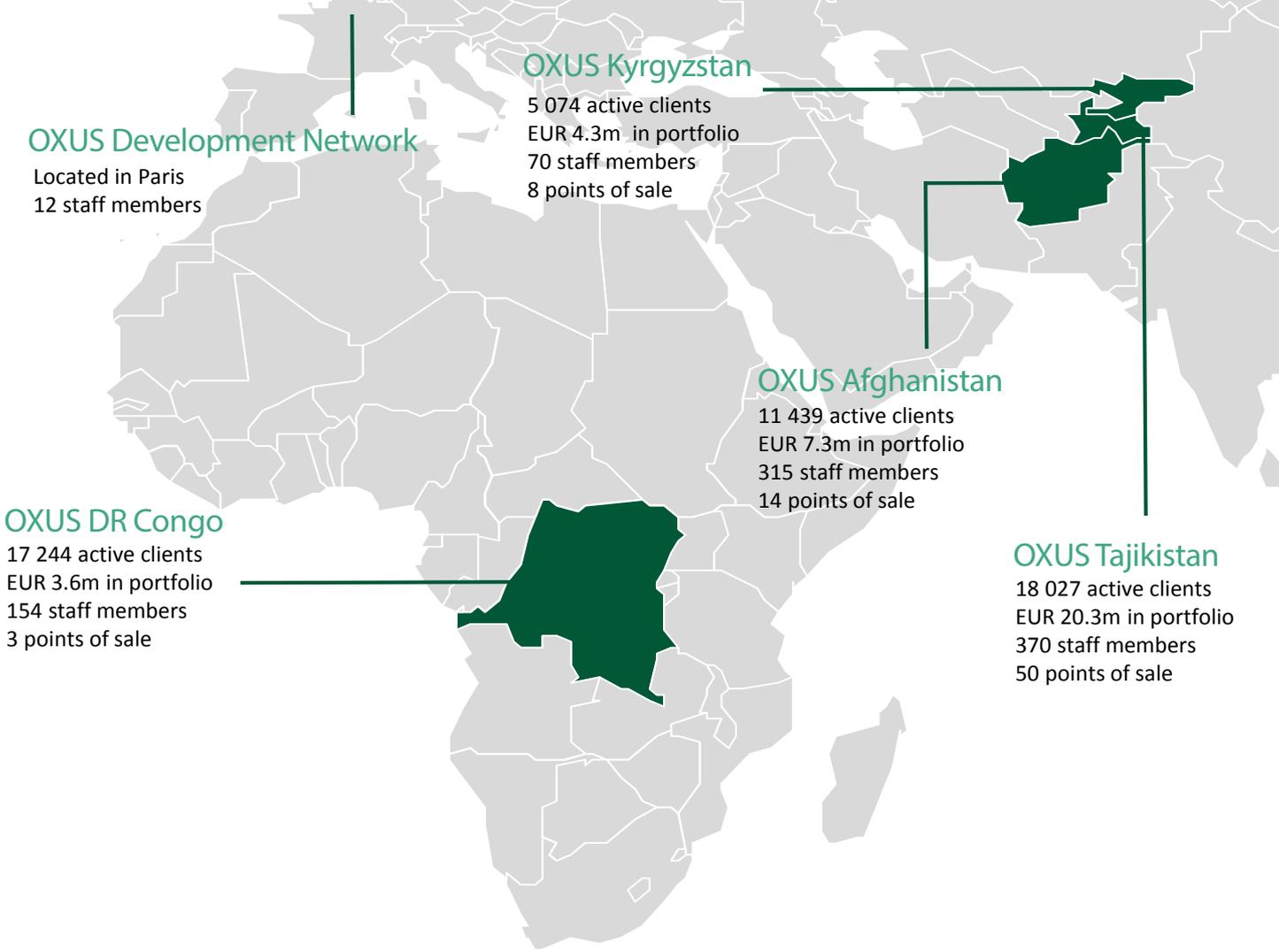
Priscilla de Moustier & Michaël Knaute

Chairwoman of the Board of Supervisors
of OXUS Holding & Chief Executive
Officer of OXUS Development Network

OXUS in brief

OXUS was formally incorporated in 2005 when it took over the Tajikistan microfinance activities of ACTED, a Paris-based international relief NGO operating since 1993. It is a unique initiative, alliance between a large French NGO and private investors (entrepreneurs, family office). In 10 years, OXUS went from a EUR 1m humanitarian program to a structured group of EUR 35.4m gross loan portfolio serving more than 50,000 customers in four countries: Afghanistan, Tajikistan, Kyrgyzstan and RD Congo.

Targeting “the working poor and the underbanked worldwide”, OXUS believes in providing “the most efficient microfinance services” in order to break the poverty trap and give better opportunities to the poor.



The History of the group

In 2014, OXUS served more than 50,000 clients.

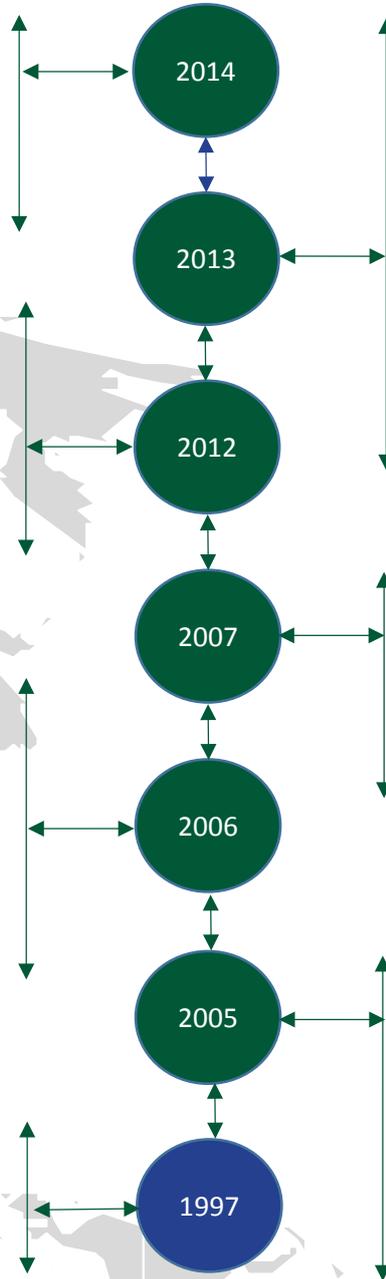
A new equity injection of EUR 3,3m was done in 2014 to support the growth of the portfolio.

In 2012, OXUS reached 20,000 active clients and EUR 20m in Gross Loan Portfolio.

Few months after OXUS Tajikistan, OXUS Afghanistan started its operations in February 2006 with the support of MISFA.



ACTED started a food security programme in Tajikistan which gradually evolved into a rural credit programme.



2013 was a key year for OXUS with the development of its first affiliate in Africa.

OXUS Congo started its operations in July with the support of I&P and Proparco.

The Gross Loan Portfolio of OXUS represented more than EUR 30m for the first time.



OXUS Kyrgyzstan started its operations in July.

By the end of the year, OXUS served more than 10,000 clients.



ACTED decided to separate its microcredit programs from its non-profit activities.

OXUS Tajikistan started its operations in November 2005.



Their success stories



MICROFINANCE GIVES PEOPLE LIKE

MARZIA THE CHANCE

TO DEVELOP THEIR TALENT AND

START THEIR OWN BUSINESS



Kabul

Marzia acquired sewing skills in Iran. When she came back to Afghanistan after the collapse of the Taliban regime, she wanted to work in order “not to be a burden” for her family. A relative who knew OXUS Afghanistan introduced Marzia to microfinance.

She quickly applied to her first loan, of AFN 40,000 (equivalent to EUR 570), which enabled her to rent her own working place: a shop in the Qala-e-Fathullah area of Kabul. With the subsequent loans, Marzia purchased sewing machines and other raw materials to expand her business. Today, she is repaying in installments her fourth loan worth AFN 50,000 (equivalent to EUR 715). Since she opened her shop, she learned to manage her business’ seasonality, dealing with low and high peak, during which her net income exceeds AFN 25,000 (equivalent to EUR 360).

Today, all her staff is of female gender, and she is providing training to about 20 young girls so they can become good tailors and dress makers. She also pays them based on their performance and contribution to her business. Moreover, Marzia has been able to support her daughter’s education; she is attending 11th grade and is expected to graduate next year. With a stable source of income, Marzia has been able to enroll her daughter in tuition preparation courses for university entrance exams. She is planning on opening a second tailoring shop using the OXUS Afghanistan loans, as some of her students now have the required skills. As she said: “It is my way of giving back.”

Their success stories

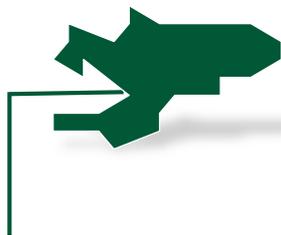


BURULKAN TOOK HER FIRST

LOAN AT OXUS IN 2006,

NOW SHE IS OUR

PARTNER FOR LIFE



Jalalabad

Burulkan is a woman farmer, of 60 years old. She used to work as a teacher, and then became the director of a school in the region of Jalalabad, which is in the south of Kyrgyzstan. She has two children and ten grandchildren and lives with her family on an 18 hectares irrigated farm land. They breed livestock: cattle and sheep, chicken, turkey; and they grow watermelons, cantaloups and other vegetables.

Burulkan has been lending credits at OXUS Kyrgyzstan for 8 years now. She took a first loan in 2006, about EUR 830 over twelve months to grow her agricultural activity. She purposefully used it and repaid her instalments on time. Due to her good repayments, and the development of her activity, she was able to borrow twice the same amount in 2014, which was a strong support for her to purchase livestock and arable land. After a few months, her activity deployed itself, as well as her financial needs to be able to pursue it at best. Therefore, OXUS Kyrgyzstan granted an increase to her credit, enabling her to buy fertilizer and fuel.

For 8 years, by responding to Burulkan's financial needs, her purposeful use of grants and good repayments, OXUS Kyrgyzstan has been helping her expand her activity, and giving her the means to increase her revenues. Furthermore, she also took the opportunity to invest her profits in order to ensure the growth of her activity, by buying additional cattle and horses. The benefits enabled Burulkan to be a strong support for her family during all these years.

Their success stories

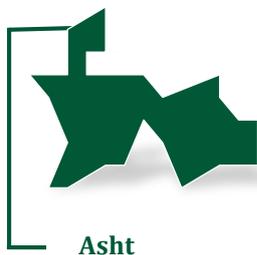


WITH OXUS'S CREDIT,

ERMAT WAS ABLE TO RAISE ITS INCOME

BUILD A BRIGHTER FUTURE FOR

HIM AND HIS FAMILY OF SIX



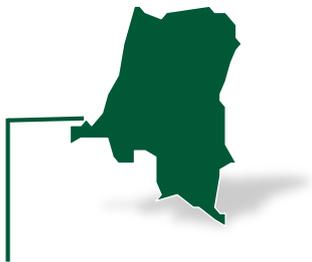
Ermat Ahatov is 49 years old, married and has four sons. He lives in Asht, Mehrobod Jamoat, village Kamishkurgon. Ermat Ahatov has been engaged in breeding cattle since 2006. Nevertheless, he had financial difficulties when buying food for his cows. A neighbor talked to him about microcredit, and how this financial product meant to answer the needs of people with low income and no guarantee.

In 2006, Ermat started to gather information by consulting a credit expert from OXUS Tajikistan who introduced him to group lending. Therefore, he created a group with some of his neighbors to receive a credit of EUR 125.

When the credit term expired, since he had repaid the credit within due dates, and because he had noticed the benefits of the first lent amount, he was able to receive a second loan of EUR 210.

He contracted a third loan for EUR 330 and bought more cattle and a land of 4 hectares. There he produced wheat, alfalfa and corn, broadening his business as well as his skills. Today he has his own production of hay and a large land for the pasture of his cattle.

OXUS Tajikistan was therefore a strong support for the development of his activity, his income, and the daily situation of his family of six. Indeed, he was able to buy a car and help his son build a house of his own.

**Kinshasa**

Maman Thérèse is 47 years old. She holds a sewing diploma approved by the State. As she found no opportunity in tailoring, she started a new activity. For six years, she sold secondhand clothes. Then, she sold packets of water at her home. She had earned enough benefits, so she moved her activity to the market in Gambela where she rents a store.

OXUS granted 4 loans of EUR 650, EUR 970, EUR 1 200 and EUR 925 to Maman Thérèse. These loans allowed her to extend and diversify the range of her products. She earned enough benefits to acquire some household electrical appliances for her home and to pay for the education of her two children, with whom she lives in Kinshasa.

Review of the last 12 Months

Strong growth of the portfolio

After a growth of 30% in 2013, the Gross Loan Portfolio grew by 32% in 2014, reaching EUR 35.4m by the end of the year. Pushed by OXUS DRC, the loan portfolio gathered 51,784 clients overall in four countries, representing an outstanding rise of 60% on an annual basis.

The portfolio growth was strong and of high quality. Portfolio at risk (PAR) over 30 days remained low during the year and stood at 1.77% as of end of December 2014. This shows the good performance of the group in achieving important yet cautious growth despite the macro-economic environment.

Adapting to changing environments

2014 revealed several changes in the economic environment in which our affiliates work. Decrease of oil price and Russia economic turmoil in the 2nd semester of 2014 started to affect the Central Asia through strong depreciation. OXUS Tajikistan will be affected and we reviewed our 2015 expectations through a reduced growth planned next year.

In Kyrgyzstan, we focused on a restructuration plan in 2014 in order to improve affiliate efficiency in a more competitive and regulated market, leading to an increase in efficiency indicators by 30%. This resulted in a stagnation of our portfolio around EUR 4.3m. In the frame of the Russian crisis, even if the Kyrgyz economy is less exposed than the Tajik one, we downgraded our growth expectations for 2015.

In Afghanistan, the security context deteriorated in the context of 2014 presidential elections and the departure of foreign troops from the country. OXUS Afghanistan launched a new risk management program with the help of external consultants to improve the monitoring of risks on this particular market.

Consolidation of our new affiliate in the DRC

One of this year's key events for OXUS was the growth of our recently created affiliate in the Democratic Republic of Congo (DRC) that grew up to 17,200 clients. As of December 2014, the loan portfolio reached EUR 3.6m. An expansion plan started in 2014 with a new branch opening in Kikwit.

Higher social performance goals

We believe social performance is an important feature for any MFI. Investors, clients and governments, all stakeholders alike are pressing for higher standards.

OXUS, whose main shareholder is a Non-Governmental Organization, has always had strong practices. In 2014, it decided to go even further by reinforcing its Social Performance Management (SPM) strategy so as to have a clear picture of what it does and what it could improve. An SPM committee is now fully in place in our affiliates in Tajikistan and Kyrgyzstan and will be implemented in Afghanistan and D.R. Congo next year.

50 objectives were identified and quantified, the monitoring of which is done regularly. Moreover, our affiliate in Tajikistan has put in place an environmental policy so as to better analyse the impact of its activity on the environment.



The Road Ahead

New investors

The whole development strategy of OXUS is encapsulated in the “Destination 2018” Plan. To finance it, we have raised EUR 3.3m in 2014 from our historical shareholders. This allowed us to increase the capital base of our affiliates.

We plan to raise new equity from external investors until 2018 by opening our shareholding structure to external investors that will reinforce the transformation undertaken by OXUS since 2012 to be more professional and attractive. The creation of an audit committee will be fully effective in 2015 and will follow the recruitment of our audit manager.

New markets

Microfinance is now considered by some people as an established business activity which is even experiencing saturation in some markets. However, 2 billion people worldwide still do not have a bank account.

Based on its mission to serve the working poor and underbanked, OXUS has started in 2013 a new expansion phase by opening OXUS DRC. The results after the first 18 months are very encouraging and indicate very strong potential for growth in the country and in this region as a whole. OXUS plans to open one more affiliate in this region accordingly with its portfolio diversification strategy.

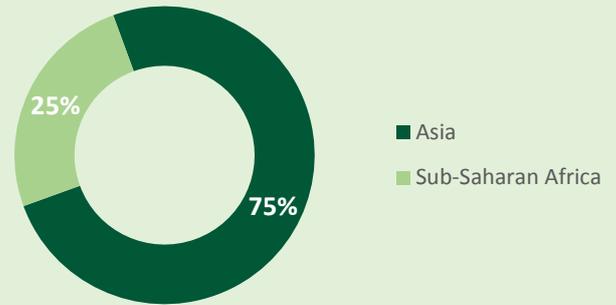
New products & delivery channels

We believe that microfinance will be profoundly changed in the next few years. One of those changes will be the emergence not of new products per se but of completely new delivery channels. Microfinance will be swifter, more virtual and less costly.

OXUS is preparing itself for this future. We have already instilled a culture of innovation within our affiliates. To better understand our clients, we put in place an exit satisfaction survey and new products are frequently developed to better cater to our clients’ needs. OXUS Afghanistan recently launched “Zahra”, a Sharia-compliant loan product aimed at women working in the agricultural sector. OXUS Tajikistan is finalizing energy-efficiency products for micro-entrepreneurs and “livelihood improvement” loans. In Tajikistan and D.R. Congo in 2014, we began to deliver SMS services to better answer to our clients’ needs. We are working on the idea of the “urban densification”, i.e the development of little points of sale in urban areas to be more visible and ensure a better delivery.

And we aim higher than loan products. OXUS DRC will be the first MFI of the group offering savings by the end of 2017.

OXUS projected portfolio by 2018



Expansion plan

5 affiliates
in 2 sub-regions

Business Evolution

Launching of
deposit activity
Alternative
Delivery Channels

OXUS Structure

OXUS Development Network

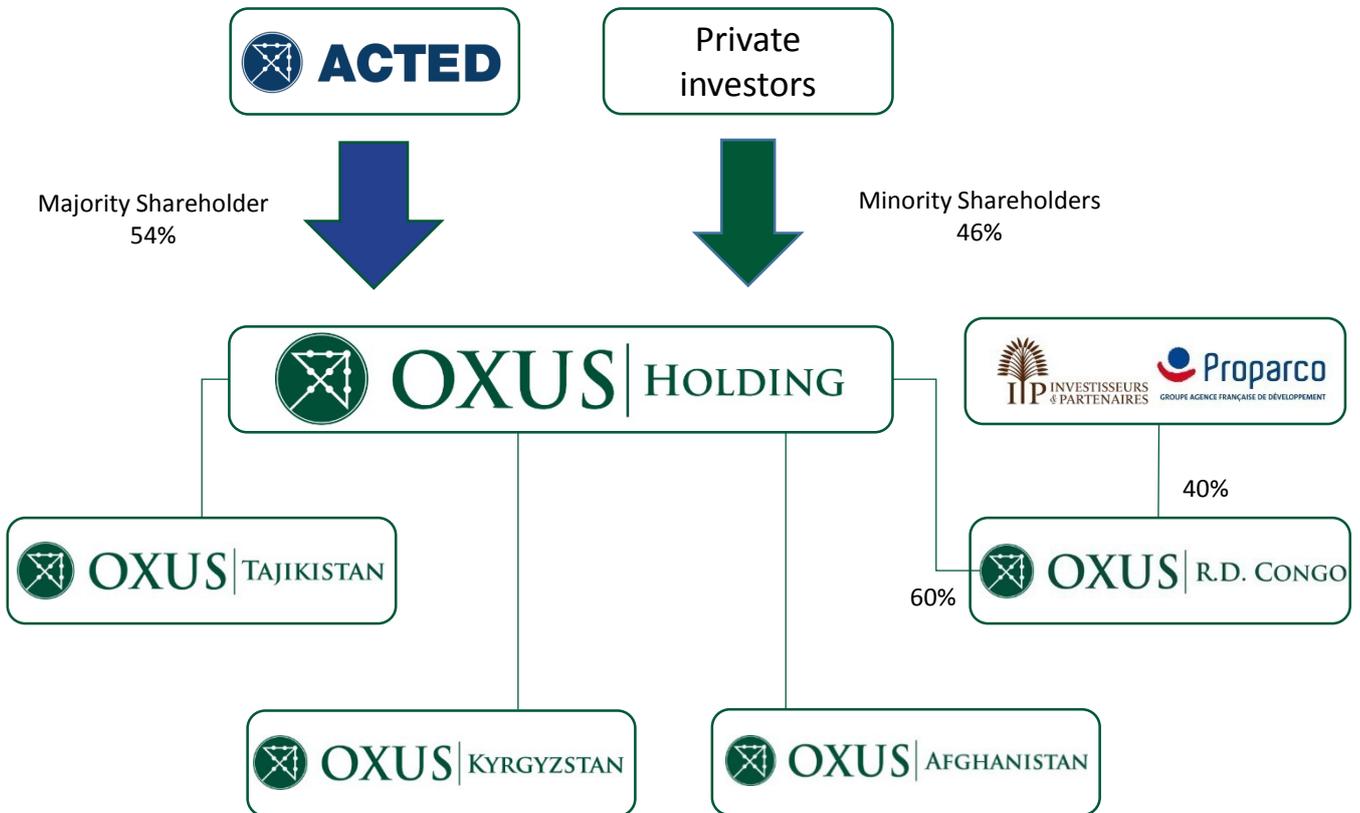
The group is structured with a holding as the apex, two support companies and four microfinance affiliates: OXUS Holding is the investment vehicle of the group and the mother company of OXUS. It provides loans and equity to OXUS MFIs and is owned at 54% by ACTED. ODN, a service company, was created to provide technical assistance to other entities of the group. It is fully owned by OXUS Holding.

OXUS Development Network (ODN) was set up in 2005. It is a services company that provides technical assistance, manages governance and funding, and drives the group strategy. It was decided to reinforce the technical assistance provided to affiliates so as to better align our goals across the group and to implement our “Destination 2018” Plan.

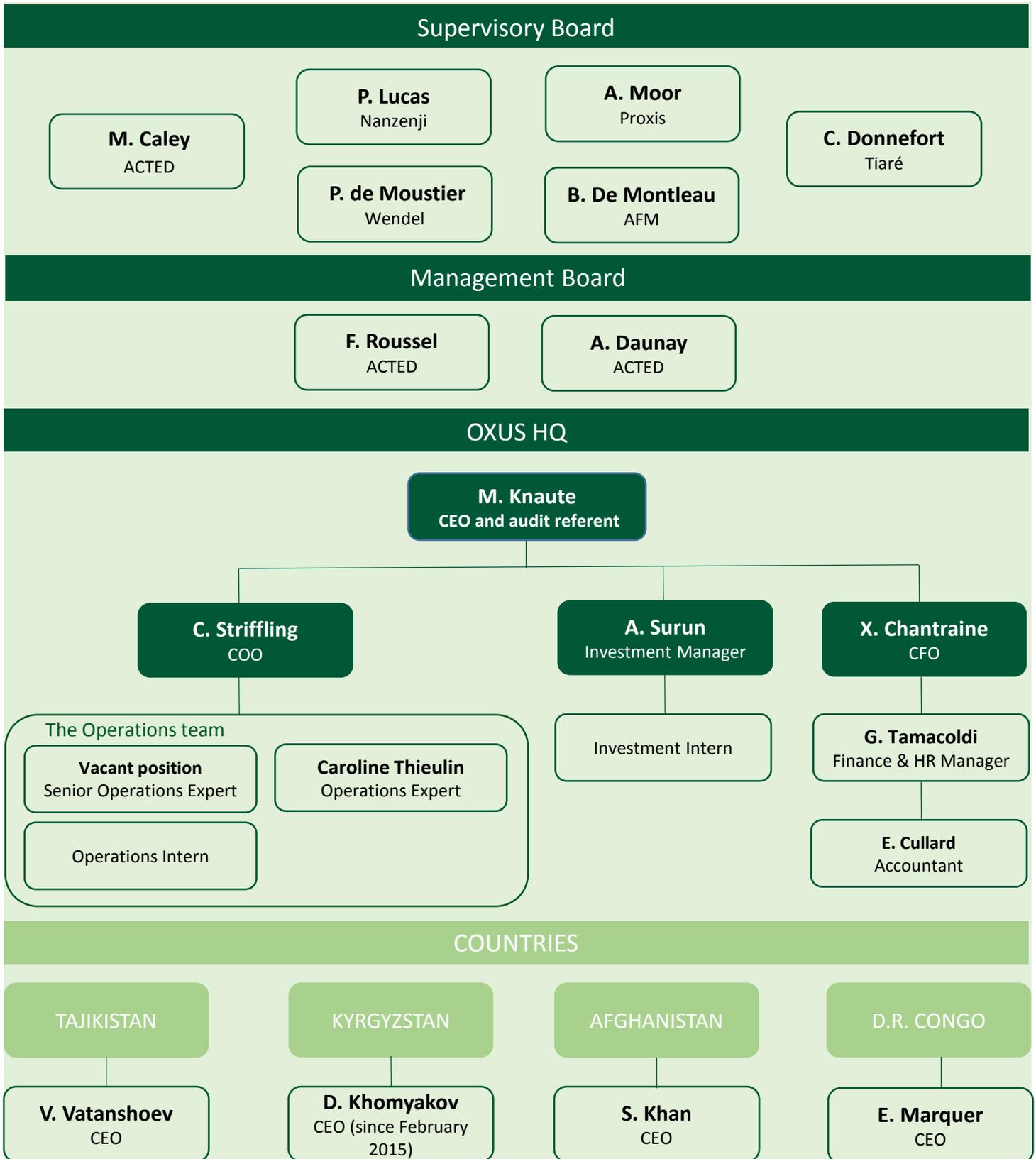
Fund Management for OXUS Holding

ODN is in charge of uniting the group by creating common best practices and helping affiliates adopt the same procedures and methods. ODN also manages governance within affiliates and organizes the different committees in charge of governance. It serves as a link between all entities of the group and leads the strategy definition, ensuring equal implementation across all affiliates.

Moreover, ODN is the fund manager of OXUS Holding. It looks for prospects on its behalf, performs financial analysis for potential investors and drafts legal documentation related to investments. It also takes care of all financial reporting duties of OXUS Holding.



Governance and Organization



Social Performance

What are the SPTF and the SPI4 ?

The Social Performance Task Force (SPTF) is a membership organization with more than 2,600 members from all over the world, comprising every stakeholder group in inclusive finance. SPTF engages to develop and promote standards and good practices for social performance management and reporting.

In 2012, SPTF released the Universal Standards for Social Performance Management (Universal Standards), a comprehensive manual of best practices, including all of the Client Protection Principles (CPP) developed by the Smart Campaign.

Used by OXUS, the SPI4 is a social performance assessment tool for microfinance institutions to help them evaluate their level of implementation of the Universal Standards, and includes the Smart Campaign Client Protection Principles. The SPI4 also offers users with a specific mission focus—green, poverty, rural, gender—to assess their practices, thanks to optional indicators that reflect the latest industry thinking in these areas. CERISE, in collaboration with SPTF and a panel of experts, updated the SPI assessment tool to align it fully to the Universal Standards.

Source : SPTF



Our Social Performance Policy

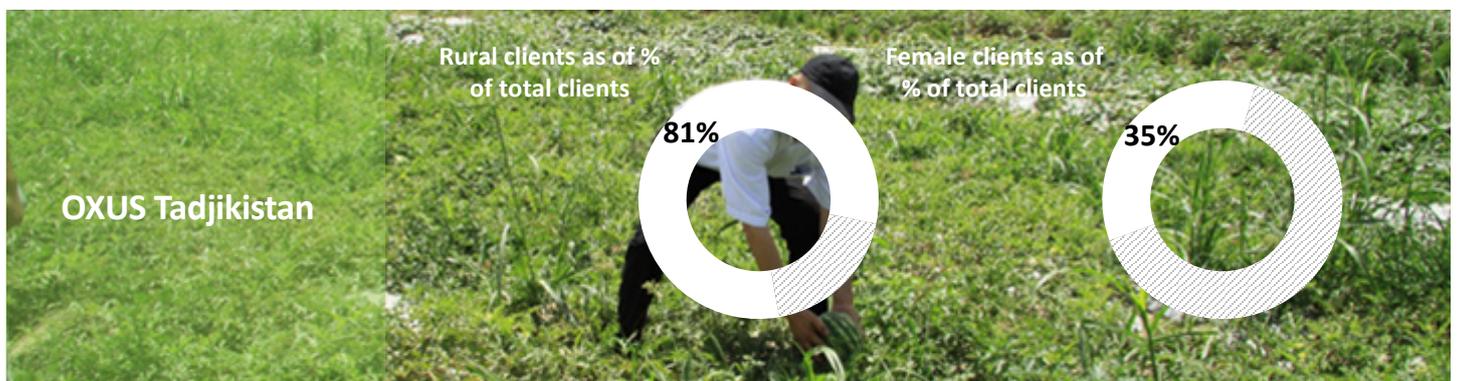
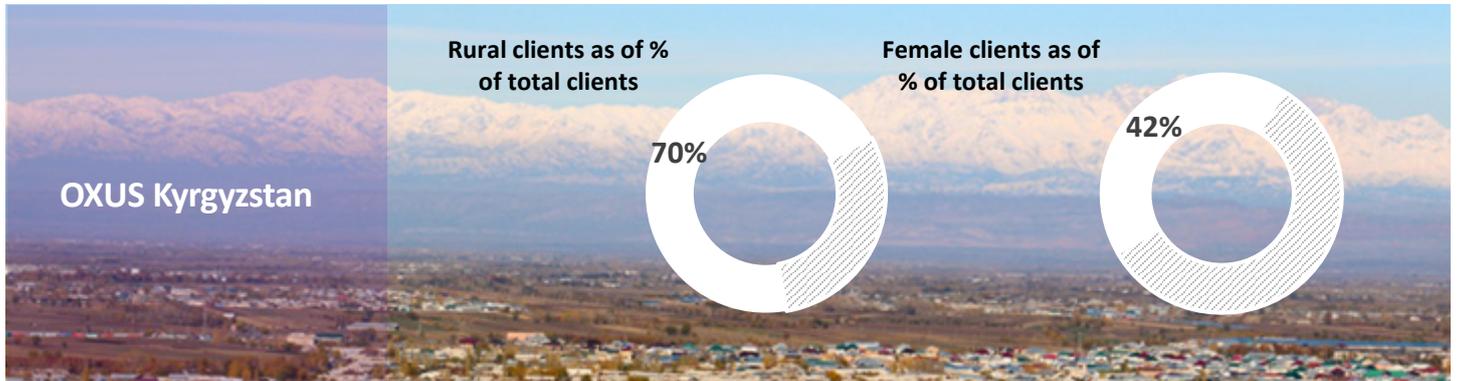
Social performance management (SPM) is a key element of the OXUS's strategy. It ensures that the company works to create value for its stakeholders, with a specific focus on its clients through adequate products and services, as well as on its employees, with the respect of the environment in mind.

Fifty social indicators have thus been developed for all OXUS affiliates, based on the Group vision and mission statements. Each affiliate, however, sets its actions according to its environment, strategy and requirements. Next step is to define targets for main SPM indicators. Implementing this SPM plan will require some staff training so as to collect proper data on the field and have them followed by an SPM committee. These targets will allow us to follow our results regarding for instance the proportion of female and rural clients.

All our affiliates have a code of conduct when it comes to dealing with clients' rights. Moreover, in accordance with the Smart Campaign recommendations, campaign of which all affiliates are signatories, we edited a Clients' Bill of Rights in Kyrgyzstan and in D.R. Congo so as to make our clients aware of their rights when they subscribe to a loan. Because we care not only about our clients but also about our staff too, we launched a satisfaction survey during the year to value our teams' motivation in our affiliates in Tajikistan and Kyrgyzstan. OXUS Tajikistan also launched an energy saving plan in 2014.



Key figures for Social Performance



Credit Methodology

Our internal methodology

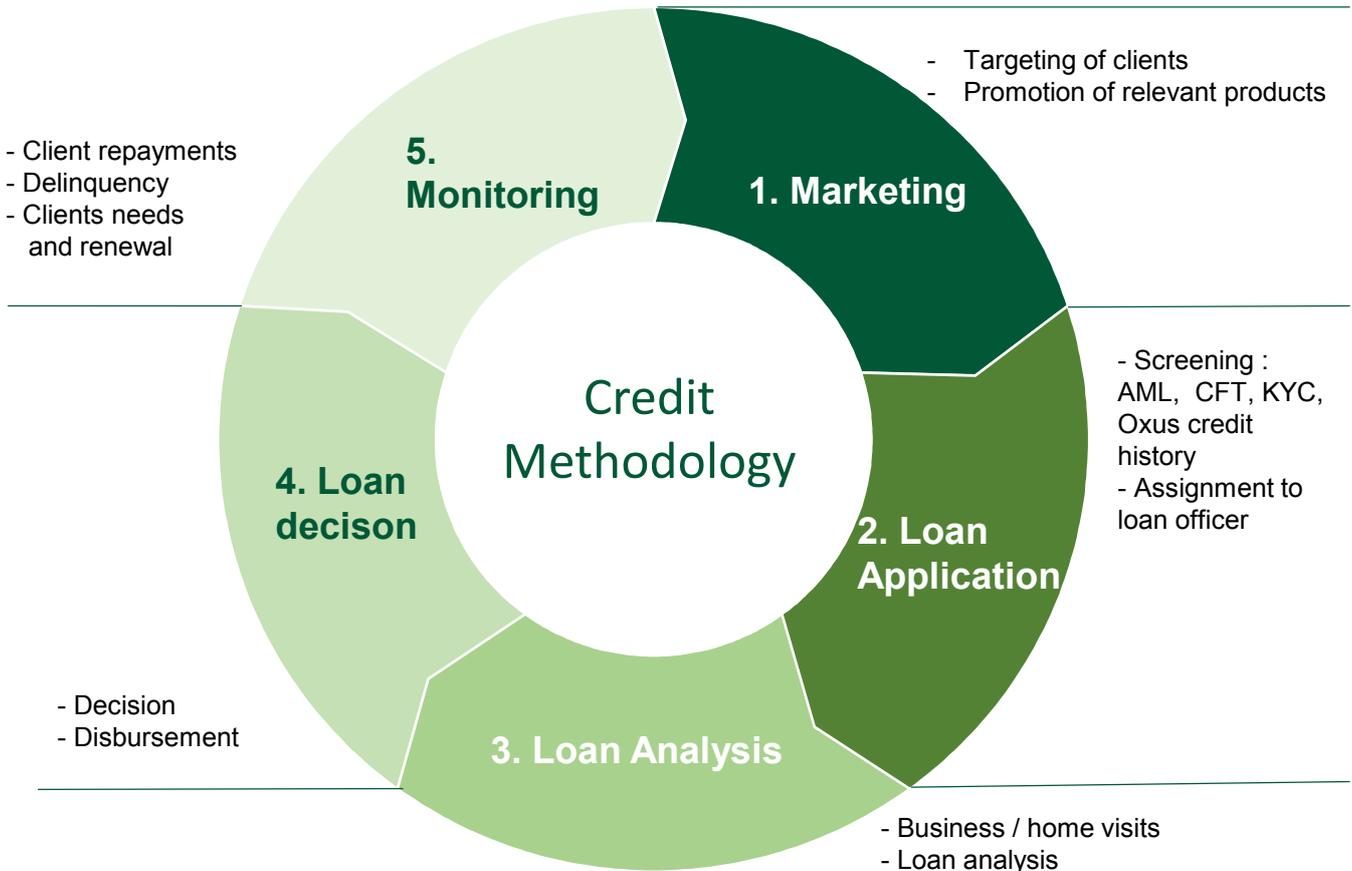
OXUS MFIs credit policy meets the requirements set forth normative legal acts of the National Bank and the laws of the country in which it is implemented, and should be applied to all prospects requesting a loan, as well as clients who have outstanding loans with OXUS. The lending policy applied by OXUS MFIs is consistent with a set of commercial and ethical principles.

Any individual or company with an income generating activity, satisfying the institution's eligibility criteria's and in line with OXUS's mission, can access to a loan. All information necessary to understand a prospects activity and current situation have to be collected.

OXUS operates on the principles of integrity, transparency, credibility towards its customers, based on their economic interests and capabilities, and subject to the requirements of the legislation on the commercial and banking secrecy. Therefore, OXUS does not take advantage of information asymmetry, and is engaged in offering prospects or current clients the most adequate products or services, following the analysis of their needs and capabilities.

Credit decisions are made based on objective criteria and independently from the loan officer assigned to a client. Furthermore, the first loan is probationary to understand the business activity and the needs of the client.

Loan applications have to be assessed in reasonable deadlines. Proper procedures (i.e : analysis of client's social/commercial/financial situations, close monitoring of the clients, special monitoring of delinquent loans, internal credit rating) enable OXUS to analyse and monitor its activity to ensure a high portfolio quality.



Our partners

8

Shareholders

8

ACTED's Charity Bond
Subscribers

4

International Banks

7

Donors

14

Microfinance Investment
Vehicles

5

Local banks



Equity Investors for Oxus Holding



ACTED

ACTED is an international relief agency founded in 1993. Its mission is to support vulnerable populations worldwide and to guide them in building a better future. With a budget close to EUR 164m in 2014, the organisation developed 436 projects across 34 countries in fields as diversified as emergency relief, food security and advocacy.

Nanzenji

Nanzenji is a private company working in the energy sector.



Proxis Développement is an industrial holding company active in the areas of lactic ferments, perfume, water treatment and active pharmaceutical ingredients.

2MMF

2MMF is a private real estate company created in 2007 and based in Paris.

CEOffice

CEOffice is a family office specialized in the support of business managers. It addresses a fortunate clientele having a minimal net worth standing at around EUR 10 million.



Tiaré Groupe is organised around four business lines: wealth management, strategic consulting services, foundations and associations and coaching to family members.

Equity Investors for Oxus DRC



Investisseurs & Partenaires is a family of investment funds created in 2002. Its goal is to support a new generation of responsible African entrepreneurs and thereby to contribute to the emergence of a sustainable and dynamic private sector in Sub-Saharan Africa.



GRUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

Proparco is a Development Finance Institution (DFI) created over 30 years ago on the conviction that the private sector plays a key role in the development of Southern countries. Proparco is owned at 57% by the Agence Française de Développement (AFD).

ACTED's Charity Bond subscribers



finance éthique

Created in 1988, la Nef is a financial cooperative offering saving and credit solutions oriented towards projects with a social, ecological or cultural objective.



ABN AMRO

Founded in 1667, Neuflyze OBC is a Paris-based private bank with a global approach integrating private and professional assets. It is one of the most important credit provider of the cinema industry.



It is the asset management business of BNP Paribas, one of the world's major financial institutions. Active in 35 countries worldwide, it has EUR 509 billion under its management and advice.



For 120 years now, the bank Credit Coopératif has been committed to developing a more social-centered economy. Its main clients are associations, foundations, cooperatives, SMEs and social businesses.



Created in 1997, la Caisse Solidaire is a credit institution which provides financial services to entrepreneurs working for the development of their territory and with a social-oriented project.



Created in 2006, Natixis is the investment bank of the BPCE group. Its activities are in particular coverage&advisory, structured financing, capital markets and global transaction banking.



Ecofi Investissements is an affiliate of Crédit Coopératif, one of our other partners. The group is firmly settled in the development of a financial sector which combines meaning and performance.



Esfin Gestion is the private equity partner of the firms involved in the Social and Inclusive Economy with equity invested in more than 100 firms. Its team developed a deep understanding of this sector and a complete mastering of financing operations.

Debt investors : International Banks



Launched in 2008, the it Foundation is the result of a partnership between Crédit Agricole and Grameen Trust. Its objective is to tackle poverty and financial exclusion worldwide by supporting and communicating on microfinance institutions, and social businesses.



Deutsche Bank is a leading global investment bank. With more than 78,000 employees in over 70 countries worldwide, The Bank competes to be a global provider of financial solutions for its clients in order to create value for its shareholders and people.



Bank aus Verantwortung

KfW is one of the world's leading promotional banks. With EUR 74.1 billion funds in 2014., KfW is committed to improving economic and ecological living conditions in the world on behalf of the Federal Republic of Germany and the federal states.



Debt Investors : Microfinance Investment Vehicles



Cordaid is an NGO located in La Haye (Netherlands). Its objective is to create flourishing and autonomous communities in the more fragile areas for the planet, in particular in areas afflicted by wars.



responsAbility Investments for Prosperity AG is one of the world's leading asset managers in the field of development investments with USD 2.9 billion of assets under management that is invested in around 520 companies in more than 90 countries.



Triple Jump manages and advises funds that aim to invest responsibly in developing countries. It has EUR 496m assets under management which are currently reaching over 340,000 small entrepreneurs.



As a specialist of rural microfinance, Incofin Investment Management advises and manages funds which invest in microfinance institutions operating in more than 40 developing countries.



BlueOrchard was initiated in 2001 by the UN as the first commercial manager of microfinance debt investments. To date, BlueOrchard has invested USD 3 billion in 300 institutions across 60 countries, providing access to financial to over 20 million low-income individuals.



Vision Microfinance have handed out more than USD 687m in the form of 635 promissory notes so far to 256 different MFIs in 50 countries. This meaningful and sustainable help for self-help permits families access to food, medical care and education for their children.



Initiated by KfW and IFC, MEF was setup in February 2009 and has been designed to support the microfinance institutions facing difficulties by providing them with financing at a time when investment was in high demand but low supply.



DWM has structured more than USD 1 bn in inclusive finance transactions over the past 10 years. Its transactions have financed over 140 inclusive financial institutions in more than 40 emerging market countries. By-end 2014, DWM managed USD 490 million in impact investments.



Symbiotics, incorporated in 2004 in Geneva, is specialized in sustainable finance and offers market research, investment advisory and asset management services. Since 2004, Symbiotics has invested over USD 2.4 billion in more than 275 microfinance institutions.



Launched in 2003, MISFA was established as a vehicle through which the Afghan Government and international donors could channel technical assistance and funding to build Afghanistan's microfinance sector.



Frontiers is a microfinance investment fund located in Bishkek in Kyrgyzstan with USD 13m under its management.



Finethic Microfinance, established in 2005 and based in Switzerland, aims to use microfinance as a tool to serve disadvantaged people.

Debt Investors : Microfinance Investment Vehicles



Founded in 1975. Oikocredit is a cooperative financial institution that allows disadvantaged people to have access to responsible finance. With EUR 982m of assets, this organization manages one of the biggest reserve of private funds invested in the microfinance sector.



The Investment Management Division of Frankfurt School Financial Services connects international investors with emerging financial markets in developing countries promote sustainable growth.

Donors



The Agence Française de Développement (AFD) acts for more than seventy years to end global poverty and foster growth in developing countries. She finances capacity-building projects through grants, loans, guarantees and research studies.



USAID
FROM THE AMERICAN PEOPLE

USAID is the lead U.S. Government agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential so as to create markets and trade partners for the United States, and fosters good will abroad.



With more than EUR 200m devoted to roughly 200 projects, the European Commission is one of the most significant provider of fund of the microfinance sector. It usually awards grants devoted to projects of technical assistance and sometimes equity financing.



ROYAUME DE BELGIQUE
Affaires étrangères,
Commerce extérieur et
Coopération au Développement

With a budget of EUR 1.8 billion (equivalent to 0.46% of the GNI of Belgium), the Belgium Cooperation for Development aims at building a peaceful and more prosperous world with its partners. It focuses its action on fragile states and least developed countries.



The Agricultural Development Fund (ADF) is a standalone government owned financial institution with the fundamental purpose of making credit available to the agriculture sector.



Local Banks



Our Network of MFIs

OXUS Tajikistan

18 027

Active Clients

EUR 20.3m

Oustanding Portoflio

1.0%

PAR30



OXUS Tajikistan

Background

OXUS Tajikistan was founded in 2005 to take over ACTED's microfinance activities in the country. It has now become the biggest and most profitable affiliate of OXUS. As of December 2014, it was the country's fourth largest MFI. It has operations in three of the four regions of Tajikistan, namely Sughd, Dushanbe and Khatlon area. International donors and NGOs initiated microfinance activities in Tajikistan in the early 1990's.

The microfinance law, introduced by the Republic of Tajikistan in 2004, obliged all microcredit providers to transform into formal Microfinance Organizations (MFOs).

The microfinance sector in Tajikistan is competitive, there is a large number of institutions on the market. Yet, they are consequently too small institutions that have little chance to grow due to the lack of access to reasonably cheap financing. Yields are decreasing and an increasing number of MFIs are venturing into Small and Medium Enterprises (SME) and consumer lending.

OXUS Tajikistan, for its part, has a small portion of its portfolio invested in SMEs. The vast majority of its clients live in rural areas where the needs are the most significant.

Tajikistan economic and political setting

Tajikistan is the poorest country in former Soviet-dominated Central Asia. The 1992-1997 civil war severely damaged an already weak economic infrastructure and caused a sharp decline in industrial and agricultural production. However, it has benefited from a rapid and constant growth since 1997.

In 2014, the GDP grew by 6.7%, pushed by remittances (representing 42% of the GDP, of which roughly 90% come from Russia) and natural resources output (mainly aluminum and cotton). According to World Bank's forecasts, the growth rate will be above 5% in the years to come.

The political system in Tajikistan is stable. However, the situation in Afghanistan might impact the security setting in Tajikistan which has, for the moment, remained peaceful. In July 2014, inflation increased up to 6.9% for a 12-month period, compared to a rate of only 5% during the previous year. This phenomenon was fuelled by the rise in food commodities prices. After two years of nominal stability, the somoni depreciated by 4.1% between January and September 2014.

Given the slowdown in foreign exchange inflows from remittances, the major source of foreign exchange and principle source of financing of the current account deficit, this trend is likely to continue.

Key country indicators

Population	8,300,000 (2014)
HDI	0.624 (2014)
Population below national poverty line	32% (2014)
Life expectancy at birth	69.4 (2013)
GNI (*) per capita, USD	1,080 (2014)

Source: World Bank & UNDP Data

(*) Human Development Index

(**) Gross National Income

OXUS Tajikistan key figures	December 2014	December 2013
Number of active clients	18,027	15,540
Number of clients in rural areas, %	81%	81%
Gross Loan Portfolio, EUR	20,330,457	15,093,973
PAR 30, %	1.0%	0.8%
Average Loan Balance per active client, EUR	1,128	971
Annualized yield on portfolio	30%	33%
Operational self-sufficiency	108%	112%
Number of staff	370	355
Number of points of sale	50	52

OXUS Tajikistan

Portfolio and products

OXUS Tajikistan managed to increase its portfolio by 35% to EUR 20.8m. At the same time, the number of clients rose by 16% and reached 18,027.

Six loan products are being offered, targeting the agricultural sector, micro-enterprises and individual customers. The individual agro loan is the most popular of them.

In order to increase OXUS Tajikistan's market coverage and better target its customer segments, several new products could be introduced during the 2015-2018 period: livelihood improvement loans (for investments related to health, education, or home improvement), islamic banking loans and mortgage loans.

Risk and profitability

For several years now, the PAR 30 has been consistently low and 2014 is no exception (1% as of December 2014). 2009 excluded, OXUS Tajikistan has been profitable since 2006. This year, it posted a positive income of EUR 282,000, representing a return on equity of 6.1% and a return on assets of 1.3%.

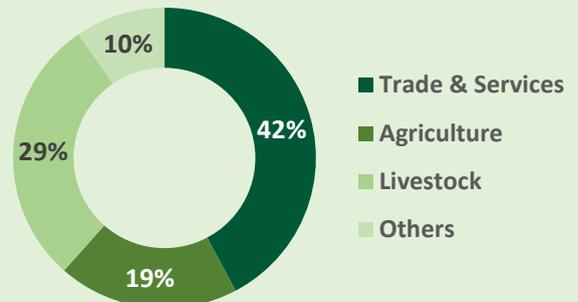
One of the key drivers of OXUS Tajikistan's strategy is to reinforce the current staff capacities in order to improve staff productivity and efficiency. We will strive to strengthen our internal control in order to ensure sustainable growth for the institution.

Strategy for 2015

OXUS Tajikistan's main focus is to serve small businesses both in rural and urban areas. Presence in rural areas is to be kept at a threshold of 80% as it is in line with OXUS Tajikistan's mission. Following the future creation of deposit-taking services, new business lines to be introduced by the end of 2016 include: deposits, foreign currency transactions, remittances and accounts. The objective is both to offer additional products and services to clients answering to a need of our clientele and to gain access to capital.

As for our network, our objective by end-2016 is to increase our presence in existing areas of operation and increase our portfolio in high-growth regions of Sughd and Dushanbe.

Outstanding Loan Balance by Sector

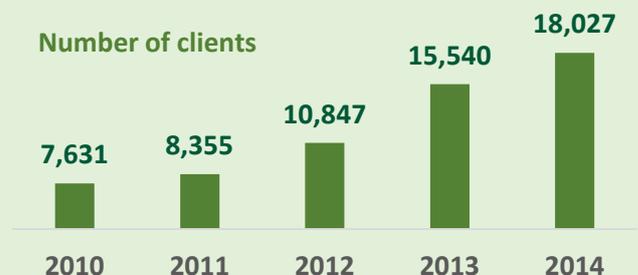


Portfolio and Active Clients

Portfolio in EUR



Number of clients



PAR30, in %



OXUS Tajikistan

OXUS Tajikistan balance sheet - kEUR	December 2014	December 2013
ASSETS		
Cash and bank balances	437	287
Net portfolio	19 990	14 881
Other current assets	592	439
Long-term assets	233	248
TOTAL ASSETS	21 252	15 855
LIABILITIES		
Current liabilities	388	320
Long-term liabilities	16 268	12 663
TOTAL LIABILITIES	16 655	12 982
EQUITY		
Equity	3 511	2 423
Subordinated debt	1 085	450
TOTAL TIER 1 & TIER 2 CAPITAL	4 596	2 873

OXUS Tajikistan income statement - kEUR	December 2014	December 2013
INCOME		
Interest/service charge on loans	5 552	4 385
Other operating income	-	-
Interest on investment	92	29
TOTAL OPERATING INCOME	5 644	4 414
EXPENSES		
Financial expenses	1 878	1 271
Total operating expenses	3 277	2 635
TOTAL EXPENSES	5 155	3 906
Non operating income, grants & expenses	(98)	1
Income tax	(110)	(136)
TOTAL CONSOLIDATED PROFIT/LOSS AFTER TAX	282	378

OXUS Afghanistan

11 439

Active Clients

EUR 7.3m

Oustanding Portoflio

4.5%

PAR30



OXUS Afghanistan

Background

Since its inception in 2007, OXUS Afghanistan has been supported by the Microfinance Investment Support Facility for Afghanistan (MISFA) which plays a regulatory role in the Afghan microfinance market. In 2007, 15 MFIs were active in the market, supported by MISFA funding and capacity building programs, but after a crisis hit the microfinance sector in mid-2008, most of them closed, and only 4 actors remain today (OXUS, MUTAHID, FINCA, HFL).

The crisis, mainly due to excessive growth, enhanced weak procedures and internal controls among MFIs which disabled good client selection. The global financial crisis, contributed to a refocus on portfolio quality, and to an emergence of more adequate and stronger internal procedures within MFIs.

OXUS now stands as the third biggest MFI in the country and has been able to reach a portfolio of EUR 7.3m as of December 2014 through a network of 14 offices. Its operations are located in Kabul and in Northern regions where few MFIs are currently operating.

Afghanistan economic and political setting

Afghanistan's economy is recovering from decades of conflict. The economy has improved significantly since the fall of the Taliban regime in 2001, largely because of the infusion of international assistance, the recovery of the agricultural sector, and service sector growth. Furthermore, after months of political deadlock, a new government was finally established in September 2014.

Its actions will remain decisive in determining the economic climate over the next years, with many areas of reform to tackle during its presidency.

The GDP's growth remained low in 2014 with a rate of 1.3%, mainly because of security matters in this year of election. Violence and delays in the election process have fuelled uncertainty and hampered growth. Yet, if the situation is still tense, it is now under control.

Moreover, the demand for financial services, including credit, remains very high and competition is not yet tangible outside Kabul and other larger urban cities. The sector has reached less than half a million clients out of the 3 million households living below the poverty line, leaving a major scope for expansion.

Key country indicators

Population, millions	31,600,000 (2014)
HDI (*)	0.465 (2014)
Population below national poverty line	35.8% (2011)
Life expectancy at birth	60 (2013)
GNI (**) per capita, USD	680 (2014)

Source: World Bank & UNDP Data

(*) Human Development Index

(**) Gross National Income

OXUS Afghanistan key figures	December 2014	December 2013
Number of active clients	11,439	10,121
% of portfolio in rural areas	56%	55%
Gross Loan Portfolio, EUR	7,287,590	6,919,629
PAR 30, %	4.5%	1.4%
Average Loan Balance per active client, EUR	637	684
Annualized yield on portfolio	36.3%	37.7%
Operational self-sufficiency	74%	98%
Number of staff	315	320
Number of points of sale	14	14

OXUS Afghanistan

Portfolio and products

With the perspective of challenges to come, the economic activity in the country decreased sharply and OXUS Afghanistan was no exception to that trend. As security became a major concern, we implemented a new risk management policy in 2014. A risk committee has been put in place, as well as a risk department. Its goal is to assess and prioritize financial, strategic and operational risks.

OXUS Afghanistan also encountered a decrease in the amount of grants received. That fact, combined with the unstable state of the economy this year, explains the negative net income for this affiliate in 2014.

Risk and profitability

Despite the difficult economic environment, OXUS Afghanistan has been able to raise the number of clients it serves which increased by 13% this year. The portfolio also grew by 5% to EUR 7.3m.

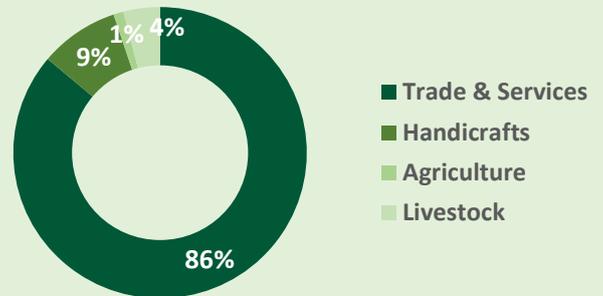
OXUS Afghanistan now offers six different loan products, most of them for micro-businesses or SMEs. The latest product is Zahra, a Sharia-compliant product for women working in the agricultural sector. In 2015, OXUS Afghanistan will develop its targeted clientele by offering well re-designed loans and new products (group loan, livelihood improvement loan, consumer gold loan, salary loan and staff loan). Better risk management will be the key to success in the months to come. That is why OXUS Afghanistan has invested strongly in that area.

Strategy for 2015

The strategy to be followed will largely depend on the action of the government elected in September as well as the changes in the security situation. For 2015 and 2016, OXUS Afghanistan's macro orientation is to increase OXUS' market share by reaching an average growth of outstanding of 35% in 2015 and 23% in 2016. To reach this result, OXUS will focus on developing its network, by opening 2 sub-branches, whereas Quaiser branch will be closed for security reasons.

Five key orientations have been defined for OXUS Afghanistan's 4 years strategy. The first is to improve OXUS's productivity and efficiency. Secondly, OXUS will develop a marketing approach to qualify its targeted segments and re-design and develop attractive products. Then, the institution should improve the quality of service, by developing high customer service standard. The other key orientations are to strengthen the internal control and to ensure the availability of funding.

Outstanding Loan Balance by Sector

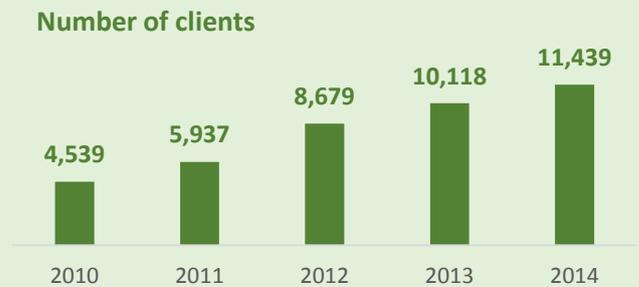


Portfolio and Active Clients

Portfolio in EUR



Number of clients



PAR30, in %



OXUS Afghanistan

OXUS Afghanistan balance sheet - kEUR

December 2014

December 2013

ASSETS

Cash and bank balances	1 211	796
Net portfolio	7 128	6 793
Other current assets	248	339
Long-term assets	241	341
TOTAL ASSETS	8 828	8 269

LIABILITIES

Current liabilities	411	397
Long-term liabilities	8 742	7 398
TOTAL LIABILITIES	9 154	7 795

EQUITY

TOTAL EQUITY	(326)	474
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OXUS Afghanistan income statement - kEUR

December 2014

December 2013

INCOME

Interest/service charge on loans	2 878	2 417
Other operating income	50	6
Interest on investment	18	9
Total Operating Income	2 946	2 432

EXPENSES

Financial expenses	1 005	333
Operating expenses	2 580	2 129
Total expenses	3 585	2 462
Non operating income, grants & expenses	128	194
Income tax	-	-
Total consolidated profit/loss after tax	(511)	164

OXUS Kyrgyzstan

5 074

Active Clients

EUR 4.3 m

Outstanding Portfolio

1.6%

PAR30



OXUS Kyrgyzstan

Background

OXUS Kyrgyzstan was founded in 2006 as the second MFI of OXUS. After difficult first years, it took off in 2011 and is the seventh largest microfinance institution of the country as of December 2014.

Microfinance in the Kyrgyz Republic started as the country was established as an independent state following the collapse of the Soviet Union. The microfinance sector is characterized by rapid growth, with over 300 MFIs, and a portfolio estimated at EUR 280m in 2014.

Growth resulted in a saturated market (especially in urban areas), increasing competition and over-indebtedness. This led the parliament to set an interest rate cap of 37%, increase the minimum capital requirement and strengthen the supervision from the Central Bank. Tighter regulation has benefited the microfinance market with an improvement in lending practices, a decrease of parallel lending, and the closing of several institutions charging outrageous interest rates.

Kyrgyzstan economic and political setting

Kyrgyzstan is one of the poorest countries in Central Asia, particularly reliant to the Kazakh economy, remittances from abroad and natural resources. It has however enjoyed a strong economic growth in the past 20 years and the economy grew by 3.6% in 2014, fuelled by the recovery in gold production.

Projections are optimistic: the World Bank expects a GDP growth of 2.0% in 2015 and of 4.6% in 2016.

The second decade following independence (1991) was marked by political and social instability. Nevertheless, the government's National Strategy for Sustainable Development, adopted in 2013, stated improving governance and fighting corruption to be its top priority.

Other reforms aim to restore economic and social stability, and to address shortcomings in public governance and the investment climate. After ethnic clashes broke out in 2010, the political and social situation has remained calm.

Key country indicators

Population	5,800,000 (2014)
HDI (*)	0.655 (2014)
Population below national poverty line	30.6% (2014)
Life expectancy at birth	70 (2013)
GNI (**) per capita, USD	1 250 (2014)

Source: World Bank & UNDP Data

(*) Human Development Index

(**) Gross National Income

OXUS Kyrgyzstan key figures

	December 2014	December 2013
Number of active clients	5,074	4,151
% of portfolio in rural areas	70%	69%
Gross Loan Portfolio, EUR	4,269,466	3,827,816
PAR 30, %	1.6%	1.0%
Average Loan Balance per active client, EUR	841	922
Annualized yield on portfolio	37%	40%
Operational self-sufficiency	94%	94%
Number of staff	70	101
Number of points of sale	8	15

OXUS Kyrgyzstan

Portfolio and products

OXUS Kyrgyzstan managed to increase the number of clients it serves by 22%, from 4,000 to 5,100 clients. The institution strategic guideline is to stay focused on current clientele and core business products, which are agro and business individual microloans (respectively 46% and 38% of total portfolio by the end of 2014). Nevertheless, in line with its social goal, OXUS Kyrgyzstan has reviewed the characteristics and strategy, based on past experience, for the relaunch of group lending products in June 2014.

Furthermore, OXUS Kyrgyzstan is currently introducing livelihood improvement loans, as a distinctive product line from consumer loans. Products for SME clients, a segment not served yet, might be considered for a potential launch in 2017 or 2018.

Risk and profitability

The microfinance context in Kyrgyzstan is characterized by rising risk indicators. Our institution managed to maintain its PAR 30 at a low level, 1.6% as of December 2014.

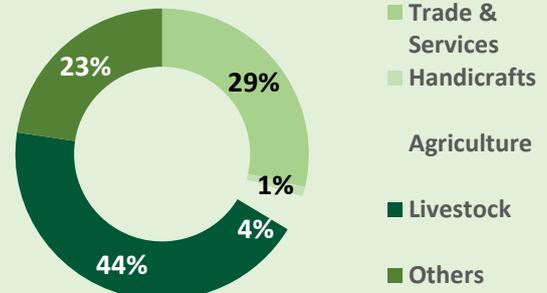
Lack of productivity and a decrease in the yield hampered our profitability. OXUS Kyrgyzstan posted a negative net income of EUR 89,000 for this year.

Strategy for 2015

OXUS Kyrgyzstan's market strategy aims to respond to the key orientations defined for the institution during the next four years. The first goal is to improve operations through efficiency, productivity, and portfolio quality. The second one is for the institution to keep focused on the quality of service, by maintaining fast disbursements as one of its main competitive advantage.

OXUS Kyrgyzstan is actually covering 5 of the 7 regions in Kyrgyzstan. In the short-term (2015-2016), OXUS Kyrgyzstan will therefore strive to improve the management of these points of sales, responding at best at clients' needs and focusing on the improvement of productivity. The only change is that all sub-branches will become branches in 2015 and 2016 (Bazarkorgon, Kerben and Alabuka). In the longer term, OXUS Kyrgyzstan plans to invest the benefits of previous years to open two branches in 2017 (one in Issyk-Kul and one in Talas, a new region), and one in 2018 (Chuy region). This development of geographical outreach is in line with OXUS Kyrgyzstan's strategic orientation for 2017-2018: to reach a market share of 5% by the end of 2018.

Outstanding Loan Balance by Sector

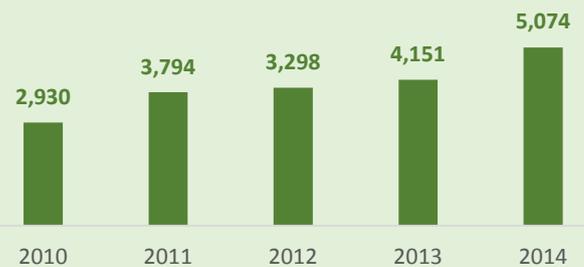


Portfolio and Active Clients

Portfolio in EUR



Number of clients



PAR30, in %



OXUS Kyrgyzstan
OXUS Kyrgyzstan balance sheet - kEUR
December 2014
December 2013
ASSETS

Cash and bank balances	280	159
Hedging deposit	2 698	2 213
Net portfolio	4 136	3 749
Other current assets	71	76
Long-term assets	132	100
TOTAL ASSETS	7 318	6 297

LIABILITIES

Current liabilities	56	60
Long-term liabilities	6 083	5 804
TOTAL LIABILITIES	6 139	5 864

EQUITY

Equity	1 055	339
Subordinated debt	124	95
TOTAL EQUITY	1 179	433

OXUS Kyrgyzstan income statement - kEUR
December 2014
December 2013
INCOME

Interest/service charge on loans	1 472	1 387
Other operating income	12	16
Interest on investment	0	0
TOTAL OPERATING INCOME	1 484	1 403

EXPENSES

Financial expenses	598	457
Operating expenses	943	1 009
TOTAL EXPENSES	1 541	1 466
Non operating income, grants & expenses	(32)	(9)
Income tax	-	-
TOTAL CONSOLIDATED PROFIT/LOSS AFTER TAX	(89)	(71)

OXUS Democratic Republic of Congo

17 244

Active Clients

EUR 3.6 m

Outstanding Portoflio

0.9%

PAR30



OXUS Democratic Republic of Congo (DRC)

Background

The latest affiliate in the group, OXUS DRC, was created and registered in 2012 with the help of two partners: the French Development Agency (AFD) through its private arm PROPARCO/FISEA and the investment fund Investisseurs & Partenaires (I&P/IPAE). The institution started its operations in the summer of 2013. It offers loan products to micro-entrepreneurs in the capital Kinshasa and in the provincial town of Kikwit.

Microfinance is a blooming field in the DRC where the banking penetration rate was at 5.7% at the beginning of 2014 according to the Central Bank. Very few international players are present and local banks, as MFIs, are confined within a handful of cities (Kinshasa, Goma, Bukavu), leaving a significant room for growth. The Central Bank estimates that credit cooperatives stand for 85% for the microfinance sector.

D.R. Congo economic and political setting

The DRC is one of the world's poorest countries. The World Bank ranks the country 176 out of 188 for HDI. The World Bank estimated that 64% of the population lives below the poverty line.

After a decade of war, the country has signed several peace agreements and safety is now a reality in most regions. This has led to a surge in investments and economic activity. In 2014, the GDP increased by 9.0%. Moreover, the World Bank estimates that the growth rate will maintain above 8% for the years to come.

Yet, the population's needs remain extremely important, in terms of infrastructure, health, education. If the country manages to maintain a stable security situation, its enormous potential for growth could materialize in coming years.

Key country indicators

Population, millions	74,900,000 (2014)
HDI	0.433 (2014)
Population below national poverty line	63.6% (2012)
Life expectancy at birth	58 (2013)
GNI (*) per capita, USD	380 (2014)

Source: World Bank & UNDP Data

(*) Human Development Index

(**) Gross National Income

OXUS DRC key figures

	December 2014	December 2013
Number of active clients	17,244	2,551
Gross Loan Portfolio, EUR	3,621,098	620,349
PAR 30, %	0.9%	0.0%
Average Loan Balance per active client, EUR	210	243
Annualized yield on portfolio	63%	65%
Operational self-sufficiency	49%	8%
Number of staff	154	67
Number of points of sale	3	2

Portfolio and products

The loan portfolio grew very fast and grew from EUR 0.6m by December 2013 to EUR 3.6m by December 2014. Although the average loan amount already observed in 2013, at EUR 210, is smaller than expected, rapid growth continued in 2014. OXUS DRC counted 17,244 clients by the end of 2014.

Risk and profitability

Because operations started in an efficient and resilient way in 2013, the PAR30 stayed below 1.0% during the year. It stood at 0.9% by December 2014. The net income of OXUS DRC for 2014 was negative, at EUR 366,000.

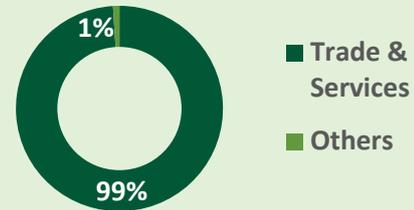
Strategy for 2015

OXUS DRC needs to grow to a comfortable size in order to benefit from economies of scale. This will be done through an important rise in portfolio size and outreach. In 2015, we will open a new office in Kinshasa. We planned to open two other offices in a new region in 2016.

Launching Savings Accounts is a serious challenge, but the project was prepared for a long time now and demand is very high among our clients and it will allow us to widen our funding base.

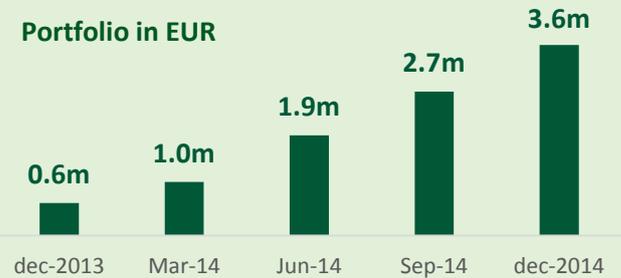
For the moment, OXUS DRC focuses on three types of loans: group, small individual and very small individual. So as to meet the strong demand observed, OXUS will launch its deposit activity in the coming years. Our clients will then have access to accounts in two currencies: USD and CDF (the local currency). Credit will also be available in CDF.

Outstanding Loan Balance by Sector



Portfolio and Active Clients

Portfolio in EUR



Number of clients



PAR30, in %



OXUS DRC
OXUS DRC balance sheet - kEUR
December 2014
December 2013
ASSETS

Cash and bank balances	306	338
Net portfolio	3 600	620
Other current assets	903	1 312
Long-term assets	590	230
TOTAL ASSETS	5 399	2 501

LIABILITIES

Current liabilities	1 966	527
Long-term liabilities	1 933	267
TOTAL LIABILITIES	3 899	794

EQUITY

TOTAL EQUITY	1 500	1 643
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OXUS DRC income statement - kEUR
December 2014
December 2013
INCOME

Interest/service charge on loans	1 256	82
Other operating income	5	3
Interest on investment	0	0
TOTAL OPERATING INCOME	1 261	86

EXPENSES

Financial expenses	195	55
Operating expenses	2 380	916
TOTAL EXPENSES	2 575	971
Non operating income, grants & expenses	960	825
Income tax	(13)	(2)
TOTAL CONSOLIDATED PROFIT/LOSS AFTER TAX	(366)	(62)

OXUS consolidated figures



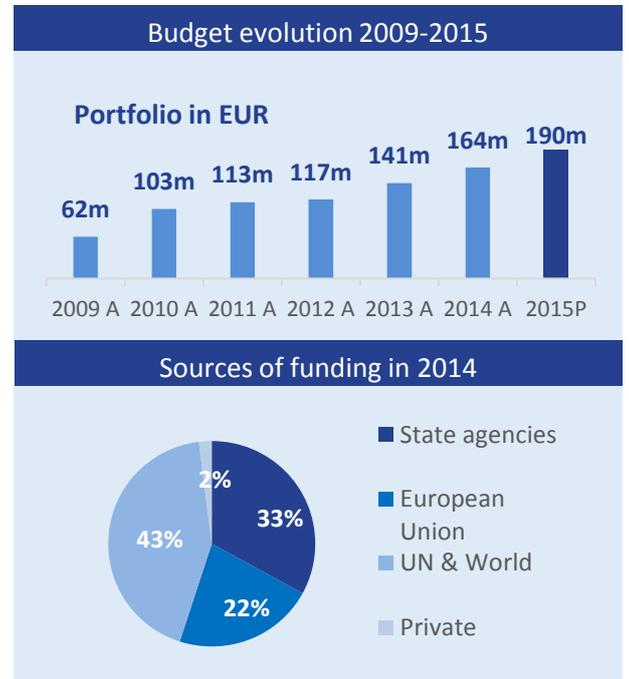
Key operational figures	December 2014	December 2013
Countries of operations	4	4
Number of clients	51,784	32,363
GLP, in mEUR	35.4	26.5
Total staff	909	843
Number of loan officers	434	393
Number of points of sale	373	387
Number of loans disbursed since 01/01/2006	206,859	144,864
Amount of loans disbursed since 01/01/2006, in mEUR	190.1	139.5
Average loan outstanding size, Euro	686	818
PAR 30, %	1.77%	0.96%
Annualized yield on portfolio, %	35%	34%

ACTED

Created in Afghanistan in 1993, ACTED has since become the second largest French Non-Governmental Organization with a budget of EUR 164m in 2014, implementing some 436 projects in 34 countries, and providing help to over 8 million beneficiaries, with the support of over 4,300 staff.

Every human being has a right to live in dignity. ACTED chooses to act for immediate change in the lives of those in urgent need and co-creates new possibilities and sustainable change by investing in people's potential. ACTED's mission is to support vulnerable populations affected by wars, natural disasters and/or economic and social crises, and to guide them in building a better future. As such, the French NGO responds to emergencies, builds disaster resilience, promotes inclusive and sustainable growth, and strengthens civil society, effective governance and social cohesiveness.

The interventions of ACTED seek to cover the multiple aspects of humanitarian and development crises through a multidisciplinary approach which is both global and local, and adapted to each context. Through its long term commitment, ACTED aims at establishing a link between emergency, rehabilitation and development.



ACTED and microfinance

ACTED recognized the importance of providing communities with the tools to pave the way for economic development at an early stage. In 1997, a first microfinance programme was launched in Tajikistan. Eight years later, OXUS Tajikistan was created.

After OXUS, ACTED launched Convergences, the first platform for thought in Europe that aims to build new convergences between public, private, and solidarity-based actors to promote the Sustainable Development Goals and to alleviate poverty and privation in developed and developing countries. Every year, Convergences publishes the Microfinance Barometer that evaluates the state of the microfinance sector around the world.

ACTED was also instrumental in the creation of Babyloan.org, the leading peer-to-peer lending platform in Europe as well as the South-Asian Microfinance Network (SAMN), the microfinance association of the South-Asian region.

ACTED's outreach



Glossary

General items

Average Loan Balance per active client = This indicator is the value of loans outstanding divided by the number of outstanding loans.

Gross Loan Portfolio (GLP) or Outstanding Loan Balance (OLB) = GLP is equal to all the outstanding principals due for all outstanding client loans. This includes current, delinquent, and renegotiated loans, but not loans that have been written off. It does not include interest receivable. It also includes all loans granted to employees, board members, or other people associated with the institution.

HDI (Human Development Index) = Created by the UNDP, the Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of these three dimensions.

Life expectancy at birth = Life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.

MFI = Microfinance Institution

MIV = Microfinance Investment Vehicle

NGO = Non-Governmental Organization

Operational Self-Sufficiency = Operational Self-Sufficiency measures the ability of the institution to reach profitability. It is computed using the formula financial revenue divided by total cost (Financial Expense plus Cost of Risk and Operating Expense).

PAR30 = PAR30 (Portfolio at Risk over 30 days) measures current risk in the portfolio at a point in time. The most common international measurements of NPLs (Non-Performing Loans) are greater than 90 days. Based on the microfinance business model and short-term tenor of loans, 30 days is a more appropriate time horizon for this ratio.

Population below national poverty line = National poverty headcount ratio is the percentage of the population living below the national poverty lines. National estimates are based on population-weighted subgroup estimates from household surveys.

SPM = Social Performance Management

Yield on portfolio = Yield on portfolio indicates the MFI's ability to generate cash from interest, fees, and commissions in the average gross loan portfolio. The yield is computed by the formula : cash received from interest, fees, and commissions on loan portfolio over average GLP. Accrued interests are included whereas penalties are not.

Balance Sheet items

Cash and bank balances = Cash on hand, near cash, and other highly liquid instruments paying little or no interest.

Hedging deposit (or Back to Back Deposit) = Back to Back Deposits represent a foreign currency loan that is deposited in a local bank and serves as collateral for a loan in local currency from the local bank.

Net Portfolio = Net Portfolio is the Gross Loan Portfolio less the Loan Loss Reserve

Loan Loss Reserve = The portion of the Gross Loan Portfolio that has been expensed (provisioned for) in anticipation of losses due to default.

Other Current Assets = It can include interest receivable, accounts receivable, current income tax assets or deferred income tax assets.

Glossary

Long-term Assets = The cost or value of all physical property and property improvements, furniture, and equipment that the MFI currently uses less accumulated depreciation expense. Fixed assets may also include other tangible assets, such as software. Intangible assets may be included here if permitted by national accounting standards.

Current liabilities = It can include interest payable, compulsory savings, deferred income, deferred income tax liability or the current maturity of long-term loans (lower than 1 year).

Tier 1 capital = A firm's core equity capital is known as its Tier 1 capital and is the measure of a bank's financial strength based on the sum of its equity capital and disclosed reserves, and sometimes non-redeemable, non-cumulative preferred stock.

Tier 2 capital = Tier 2 capital is one of two categories by which a bank's capital is divided. Tier 2 capital is supplementary bank capital that includes items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated debt.

Subordinated debt = Subordinated debt is a loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings.

Income statement items

Interest/charge on loans = Interest or fee earned on the loan portfolio. If the MFI is earning interest on loans to employees or board members, this interest should be disclosed. If this interest is significant, the MFI should create two subaccounts —one for interest from clients and the other for interest from these related parties.

Other operating income = All other revenue from the provision of financial services, including transaction fees, premiums, membership fees, passbooks, and smartcards. If the MFI provides loans to employees or board members, the interest and fee revenue from those loans should be included here.

Financial revenue from investment = Revenue from interest, dividends, and other payments generated by financial assets other than the loan portfolio, such as interest-bearing deposits, certificates of deposit, and treasury obligations. This may include net trading income (gains less losses) from securities and foreign currency trading.

Financial expense = The total value of all financial expenses incurred from operations. It includes interest expenses, loan impairment and fee and commission on borrowings or deposits.

Provision for loan losses = The non-cash expense calculated as a percentage of the value of the loan portfolio that is at risk of default. This value is calculated in the portfolio report and is used to create or increase the Loan Loss Reserve on the balance sheet (Value of provisions at the period end minus Value of provisions at the beginning).

Operating expense = The total value of all operating expenses, including Personnel and Administrative Expenses, related to the provision of financial services or other services that form an integral part of an MFI's financial services' relationship with its clients.

Non-operating revenue = All revenue not directly related to core microfinance operations, such as revenue from business development services, training, consulting services, management information system sales, or sale of merchandise. This account also includes any exceptional gains and revenues. Large or relevant non-operating revenue categories should be listed as separate line items as appropriate.

Net income = All net earnings from the MFI's operations, net of taxes, and after the inclusion of donations.

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