

Microfinance in Russia: Benchmarks and Analysis 2006



RUSSIAN
MICROFINANCE
CENTER

The report has been prepared by the Russian Microfinance Center in cooperation with the Microfinance Information eXchange, Inc.

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List of Abbreviations and Groups

Abbreviation	Description	Group	Description
CCC	Credit Consumer Cooperative	FSS	Institutions with Financial Self-Sufficiency > 100%
CCCC	Credit Consumer Cooperative of Citizens	Non – FSS	Institutions with Financial Self-Sufficiency < 100%
CS	Consumer Societies and their unions	New Young	Institutions established less than 8 years ago
GDP	Gross Domestic Product	Mature	Institutions established over 8 years ago
GLP	Gross Loan Portfolio	Small	Institutions with a total loan portfolio less than 2 mln. US dollars
GNI	Gross National Income	Medium	Institutions with a total loan portfolio from 2 to 8 mln. US dollars
MIX	Microfinance Information Exchange	Large	Institutions with a total loan portfolio over 8 mln. US dollars
MFI	Microfinance Institution	Banks	Bank institutions implementing microfinance programmes
NDCO	Non-banking credit and deposit organizations	Credit cooperatives	Credit consumer cooperatives, Credit consumer cooperatives of citizens
PAR	Portfolio at Risk	NGO & NBFII	Government or Private Funds for Small Business Support, a non-banking financial institutions (financial mutual assistance organizations, etc.)
PCMI	Private commercial non-credit microfinance institutions	Russia	Institutions of Russia
PSBS	Private foundations	CA	Institutions of the Central Asia
RCCC	Rural Credit Consumer Cooperative	CEE	Institutions of the Central and Eastern Europe
RMC	Russian Microfinance Center	ECA	Institutions of the Eastern Europe and Central Asia
RSS	Russian Statistic Service		
SFSBS	State (municipal and regional) funds for small business support		

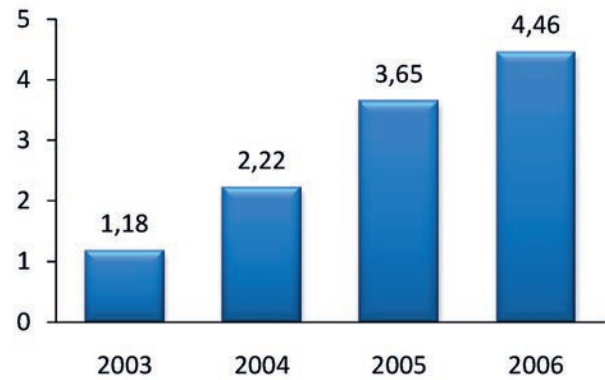
Introduction

The microfinance sector in Russia is home to more than 2000 microfinance institutions (MFIs), scattered across different regions. Most of these institutions are relatively small, although there is a small group of large-scale providers. Growth has been rapid in the aggregate, but is still often slow at the institutional level. In part, this structure is due to the legislative environment in Russia, which allows for several different legal forms, some with limitations on their expansion; and in part it is due simply to the demographics and geography of Russia, with the most underserved populations often far outside major urban centers, spread across 11 time zones and a territory of 17 million square kilometers. Nonetheless, about 8-10 percent of the microfinance institutions in Russia operate efficiently with loan portfolios in excess of one million USD.

Loan portfolios have grown by 20 percent annually, with 3.5 times expansion of the sector between 2003 and 2006, as shown in Figure 1. Due to the presence of hundreds of credit unions in the sector, much of this growth has been financed through savings, although commercial banks and international investors are beginning to take a larger role. However, sustainability has also been a challenge as well and one primary cause is the high cost of savings for Russian MFIs. Almost half of Russian MFIs do not cover their adjusted costs, with some paying deposit rates in excess of 20 percent.

This report looks in detail at Russian microfinance institutions by type, size, age, and other factors driving their development. The report uses two data sets: 1) a broad set of high-level trend data for approximately 183 microfinance providers in Russia provided through the Russian Microfinance Center (RMC) and 2) a more detailed sampling of performance data for 20 institutions

Figure 1 Loan portfolio growth in Russia



■ Gross loan portfolio, Billion RUR

Source: Russian Microfinance Center, 2006. Data for 183 surveyed institutions in 2003-2006. 25 RUR = 1 USD approximately.

participating in annual benchmarks with RMC and the Microfinance Information Exchange (MIX). The report also provides an analysis of Russian legislation regarding microfinance, development tendencies within the sector, and the major characteristics of Russian microfinance institutions. This analysis helps to identify the factors influencing the development of the microfinance industry in Russia and leading to broader access to financial services for the population.

Country Background

The Russian Federation occupies 11.5 percent of the world's landmass and the area of the country is over 17 million square kilometers. The length of the Russian Federation from the north to the south exceeds 4,000 km and from the west to the east is close to 10,000 km. On the west, Russia borders upon Finland, Estonia, Latvia, Lithuania, Poland, Ukraine and the Republic of Belarus, on the southwest upon Georgia and Azerbaijan, on the south upon Kazakhstan and Mongolia and on the



Source: University of Texas

Table 1 | Macroeconomic indicators in the Russian Federation, 2002-2007.

Indicator	2007	2006	2005	2004	2003	2002
Gross domestic income (mln. US dollars)	1,343,939	1,020,956	763,720	582,395	433,491	345,589
GNI per capita (US dollars)	N/A	N/A	4,460	3,410	2,610	2,130
Population (1000s)	142,200	142,800	143,151	142,814	143,425	144,071
Percent rural population	27.00%	27.00%	27.00%	26.71%	26.71%	26.70%

Source: IMF International Financial Statistics, 2005

southeast upon China. Russia has maritime boundaries with Japan and the United States of America. As of September 2007 the population of Russia was 142 million.

According to the population census in Russia in 2002, the number of city-dwellers was 73 percent of the total population in Russia, with the rural population at 27 percent. One of the particular qualities of the demographics of Russia is the concentration of city-dwellers in a few densely populated areas. More than 60 percent of the Russian population is concentrated in three Federal Districts – Central (26 percent), Privolzhsky (22 percent) and South (16 percent). The smallest is the Far-East Federal District – only 4.6 percent of the total population. One-third of Russian residents are concentrated in the 13 largest “millionaire” cities – Moscow, Saint-Petersburg, Novosibirsk, Nizhny Novgorod, Yekaterinburg, Samara, Omsk, Kazan, Chelyabinsk, Rostov-on-Don, Ufa, Volgograd and Perm.

According to **Table 1**, there has been stable economic growth in Russia during the past few years, mainly due to the growth of consumer and investment demand, the volume of construction and trade and manufacturing industries. Per capita income levels in Russia have increased from January to August 2006 10.9 percent over 2005 levels[1]. And the gap between the income of city-dwellers and the rural population is decreasing. The Gini coefficient (which reflects the level of income inequality) in Russia reached 39.5 in 2005 and over the next two years demonstrated declining trend reaching 27 by the end of 2007. Many consider that countries with values over 40 points have the potential for social troubles. For comparison, in Europe, Gini coefficient levels do not exceed 25 points, while in China, Mexico, Brazil, Bolivia and Chile the value of the coefficient reaches 60 points.

Lending activities have expanded rapidly in Russia over the five years. Liabilities of the population and non-financial organizations in Russia increased from 1,915 billion rubles in 2003 up to 12,212 billion rubles in 2007. Total credit relative to GDP grew from 14 percent in 2003 to 37 percent in 2007.

As of the 1st of July 2007, the Central Bank of the Russian Federation has registered 1,157 commercial banks, most of which have branch networks and continue to develop and open new regional offices. The bank branch network as of November 2006 consisted of 3,270 branches, 541 representative offices and 14,140 subsidiary offices. On average in Russia there are 26 offices per 100 thousand people¹, which is comparable with the United States and Eastern Europe, although it is below the levels at several countries in the European Union. The main problem is that bank branches and offices are distributed unevenly within the country: in large cities there is very high concentration and competition for retail clients, whereas in small towns and rural areas there is often a lack of banking offices.² At the end of 2006 about 45 percent of the Russian population had no bank accounts. The lack of access to bank lending affects several groups most significantly:

- Entrepreneurs and populations of towns located far from the center;
- Low-income populations;
- Those that do not meet bank requirements for borrowers – earnings certificates, guarantors, collateral security, etc.

1 In the United States the concentration of the banking offices is 28 per 100 thousand people, in Western Europe – 50 offices per 100 thousand people.

2 The concentration of banking offices in big cities reaches 100 offices per 100 thousand people, while in small cities and rural areas it is approximately 6 offices per 100 thousand people.

The lack of access for these populations is the reason that the number of microfinance clients of non-bank microfinance institutions continues to grow, despite the development of new products by banks, including consumer lending and small and medium business loans. Entrepreneurs and others prefer to apply for a small loan from non-bank microfinance institutions.

Microfinance in Russia: Overview of the Sector and Legislation

Microfinance Institutions in Russia

Several different types of institutions are able to undertake microfinance activities in the Russian Federation. The major types are the following:

Microfinance institutions without banking license (non-bank MFI), including:

- Credit consumer cooperatives of citizens (CCCC);
- Credit consumer cooperatives with the participation of legal entities acting on the basis of general provisions of the Article 166 of the RF Civil Code (CCC);
- Consumer cooperatives acting with the authority of the Law “On consumer cooperation (consumer societies and their unions) in the RF” (CS);
- Rural credit consumer cooperatives (RCCC);

- State (municipal and regional) funds for small business support (SFSBS);
- Private foundations (PSBS);
- Private commercial non-credit microfinance institutions (PCMI);

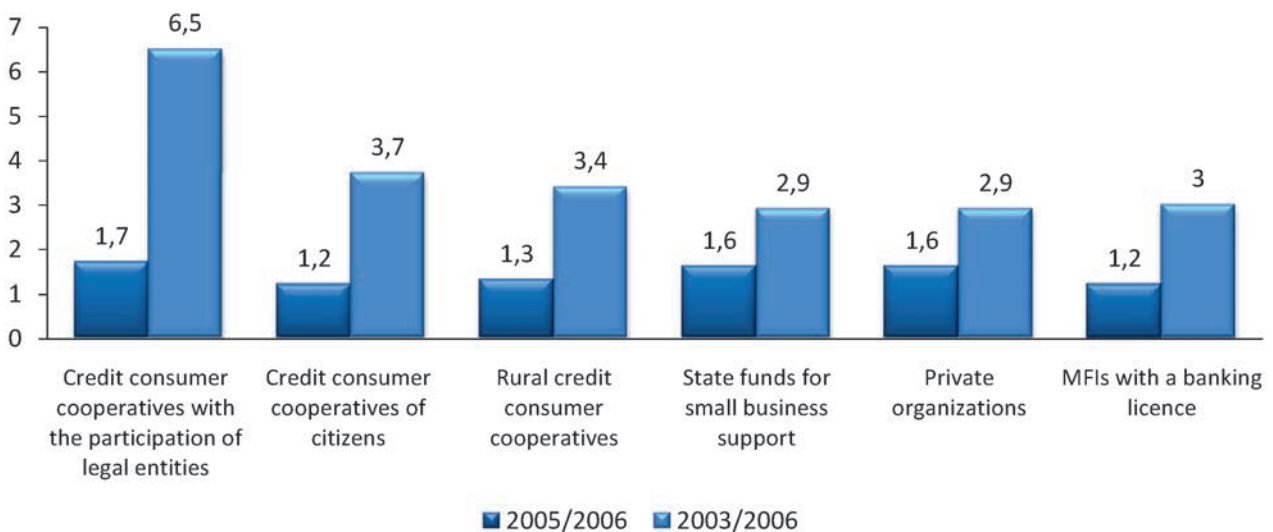
Microfinance institutions with banking license (credit MFI), including:

- Non-banking credit and deposit organizations (NDCO);
- Full – pledge Banks.

According to Russian Microfinance Center (RMC) estimates, there are currently over 2000 non-bank microfinance institutions operating in Russia.

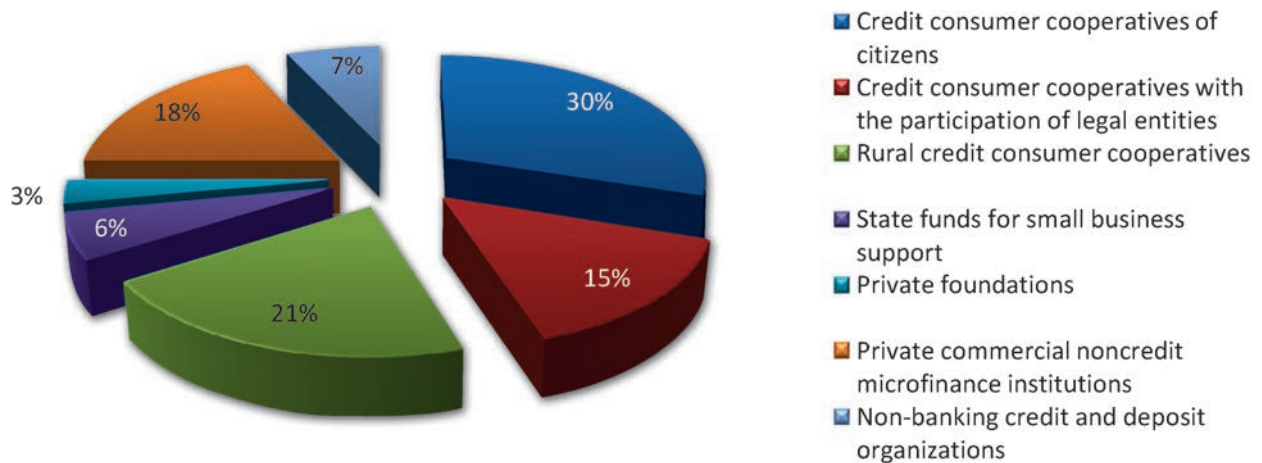
The most numerous and fastest growing group are credit cooperatives, as show in **Figures 2 and 3**, although this group also still serves on average below 1000 borrowers per institution. Credit cooperatives comprise 66 percent of the total number of microfinance institutions in Russia, with a gross loan portfolio of 11,431 million RUR (approx. 460 million USD). Among all types of credit cooperatives, credit consumer cooperatives of citizens (CCCC) comprised 30 percent, and credit cooperatives and consumer societies comprised 15 percent. Rural credit consumer cooperatives comprised 21 percent at the end of 2006, and their number is continuously growing owing to state support in the framework of the national project “Development of Agribusiness Industry”. During the last four years the total loan portfolio volume of consumer credit cooperatives (with the participation

Figure 2 Loan portfolio growth for different types of microfinance institutions



Source: Russian Microfinance Center, 2006. All results are median growth rates.

Figure 3 Distribution of microfinance institutions in Russia – by charter, 31.12.2006



Source: Russian Microfinance Center, 2006. Graph represents percentage of total institutions.

of legal entities) has increased 6.5 times.

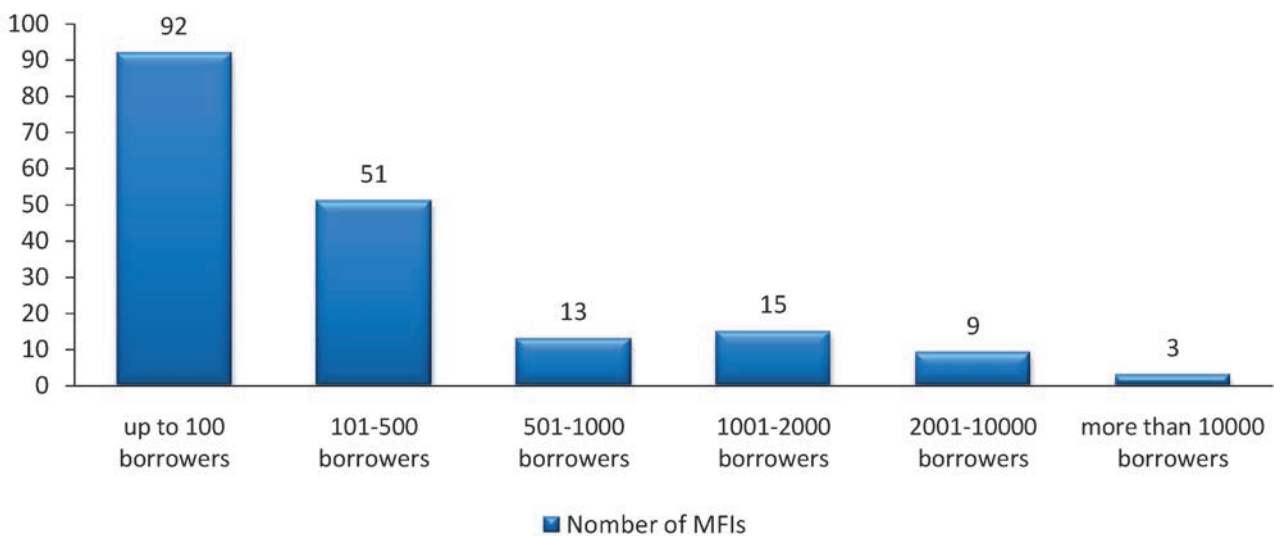
State (municipal and regional) funds for small business support comprise about 6 percent of the sector. They receive government support in the framework of regional and municipal programs for entrepreneurship support and mobilize debt finance. Commercial organizations providing microfinance services have been developing during the past few years and these organizations primarily rely on debt or equity capital to fund their loan portfolios. Commercial microfinance institutions comprised 18 percent of the sector as of the end of 2006.

Microfinance institutions are evenly distributed through the territory of the Russian Federation: about 18 percent

are located in the Central, North-West, Povolzhsky, South and Siberian Federal Districts. The lowest percent are located in the Far Eastern and Ural Federal Districts (9 percent and 2 percent out of the total number of microfinance institutions accordingly).

As **Figure 3A** shows, more than 80 percent of Russian MFIs have less than 500 borrowers. Only in 1.6 percent of surveyed MFIs have more than 10 thousand borrowers. This shows the extreme concentration of clients at a few leading microfinance institutions in Russia although the trend is declining.

Figure 3A Distribution of microfinance institutions in Russia – by size, 31.12.2006



Source: Russian Microfinance Center, 2006. Data for 183 MFIs as of 12/31/2006 collected via RMC monitoring.

Table 2 Russian Microfinance Institutions as of 31.12.2006.

Type of MFI	All Russian MFIs		Selected Russian MFIs (183 institutions)				
	Number of institutions (expert evaluation)	Gross loan portfolio, mln. RUR. (expert evaluation)	Number of institutions	Gross loan portfolio, mln. RUR.	Number of active borrowers, K	Average number of active borrowers	Average amount of loan portfolio, K. RUR
Credit consumer cooperative of citizens (CCCC)	760	4,802	72	1,681	31	430	54
Credit consumer cooperative and consumer society (CCC, CS)	400	4,489	27	1,571	62	2296	25
Rural credit consumer cooperative (RCCC)	350	2,140	38	749	9	237	83
State (municipal, regional) fund for small business support (SFSBS)	230	1,291	26	452	2	78	226
Private foundation (PSBS)	130	605	9	212	4	444	53
Private commercial noncredit microfinance institution (PCMI)	10	1,797	4	629	20	5000	31
Non-banking credit and deposit institution, etc (NDCO, other)	3	3,491	2	1,460	22	3143	66
TOTAL:	1,883	18,615	183	6,754	150		

Source: Russian Microfinance Center, 2006. Columns 2 and 3 (number and loan portfolio) show estimated data on all microfinance institutions in Russia obtained from interviews with experts in the microfinance field. As Russian microfinance institutions are not supervised, there is no exact data on their total number and outreach. In columns 4-8 exact data are shown for a set of 183 microfinance institutions and associations gathered through monitoring by RMC. Consequently, there may be slight inconsistencies between the columns.

Legislation Regarding Microfinance Activities in Russia

In Russian legislation, there are no legally established special terms “microfinance” or “microfinance institution.” The distinctive features of microfinance activities for Russia are the fast provision of financial services and non-traditional forms of guarantee or other means of ensuring repayment. In the current report “microfinance” refers to the activity of lending to populations and small businesses (both individual entrepreneurs and organizations) that have limited access to traditional banking services because of the small loan amounts, lack of collateral, lack of credit history, etc. The term “microfinance institution” refers to institutions of the aforementioned organizational legal forms that have microfinance as one of their primary activities.

Microfinance activities, unlike banking activities and the activities of non-banking credit and deposit institutions, are not supervised by the Central Bank of the Russian Federation. Beyond the lack of supervision for most entities in Russia that would be considered “microfinance institutions,” there is a corresponding lack of official statistics on their activities. To address this gap, since 2003, the Russian Microfinance Center has conducted annual monitoring of the microfinance industry in order to identify its development tendencies. To fill a statistic gap, RMC has also addressed this issue to the Russian Statistic Service (RSS), both RF Ministry of Finance and the RF Ministry for Economic Development and Trade, proposing to specify and include the term “Microfinance Activity” into an official list of economic activities, monitored by the RSS.

The activities of the different types of microfinance

providers are regulated by a set of several different legal acts - for instance, laws regulating the activities of the different types of credit cooperatives are distinct from those laws regulating private funds or state funds. The legal requirements for the founders and members of Russian credit cooperatives can be found in **Table 3**.

Rural credit consumer cooperatives (RCCC) operate in accordance with the law “On rural cooperation.” The members of a rural credit consumer cooperative are obliged to participate in economic activities of the cooperative. In addition, the law sets a limitation on the number of members that are not agricultural manufacturers (not more than 20% from a total membership). A second group of credit unions, credit consumer cooperatives of citizens (CCCC) are established in correspondence with the law “On credit consumer cooperatives of citizens,” which also limits of the number shareholders.

Among the main types of credit unions, only consumer societies (CS) performing lending and saving activities

besides the traditional activities of consumer cooperation (procurement, trade and shopping, sales, supply, etc.) do not have upper limits for membership. These organizations act under the law “On consumer cooperation (consumer societies and their unions) in the Russian Federation.” The remaining credit consumer cooperatives that do not have special corresponding legal regulations perform under the general provisions of the Article 116 of the Civil Code of the Russian Federation.

State (municipal and regional) funds for small business support operate under the laws “On noncommercial organizations” and “On state support of small business in the Russian Federation,” the latter of which ceases at January 1, 2008 when a new Federal law “On development of small and medium business in the Russian Federation” will come into force.

Outside of the credit union sector and state funds, microfinance activities can also be performed by banks or non-banking credit and deposit institutions – these

Table 3 Legal requirements to the founders and members of Russian credit cooperatives

	Founders/ members	Number of founders	Number of members	Special requirement
Rural credit consumer cooperatives	Agricultural manufacturers. The Charter can stipulate the opportunity to register members that are not agricultural manufacturers. The number of such members is limited by law	Not less than 15 natural persons and (or) 5 legal entities	Not less than 15 natural persons and (or) 5 legal entities	The members of cooperative are obliged to participate in economic activities of the cooperative. Additional membership requirements are stipulated by the Charter. Number of members of cooperative that are not agricultural manufactures must not exceed 20 percent of the total number of members.
Consumer cooperatives	Citizens aged 16 and older and (or) legal entities	Not less than 5 natural persons and (or) 3 legal entities	Not less than 5 natural persons and (or) 3 legal entities	As a rule, association on territorial basis
Credit consumer cooperatives with the participation of legal entities	Citizens aged 16 and (or) legal entities	Not less than 2 natural persons and (or) 2 legal entities	Not less than 2 natural persons and (or) 2 legal entities	
Credit consumer cooperative of citizens	Citizens aged 16	Not less than 15 and no more than 2000 people	Not less than 15 and no more than 2000 people	Can be established on the basis of common residence, labor activity, occupation or any other community of citizens

types of microfinance services assume the regulation of the Central Bank under the law “On banks and banking activities.” While these types of institutions constitute the bulk of the microfinance sector in many other countries, very few providers have this status within Russia.

Microfinance activities without bank transactions can be undertaken by some other types of profit and not-for-profit institutions in the forms stipulated by the Civil Code of the Russian Federation. Currently, the Ministry of Finance of the Russian Federation is elaborating a draft of the law “On microfinance organizations” that will more specifically regulate activities of those institutions performing microfinance activities.

Benchmarks for Russian Microfinance Institutions

Outreach Indicators and Scope of Microfinance Sector

In order to take a more detailed look at the development and performance of individual microfinance institutions in Russia, this report uses benchmarks for a sample of 20 Russian microfinance institutions as of 2006 and trend data on a set of 8 microfinance institutions that have provided RMC and the Microfinance Information Exchange (MIX) with the information on their activities for the years from 2004 to 2006. This group of institutions spans each of the main legal forms listed above, with an emphasis on credit cooperatives, and includes institutions with loan portfolios from under 1 million to over 40 million USD.

All data incorporates adjustments for subsidies and donations, standardization of accounting for loan loss impairments and inflation, in accordance with MIX

policy. These adjustments make it possible to view the data in a common framework while comparing different groups of microfinance organizations.

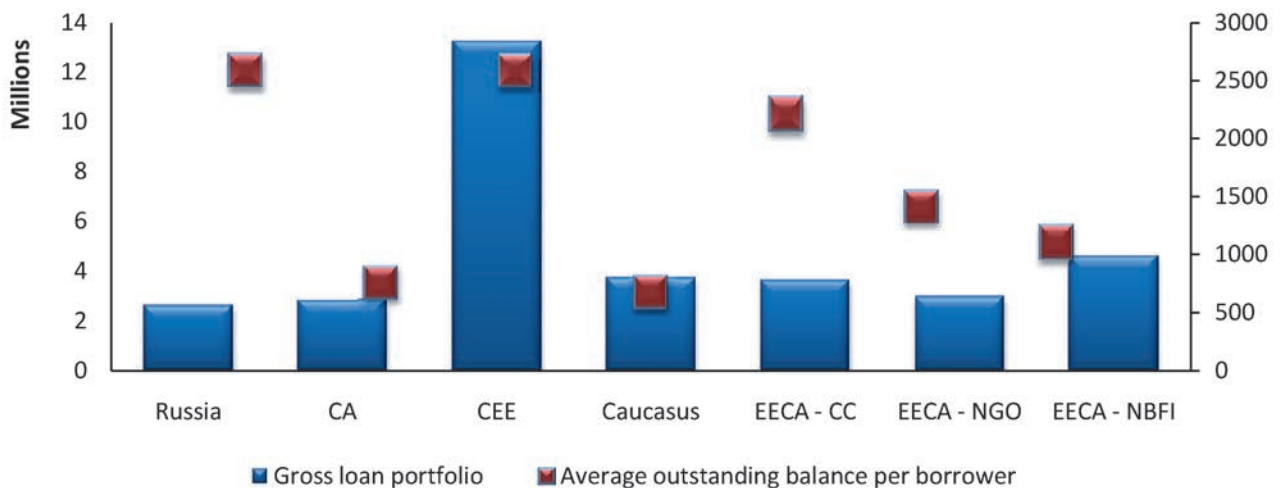
Microfinance organizations in Russia are of similar age to organizations in Central and Eastern Europe, with a median age of 8 years. However, Russian and European institutions are more mature than the ones in the Central Asia and the Caucasus where the median age is 6 years.

Currently there is only a small group of large-scale Russian microfinance institutions (about 8-10 percent out of the total number) having a gross loan portfolio over 1 million US dollars. Most microfinance institutions in Russia are small-scale and fast-developing and **Figure 4** illustrates that their loan portfolios are comparable to the younger institutions in Central Asia and the Caucasus. However, compared to the larger-scale MFIs in Central and Eastern Europe, the gross loan portfolio in Russia is almost 5 times less.

At the same time, average loan balances for Russian microfinance institutions are comparable to those in the Central and Eastern Europe, but they exceed by more than 3 times the levels in Central Asia and Caucasus. This illustrates the broader access to external financing for MFIs in Russia and Europe, and the lower income levels in Central Asia and the Caucasus.

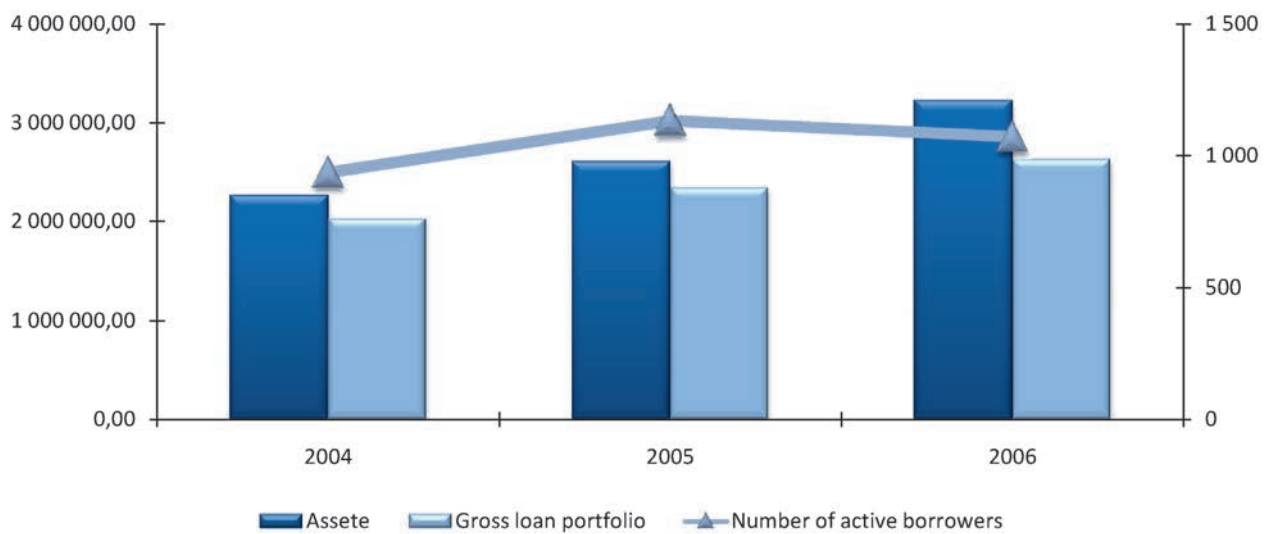
The data in **Figure 5** illustrate the stable development of Russian microfinance institutions. Gross loan portfolios have grown almost 30 percent over the three years, while total assets have grown by over 40 percent, which shows the reduction of the loan portfolio share in the overall asset structure. Despite the growth of the total loan portfolio, the median number of active borrowers in 2006 declined. On this basis, one could conclude that

Figure 4 Comparison of gross loan portfolio and average loan balance between different types of microfinance institutions



Source: Microfinance Information Exchange, Inc., 2006. All results are adjusted median benchmarks in USD.

Figure 5 Development of microfinance institutions in Russia.



Source: Microfinance Information Exchange, Inc., 2004 - 2006. All results are adjusted median benchmarks in USD.

the demand for larger loan amounts has increased from Russian borrowers, while overall expansion has been slow.

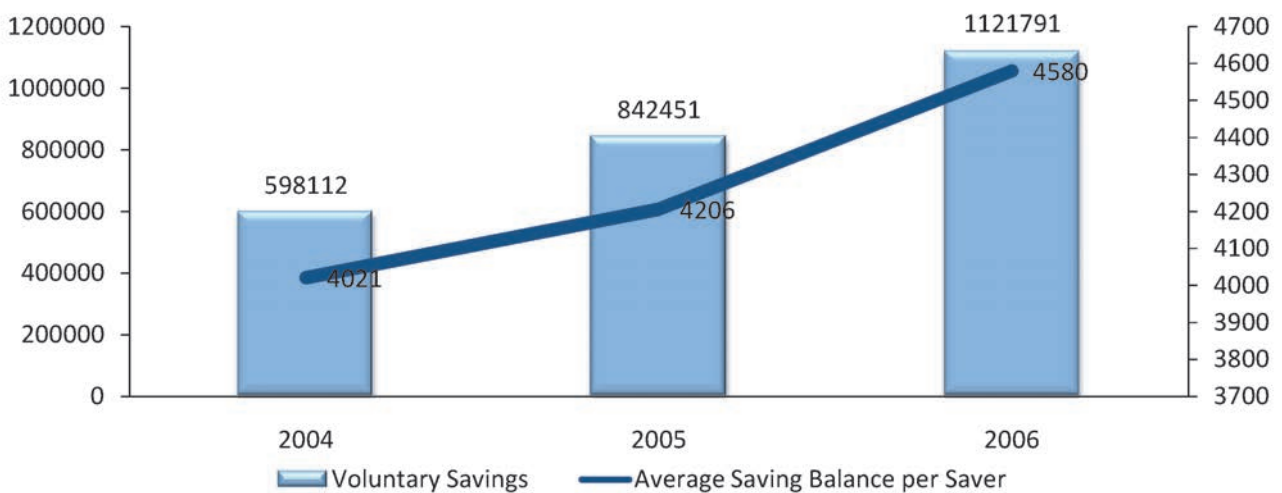
Demand for savings (and larger savings) has increased though, as microfinance institutions that accept savings from citizens were characterized by an increase in voluntary deposits and in the average balance of saving accounts, which is illustrated in Figure 6. Outreach of savings services by Russian MFIs exceeded that of microfinance institutions in other regions of Eastern Europe and Central Asia in 2006, as most other microfinance institutions in the region are not eligible to accept deposits from citizens.

Financial Structure

The financial structure of Russian microfinance institutions depends on their organizational and legal form. The capital of a credit cooperative is formed by means of shareholders' deposits; regional and municipal funds for small business support can finance their loan portfolio by means of subsidies from regional, municipal budgets and commercial credits, while commercial microfinance institutions rely on equity or debt finance.

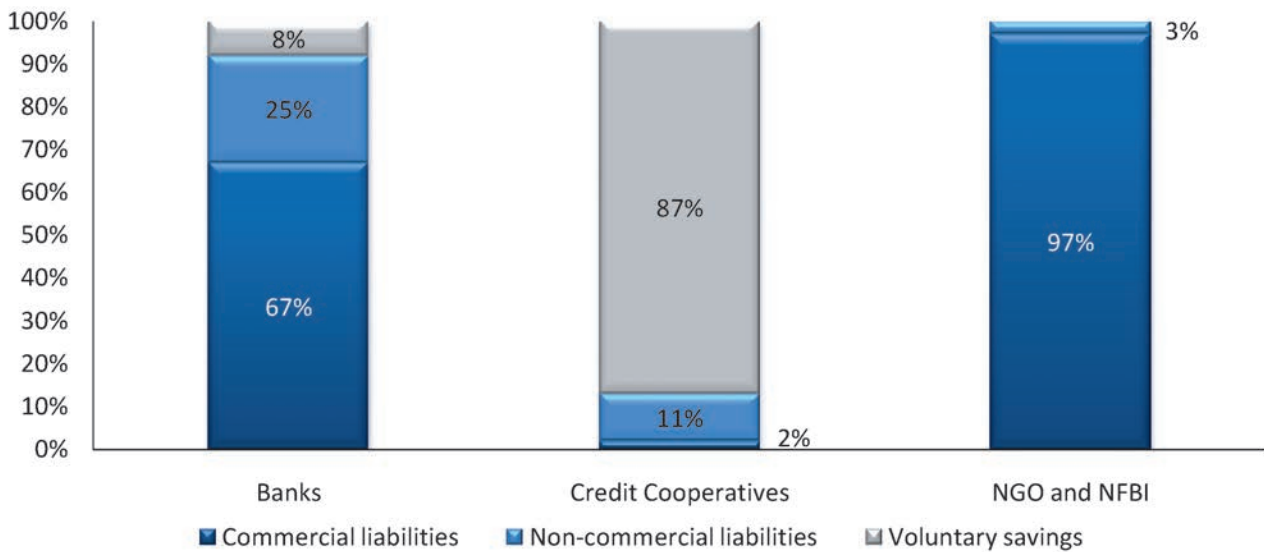
In the 1990s, several of the largest Russian microfinance institutions were established or supported by means of external donor's financing. During the last few years however, the volume of such fundraising for new organizations has decreased, but the overall volume of external finance used by microfinance institutions has

Figure 6 Voluntary deposits outreach (median data) and average balance of saving accounts (mean value)



Source: Microfinance Information Exchange, Inc., 2004 - 2006. All results are adjusted median benchmarks in USD.

Figure 7 Liabilities structure of benchmarked microfinance institutions in Russia, 2006.



Source: Microfinance Information Exchange, Inc., 2006. All results are adjusted median benchmarks in USD.

been growing. The number of banks that lend to or open credit lines for Russian microfinance institutions has also been increasing. Larger institutions have had better access to commercial bank loan resources than small-scale microfinance institutions.

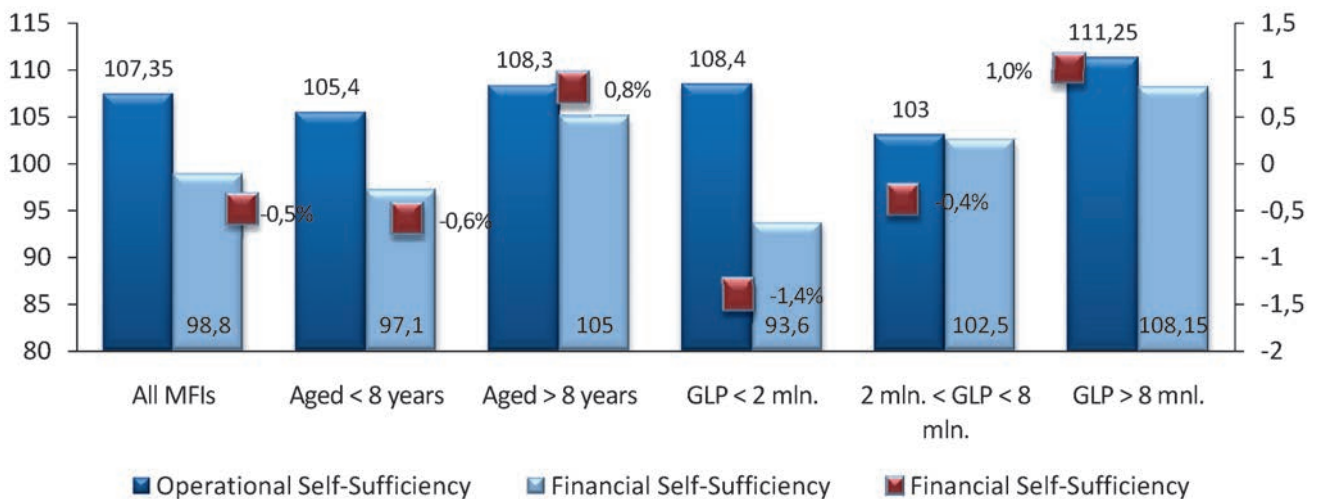
Figure 7 illustrates that the loan portfolios of credit cooperatives are funded by means of voluntary deposits from shareholders. Funds, banks and other microfinance institutions primarily rely on debt financing in order to fund their loan portfolios.

Profitability and Financial Sustainability

Russian microfinance institutions are less profitable than their peers elsewhere in Eastern Europe and Central Asia. On an unadjusted basis, most Russian microfinance institutions demonstrate positive but low profit margins and high financial and operational self-sufficiency.

However, with adjustments for inflation, subsidies and standardized loan loss accounting, Figure 8 shows that about half of Russian microfinance institutions have negative margins and low self-sufficiency. Larger and more mature microfinance institutions have higher self-sufficiency levels than newly-established and small-scale institutions. Low profitability may be associated with the

Figure 8 Profitability and financial sustainability of Russian microfinance institutions, 2006



Source: Microfinance Information Exchange, Inc., 2006. All results are adjusted median benchmarks in USD.

business model of Russian microfinance institutions - most are non-profit and do not seek to generate profits from revenues, using any earnings for loan portfolio growth or the creation of reserves.

Revenues and Expenditures

The primary source of revenue for Russian microfinance institutions is interest income and fee and commission income from loans. The nominal yield levels of microfinance institutions in Russia differ greatly and range from 18 to 50 percent per annum. Currently, bank lending is developing rapidly and the interest rates on micro- and small-business loans from Russian banks are lower than those offered by microfinance institutions. Nevertheless, the effective interest rates on small consumer loans in some Russian large-scale banks are comparable to those at microfinance organizations and total from 30 to 70 percent per annum. Despite the fact that the bank consumer lending and micro- and small business lending are becoming more and more affordable for the population, the strict loan requirements, long application procedure and large loan amounts prevent banks from becoming serious competitors to many microfinance institutions in Russia.

As shown in **Figure 9**, the most profitable group of institutions in Russia is medium-scale microfinance institutions with gross loan portfolios from 2 to 8 million USD. Total expense ratio levels in Russia are high and vary from 16.9 to 54.1 percent, depending on the size and age of the institution. The highest levels of expenses can be found within newly-established and medium-scale institutions.

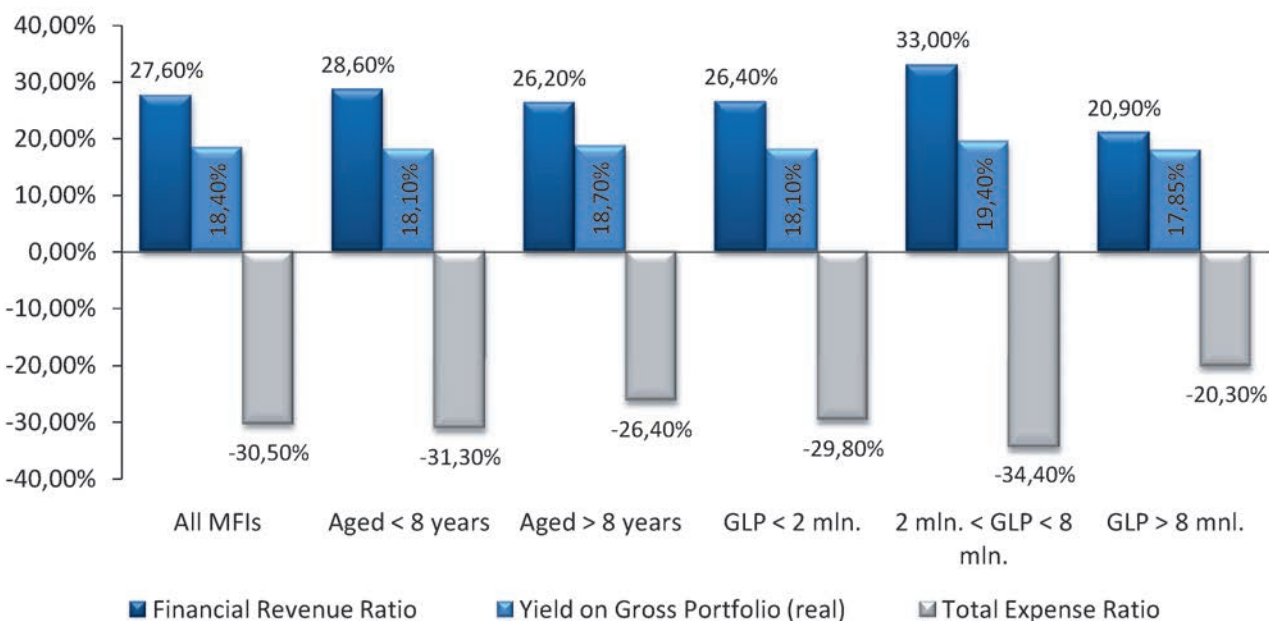
Expense ratios for Russia are the highest in comparison with corresponding institutions in Central Asia, the Caucasus and Central and Eastern Europe. This is associated with the high cost of external finance in Russia, whether from commercial creditors or through deposits. Yields are lower in Europe, while in Central Asia and the Caucasus subsidized financing for microfinance institutions is still wide-spread.

Efficiency and Productivity

Performance indicators for Russia occupy an intermediate position within the region. Operating expense and personnel expense ratios are lower than for institutions in Central Asia and the Caucasus and are on the same level as for institutions in Central and Eastern Europe.

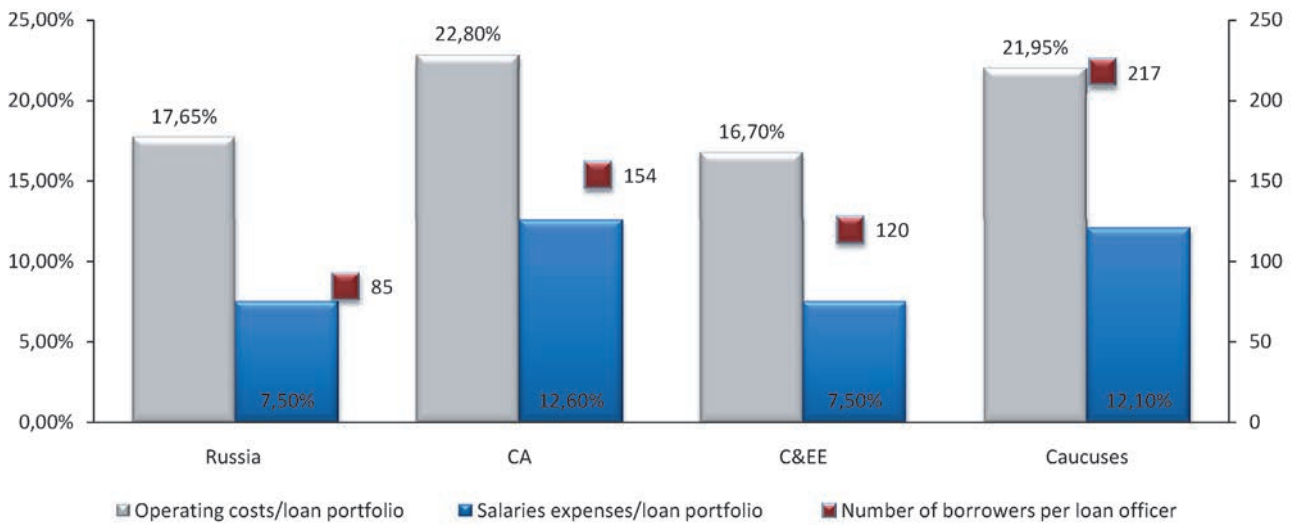
However, the productivity of Russian microfinance institutions is a little lower in comparison with institutions in Central and Eastern Europe, as shown in **Figure 10**. Despite similar personnel expense levels, the number of borrowers per loan officer for Russian institutions is 1.5 times lower than in Central and Eastern Europe. These lower productivity levels are partly due to the prevalence of individual lending, but also due to the high proportion of institutions offering savings services, which require additional staff resources. In Russia, microfinance institutions generally use individual lending methodology, where every borrower is evaluated separately, while elsewhere in the region microfinance institutions often use group lending, where the loan is paid out to several borrowers each of whom is responsible.

Figure 9 Analysis of revenues and expenditures, median indicators, 2006



Source: Microfinance Information Exchange, Inc., 2006. All results are adjusted median benchmarks in USD.

Figure 10 Efficiency and productivity of microfinance institutions.



Source: Microfinance Information Exchange, Inc., 2006. All results are adjusted median benchmarks in USD.

Risk and Liquidity

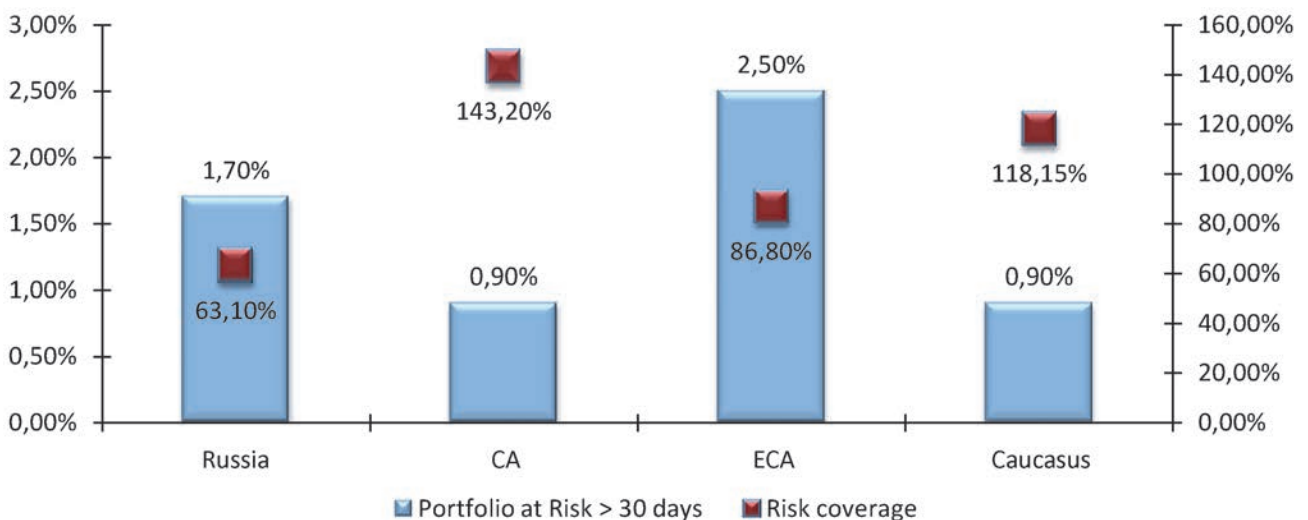
Portfolio at risk levels for Russian microfinance institutions are again average for the region. Without adjustments, the average portfolio at risk level (over 30 days) does not exceed 2-3 percent which indicates the generally high quality of Russian microfinance loan portfolios. While these levels are low globally, they exceed the levels in Central Asia and the Caucasus and are 0.8 percent lower than in Central and Eastern Europe. The low portfolio at risk levels of Russian microfinance institutions were achieved due to implementation of a clear loan repayment system and an individual approach to borrowers.

Conclusion

The microfinance sector in Russia is developing rapidly, although most institutions were established over 6-7 years ago. From 2003 to 2006, the assets and loan portfolios of a broad sample of 183 Russian microfinance institutions increased by 3.5 times. The total microfinance market grew even further, by 5 times, due to the entry of several new microfinance organizations which grew faster than the more established ones. The sector is further distinguished by a group of the largest and most stable institutions that have reached financial sustainability.

Despite the increasing development of bank lending in Russia, microfinance programs are still implemented primarily by credit cooperatives, private and government funds and non-bank financial institutions. The increasing

Figure 11 Portfolio at Risk and Risk Coverage.



Source: Microfinance Information Exchange, Inc., 2006. All results are adjusted median benchmarks in USD.

stability and sustainability of microfinance institutions in Russia attracted the interest of specialized international investors and of Russian commercial banks. However, for further sector development and fundraising it will be necessary to implement unified performance standards for microfinance institutions and to increase their institutional transparency.

Data and Data Preparation

The Russian Microfinance Center in cooperation with Microfinance Information Exchange (MIX) collects and analyses information about the activities of Russian microfinance institutions for benchmarking purposes.

For benchmarking purposes, RMC 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. The participants of benchmarking in 2006 are listed below. The names of 8 institutions that participated from 2004 to 2006 and are reflected in the trend analysis are in italics.

Benchmarking Participants

Consumer Cooperative of Mutual Financial Assistance “Soyuz”, JSC “FINCA”, *Credit Consumer Cooperative of Citizens “Credit Union ‘Alternativa’*”, *State Fund for Small Business Support in the Voronezh Region (VRFSSBS)*, CCFMA “Sodruzhestvo”, CCCC “Kassa Vzaimnogo Kredita” (KVK), Credit Union “Alteya”, CCCC “*Intellekt*”, CCCC “Union of Bank Employees” (SBS), CCMFA “Aurora”, *Counterpart Business Fund (CEF)*, CCCC “*Sodeystviye*” Smolensk, CCC “DOVERIE” Amursk, CCCC “Sodeystviye” Pyatigorsk, CC “Credit consumer cooperative “Obereg” (Obereg (Perm))”, CCC “Rost”, CCC “*First Far Eastern*” (FFECC), JSC “FORUS Bank”, CCC “EKPA”, JSC “KMB-Bank”.

Indicator definitions

INSTITUTIONAL CHARACTERISTICS

Number of MFIs	Sample size of the group
Age	Years functioning as an MFI
Total Assets	Total Assets, adjusted for inflation and standardized loan portfolio provisioning and write-offs
Offices	Number, including head office
Personnel	Total number of employees

FINANCIAL STRUCTURE

Capital/Asset Ratio	Adjusted Total Equity/Adjusted Total Assets
Commercial Funding Liabilities Ratio	All liabilities with "market" price/Adjusted Gross Loan Portfolio
Debt/Equity Ratio	Adjusted Total Liabilities/Adjusted Total Equity
Deposits to Loans	Voluntary Savings/Adjusted Gross Loan Portfolio
Deposits to Total Assets	Voluntary Savings/Adjusted Total Assets
Gross Loan Portfolio/Total 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 Loans Outstanding
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 Voluntary Savers	Number of savers with voluntary savings demand deposit and time deposit accounts
Number of Voluntary Saving Accounts	Number of voluntary saving demand deposit and time deposit accounts
Voluntary Savings	Total value of voluntary savings demand deposit and time deposit accounts
Average Savings Balance per Saver	Voluntary Savings/Number of Voluntary Savers
Average Savings Account Balance	Voluntary Savings/Number of Voluntary Saving Accounts

MACROECONOMIC INDICATORS

GNI per Capita	US Dollars
GPD Growth Rate	Annual Average
Deposit Rate	%
Inflation Rate	%
Financial Depth	M3/GDP

OVERALL FINANCIAL PERFORMANCE

Return on Assets	Adjusted Net Operating Income, net of taxes/Adjusted Average Total Assets
Return on Equity	Adjusted Net Operating Income, net of taxes/Adjusted Average Total Equity
Operational Self-Sufficiency	Financial Revenue/(Financial Expense + Net Loan Loss Provision Expense + Operating Expense)
Financial Self-Sufficiency	Adjusted Financial Revenue/ Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)

REVENUES

Financial Revenue Ratio	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 Ratio	Adjusted ((Financial Expense + Net Loan Loss Provision Expense + Operating Expense)/ Adjusted Average Total Assets
Financial Expense Ratio	Adjusted Financial Expense/ Adjusted Financial Revenue
Loan Loss Provision Expense Ratio	Adjusted Net Loan Loss Provision Expense/ Adjusted Average Total Assets
Operating Expense Ratio	Adjusted Operating Expense/ Adjusted Average Total Assets
Personnel Expense Ratio	Adjusted Personnel Expense/ Adjusted Average Total Assets
Administrative Expense Ratio	Adjusted Administrative Expense/ Adjusted Average Total Assets
Adjustment Expense Ratio	(Adjusted Net Operating Income - Unadjusted 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 Loans
Cost per Loan	Adjusted Operational 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
Voluntary Savers per Staff Member	Number of Voluntary Savers/ Number of Personnel
Savings Accounts per Staff Member	Number of Loan Saving Accounts/ Number of Personnel
Personnel Allocation Ratio	Number of Loan Officers/ Number of Personnel

RISK AND LIQUIDITY

Portfolio at Risk > 30 Days	Outstanding balance, loans overdue > 30 Days/ Adjusted Gross Loan Portfolio
Portfolio at Risk > 90 Days	Outstanding balance, loans overdue > 90 Days/ Adjusted Gross Loan Portfolio
Write-off Ratio	Value of Loans written-off/ Adjusted Average Gross Loan Portfolio
Loan Loss Rate	Adjusted Write-offs, net of recoveries/ Adjusted Average Gross Loan Portfolio
Risk Coverage	Adjusted Loan Loss Reserve/ PAR > 30 Days
Non-earning Liquid Assets as % of Total Assets	Adjusted Cash and banks/ Adjusted Total Assets
Current Ratio	Short Term Assets/ Short Term Liabilities

Russia Benchmarks trend data (adjusted)

	Russia 2006 - unbalanced	Russia 2005 - unbalanced	Russia 2004 - unbalanced	Russia 2003 - unbalanced	Russia 2006 - balanced	Russia 2005 - balanced	Russia 2004 - balanced
	* all institutions				* institutions with data for 2004 - 2006		
INSTITUTIONAL CHARACTERISTICS							
Number of MFIs	20	11	14	6	8	8	8
Age	8	6	5	5	8	7	6
Total Assets	3 228 381	2 315 882	2 018 861	1 640 267	3 228 381	2 606 900	2 262 262
Offices	5	4	3	6	7	4	4
Personnel	17	20	18	25	18	19	18
FINANCIAL STRUCTURE							
Capital/Asset Ratio	11,10%	13,70%	22,70%	33,30%	19,60%	18,50%	22,70%
Commercial Funding Liabilities Ratio	92,10%	104,80%	77,25%	70,85%	99,40%	101,60%	83,50%
Debt/Equity Ratio	6,5	6,31	3,41	2,16	4,27	4,72	3,41
Deposits to Loans	76,30%	73,20%	51,60%	28,30%	82,40%	78,70%	82,10%
Deposits to Total Assets	61,60%	66,40%	42,55%	21,45%	68,90%	68,20%	65,80%
Gross Loan Portfolio/Total Assets	85,60%	83,00%	88,05%	75,95%	83,40%	82,80%	88,80%
OUTREACH INDICATORS							
Number of Active Borrowers	1 496	803	936	998	1 072	1 132	936
Percent of Wemen Borrowers	69,50%	71,45%	68,55%	80,00%	70,70%	72,40%	65,90%
Number of Loans Outstanding	1 799	891	948	1 134	1 375	1 318	1 108
Gross Loan Portfolio	2 628 755	2 114 373	1 571 585	1 034 927	2 628 755	2 343 053	2 027 269
Average Loan Balance per Borrower	2 576	1 806	1 625	861	2 323	1 806	1 544
Average Loan Balance per Borrower/GNI per Capita	57,75%	52,95%	47,65%	32,95%	52,10%	53,00%	45,30%
Average Outstanding Balance	2 536	1 568	1 596	838	2 141	1 536	1 515
Average Outstanding Balance/GNI per Capita	56,90%	46,00%	46,80%	32,10%	48,00%	45,10%	44,40%
Number of Voluntary Savers	272	497	110	138	440	646	151
Number of Voluntary Saving Accounts	322	612	118	176	489	844	200
Voluntary Savings	1 094 447	846 282	265 656	119 775	1 121 791	842 451	598 112
Average Savings Balance per Saver	4 095	5 695	3 167	4 850	3 183	5 755	6 730
Average Savings Account Balance	3 925	5 459	2 511	4 611	3 159	5 285	5 679
MACROECONOMIC INDICATORS							
GNI per Capita	4 460	3 410	3 410	2 610	4 460	3 410	3 410
GPD Growth Rate	6,40%	3,70%	7,30%	7,30%	6,40%	3,70%	7,30%
Deposit Rate	4,00%	4,00%	3,80%	4,50%	4,00%	4,00%	3,80%
Inflation Rate	9,70%	12,70%	10,90%	13,70%	9,70%	12,70%	10,90%
Financial Depth	33,40%	31,60%	29,80%	29,80%	33,40%	31,60%	29,80%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	-0,50%	-0,30%	0,15%	-0,70%	-0,50%	-0,40%	0,20%
Return on Equity	-2,05%	-1,90%	0,45%	3,30%	-2,10%	-2,70%	3,20%
Operational Self-Sufficiency	107,35%	108,50%	116,35%	113,20%	105,90%	111,30%	122,00%
Financial Self-Sufficiency	98,80%	102,70%	105,65%	105,05%	99,90%	101,70%	106,30%
REVENUES							
Financial Revenue Ratio	27,60%	33,30%	34,10%	34,80%	33,80%	33,00%	34,10%
Profit Margin	-1,20%	2,60%	5,35%	4,75%	-0,20%	1,70%	5,90%
Yield on Gross Portfolio (nominal)	29,85%	38,00%	39,60%	49,25%	33,80%	38,00%	38,50%
Yield on Gross Portfolio (real)	18,40%	22,50%	25,90%	31,30%	22,00%	22,50%	24,90%
EXPENSES							
Total Expense Ratio	30,50%	33,20%	34,05%	39,75%	31,60%	33,20%	33,90%
Financial Expense Ratio	15,25%	15,60%	14,05%	12,25%	16,50%	15,40%	15,00%
Loan Loss Provision Expense Ratio	1,40%	1,00%	0,80%	0,85%	1,20%	1,30%	0,80%
Operating Expense Ratio	12,70%	11,70%	17,00%	19,85%	13,20%	13,90%	14,80%
Personnel Expense Ratio	6,00%	6,20%	11,35%	11,65%	6,30%	7,50%	8,80%
Administrative Expense Ratio	5,45%	4,70%	5,85%	5,25%	5,20%	4,60%	5,90%
Adjustment Expense Ratio	0,80%	1,40%	2,00%	4,40%	1,40%	2,40%	1,80%
EFFICIENCY							
Operating Expense/Loan Portfolio	17,65%	14,70%	21,75%	25,85%	18,80%	17,00%	17,20%
Personnel Expense/Loan Portfolio	7,50%	7,10%	13,35%	17,20%	8,50%	9,40%	10,40%
Average Salary/ GNI per Capita	229,60%	178,50%	162,95%	227,90%	234,70%	217,30%	228,80%
Cost per Borrower	382	202	213	230	312	202	192
Cost per Loan	360	178	203	201	294	175	178
PRODUCTIVITY							
Borrowers per Staff Member	42	54	46	43	48	64	61
Loans per Staff Member	47	51	46	51	51	68	71
Borrowers per Loan Officer	85	129	119	80	84	129	152
Loans per Loan Officer	93	145	119	82	93	146	156
Voluntary Savers per Staff Member	7	15	10	8	20	24	10
Savings Accounts per Staff Member	7	16	12	10	24	31	13
Personnel Allocation Ratio	55,65%	44,05%	44,40%	44,60%	54,60%	44,10%	49,30%
RISK AND LIQUIDITY							
Portfolio at Risk > 30 Days	1,70%	1,10%	0,85%	0,60%	1,75%	1,45%	1,30%
Portfolio at Risk > 90 Days	0,90%	0,20%	0,35%	0,30%	1,20%	0,15%	0,35%
Write-off Ratio	0,90%	0,70%	0,35%	0,09%	0,25%	1,10%	0,25%
Loan Loss Rate	0,85%	0,70%	0,35%	0,07%	0,25%	1,00%	0,25%
Risk Coverage	63,10%	61,00%	62,80%	101,95%	53,40%	45,30%	52,50%
Non-earning Liquid Assets as % of Total Assets	2,50%	3,20%	3,35%	9,80%	3,50%	1,60%	3,10%

Russia Benchmarks data by type (adjusted)

	Russia - all	Russia - Banks	Russia - Credit unions	Russia - NGOs and NBF
INSTITUTIONAL CHARACTERISTICS				
Number of MFIs	20	2	14	4
Age	8	10	8	7
Total Assets	3 228 381	497 362 218	2 548 806	2 120 951
Offices	5	48	4	9
Personnel	17	880	16	17
FINANCIAL STRUCTURE				
Capital/Asset Ratio	11,10%	18,05%	7,25%	58,35%
Commercial Funding Liabilities Ratio	92,10%	99,55%	94,60%	48,55%
Debt/Equity Ratio	6,5	5,64	11,47	0,71
Deposits to Loans	76,30%	4,40%	87,15%	0,00%
Deposits to Total Assets	61,60%	3,55%	80,35%	0,00%
Gross Loan Portfolio/Total Assets	85,60%	71,70%	87,20%	84,60%
OUTREACH INDICATORS				
Number of Active Borrowers	1 496	36 653	1 496	500
Percent of Women Borrowers	69,50%	76,90%	64,40%	75,25%
Number of Loans Outstanding	1 799	37 502	1 799	620
Gross Loan Portfolio	2 628 755	394 851 241	2 138 289	1 823 301
Average Loan Balance per Borrower	2 576	7 680	2 553	4 217
Average Loan Balance per Borrower/GNI per Capita	57,75%	172,15%	57,25%	94,55%
Average Outstanding Balance	2 536	7 554	2 537	3 863
Average Outstanding Balance/GNI per Capita	56,90%	169,35%	56,90%	86,60%
Number of Voluntary Savers	272	2 170	440	0
Number of Voluntary Saving Accounts	322	2 170	570	0
Voluntary Savings	1 094 447	33 283 114	1 192 468	0
Average Savings Balance per Saver	4 095	15 338	3 183	0
Average Savings Account Balance	3 925	15 338	3 159	0
MACROECONOMIC INDICATORS				
GNI per Capita	4 460	4 460	4 460	4 460
GPD Growth Rate	6,40%	6,40%	6,40%	6,40%
Deposit Rate	4,00%	4,00%	4,00%	4,00%
Inflation Rate	9,70%	9,70%	9,70%	9,70%
Financial Depth	33,40%	33,40%	33,40%	33,40%
OVERALL FINANCIAL PERFORMANCE				
Return on Assets	-0,50%	0,05%	-0,40%	-0,90%
Return on Equity	-2,05%	5,20%	-4,00%	-1,05%
Operational Self-Sufficiency	107,35%	109,90%	104,20%	103,00%
Financial Self-Sufficiency	98,80%	104,15%	98,80%	98,10%
REVENUES				
Financial Revenue Ratio	27,60%	20,90%	28,85%	30,85%
Profit Margin	-1,20%	3,50%	-1,20%	-2,15%
Yield on Gross Portfolio (nominal)	29,85%	29,30%	29,60%	30,25%
Yield on Gross Portfolio (real)	18,40%	17,85%	18,15%	18,75%
EXPENSES				
Total Expense Ratio	30,50%	20,30%	30,75%	31,90%
Financial Expense Ratio	15,25%	7,05%	16,00%	12,00%
Loan Loss Provision Expense Ratio	1,40%	3,20%	1,40%	1,10%
Operating Expense Ratio	12,70%	10,00%	10,35%	16,30%
Personnel Expense Ratio	6,00%	5,20%	4,85%	10,65%
Administrative Expense Ratio	5,45%	4,85%	5,45%	5,60%
Adjustment Expense Ratio	0,80%	1,20%	0,50%	6,05%
EFFICIENCY				
Operating Expense/Loan Portfolio	17,65%	15,45%	12,10%	18,75%
Personnel Expense/Loan Portfolio	7,50%	8,00%	5,70%	12,60%
Average Salary/ GNI per Capita	229,60%	425,40%	207,75%	267,50%
Cost per Borrower	382	901	289	862
Cost per Loan	360	875	285	811
PRODUCTIVITY				
Borrowers per Staff Member	42	42	55	29
Loans per Staff Member	47	45	57	33
Borrowers per Loan Officer	85	134	92	62
Loans per Loan Officer	93	141	107	72
Voluntary Savers per Staff Member	7	2	22	0
Savings Accounts per Staff Member	7	2	25	0
Personnel Allocation Ratio	55,65%	31,85%	61,80%	51,45%
RISK AND LIQUIDITY				
Portfolio at Risk > 30 Days	1,70%	2,55%	1,90%	1,25%
Portfolio at Risk > 90 Days	0,90%	1,65%	0,80%	0,90%
Write-off Ratio	0,90%	0,60%	1,60%	0,55%
Loan Loss Rate	0,85%	0,50%	1,25%	0,55%
Risk Coverage	63,10%	176,65%	43,30%	87,85%
Non-earning Liquid Assets as % of Total Assets	2,50%	2,35%	1,85%	4,55%

Russia Benchmarks by sustainability, age and scale (unadjusted)

	Russia - FSS	Russia - Non-FSS	Russia - New and Young	Russia - Mature	Russia - Small	Russia - Medium	Russia Large
INSTITUTIONAL CHARACTERISTICS							
Number of MFIs	9	11	13	7	9	7	4
Age	8	7	7	11	8	7	10
Total Assets	8 377 462	1 506 597	2 898 732	3 558 029	1 413 742	5 464 054	51 879 024
Offices	5	3	5	8	3	6	30
Personnel	33	15	17	18	11	33	278
FINANCIAL STRUCTURE							
Capital/Asset Ratio	10,70%	11,40%	10,70%	16,20%	16,20%	7,20%	18,00%
Commercial Funding Liabilities Ratio	93,10%	91,50%	81,90%	99,00%	72,80%	92,60%	96,65%
Debt/Equity Ratio	8,33	3,36	7,76	5,17	2	13	6
Deposits to Loans	72,80%	79,80%	0,00%	91,50%	72,80%	89,30%	4,40%
Deposits to Total Assets	56,20%	67,00%	0,00%	79,10%	56,20%	85,00%	3,55%
Gross Loan Portfolio/Total Assets	82,30%	87,70%	86,70%	78,80%	87,70%	84,70%	79,20%
OUTREACH INDICATORS							
Number of Active Borrowers	1 931	605	605	1 982	600	1 705	13 396
Percent of Wemen Borrowers	67,65%	70,45%	66,55%	69,50%	63,70%	68,10%	76,90%
Number of Loans Outstanding	1 961	792	741	1 982	608	1 893	14 245
Gross Loan Portfolio	7 099 134	1 452 579	2 454 892	2 802 617	1 191 709	4 576 338	39 592 536
Average Loan Balance per Borrower	3 566	2 468	4 403	2 065	2 421	2 684	3 017
Average Loan Balance per Borrower/GNI per Capita	80,00%	55,30%	98,70%	46,30%	54,30%	60,20%	67,65%
Average Outstanding Balance	3 566	2 389	4 361	1 481	2 389	2 684	2 901
Average Outstanding Balance/GNI per Capita	80,00%	53,60%	97,80%	33,20%	53,60%	60,20%	65,05%
Number of Voluntary Savers	418	73	0	476	73	476	2 170
Number of Voluntary Saving Accounts	810	73	0	810	73	632	2 170
Voluntary Savings	1 152 971	1 090 611	0	1 152 971	859 478	3 257 137	21 258 398
Average Savings Balance per Saver	2 838	5 599	0	2 838	2 361	5 007	8 915
Average Savings Account Balance	2 826	4 869	0	2 826	2 325	4 691	8 915
MACROECONOMIC INDICATORS							
GNI per Capita	4 460	4 460	4 460	4 460	4 460	4 460	4 460
GPD Growth Rate	6,40%	6,40%	6,40%	6,40%	6,40%	6,40%	6,40%
Deposit Rate	4,00%	4,00%	4,00%	4,00%	4,00%	4,00%	4,00%
Inflation Rate	9,70%	9,70%	9,70%	9,70%	9,70%	9,70%	9,70%
Financial Depth	33,40%	33,40%	33,40%	33,40%	33,40%	33,40%	33,40%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	2,00%	-4,30%	-0,60%	0,80%	-1,40%	-0,40%	1,00%
Return on Equity	2,25%	-9,50%	-5,30%	12,60%	-5,30%	-0,70%	13,20%
Operational Self-Sufficiency	113,40%	100,00%	105,40%	108,30%	108,40%	103,00%	111,25%
Financial Self-Sufficiency	108,50%	91,20%	97,10%	105,00%	93,60%	102,50%	108,15%
REVENUES							
Financial Revenue Ratio	32,80%	26,40%	28,60%	26,20%	26,40%	33,00%	20,90%
Profit Margin	7,80%	-9,70%	-2,90%	4,70%	-6,90%	2,50%	7,40%
Yield on Gross Portfolio (nominal)	31,00%	29,50%	29,50%	30,20%	29,50%	31,00%	29,30%
Yield on Gross Portfolio (real)	19,40%	18,10%	18,10%	18,70%	18,10%	19,40%	17,85%
EXPENSES							
Total Expense Ratio	29,80%	33,00%	31,30%	26,40%	29,80%	34,40%	20,30%
Financial Expense Ratio	14,70%	15,50%	15,50%	14,70%	14,70%	21,20%	8,55%
Loan Loss Provision Expense Ratio	0,90%	2,40%	1,40%	1,40%	1,40%	0,90%	1,95%
Operating Expense Ratio	10,20%	13,90%	16,20%	10,00%	14,90%	10,50%	10,00%
Personnel Expense Ratio	4,80%	6,10%	6,50%	5,90%	7,00%	6,10%	5,20%
Administrative Expense Ratio	4,00%	5,70%	6,30%	3,60%	4,90%	6,90%	4,85%
Adjustment Expense Ratio	0,40%	2,10%	1,30%	0,60%	1,30%	0,20%	1,35%
EFFICIENCY							
Operating Expense/Loan Portfolio	12,40%	18,00%	18,00%	11,80%	18,00%	12,40%	15,45%
Personnel Expense/Loan Portfolio	5,80%	8,00%	7,60%	7,40%	8,00%	7,40%	8,00%
Average Salary/ GNI per Capita	238,90%	195,90%	219,60%	238,90%	159,80%	228,80%	457,05%
Cost per Borrower	343	525	625	220	330	343	525
Cost per Loan	339	472	525	178	321	339	499
PRODUCTIVITY							
Borrowers per Staff Member	54	40	36	79	40	56	42
Loans per Staff Member	54	47	41	105	47	58	45
Borrowers per Loan Officer	95	67	63	132	67	80	134
Loans per Loan Officer	95	88	64	138	88	91	141
Voluntary Savers per Staff Member	13	3	0	41	3	17	2
Savings Accounts per Staff Member	19	3	0	66	3	21	2
Personnel Allocation Ratio	56,20%	55,10%	54,50%	60,00%	57,10%	63,60%	34,15%
RISK AND LIQUIDITY							
Portfolio at Risk > 30 Days	1,50%	1,80%	1,45%	2,60%	1,90%	1,20%	1,00%
Portfolio at Risk > 90 Days	1,00%	0,80%	0,95%	0,80%	1,00%	0,75%	0,70%
Write-off Ratio	0,60%	1,80%	1,10%	0,60%	1,10%	1,40%	0,65%
Loan Loss Rate	0,50%	1,10%	1,10%	0,60%	1,10%	1,40%	0,55%
Risk Coverage	63,10%	63,50%	80,00%	22,60%	39,60%	54,40%	217,35%
Non-earning Liquid Assets as % of Total Assets	4,00%	2,00%	2,00%	3,00%	2,00%	1,70%	4,25%

Russia Benchmarks by region and type

	Central Asia	Central and Eastern Europe	Caucasus	Eastern Europe and Central Asia	ECA - Banks	ECA - Credit unions	ECA - NFBI
INSTITUTIONAL CHARACTERISTICS							
Number of MFIs	27	13	26	21	21	13	71
Age	6	7	8	7	8	5	8
Total Assets	3 207 219	13 837 662	4 137 584	198 824 288	3 750 783	3 036 907	5 353 600
Offices	9	21	7	30	5	10	10
Personnel	73	79	68	576	16	39	60
FINANCIAL STRUCTURE							
Capital/Asset Ratio	33,50%	20,90%	36,80%	10,80%	16,20%	82,00%	36,20%
Commercial Funding Liabilities Ratio	49,00%	49,10%	26,00%	125,40%	72,80%	0,00%	46,10%
Debt/Equity Ratio	1,99	3,78	1,69	8,23	3,37	0,22	1,77
Deposits to Loans	0,00%	0,00%	0,00%	54,60%	72,80%	0,00%	0,00%
Deposits to Total Assets	0,00%	0,00%	0,00%	36,10%	56,20%	0,00%	0,00%
Gross Loan Portfolio/Total Assets	83,10%	75,70%	85,15%	63,40%	87,20%	88,30%	87,80%
OUTREACH INDICATORS							
Number of Active Borrowers	4 690	3 887	6 681	38 073	1 705	4 015	4 916
Percent of Wemen Borrowers	50,60%	45,10%	43,10%	30,30%	52,25%	45,00%	47,00%
Number of Loans Outstanding	4 717	3 887	6 681	38 073	1 893	4 015	4 945
Gross Loan Portfolio	2 815 370	13 261 036	3 746 661	118 422 224	3 649 221	2 974 696	4 583 259
Average Loan Balance per Borrower	754	2 574	673	3 814	2 205	1 407	1 102
Average Loan Balance per Borrower/GNI per Capita	117,00%	142,90%	49,65%	169,75%	63,90%	50,10%	75,80%
Average Outstanding Balance	754	2 559	673	3 814	2 205	1 407	1 047
Average Outstanding Balance/GNI per Capita	109,30%	140,00%	49,65%	169,75%	63,90%	50,10%	75,80%
Number of Voluntary Savers	0	0	0	84 997	418	0	0
Number of Voluntary Saving Accounts	0	0	0	84 997	508	0	0
Voluntary Savings	0	0	0	66 566 228	1 098 283	0	0
Average Savings Balance per Saver	2 863	949	2 366	949	2 492	13 790	
Average Savings Account Balance	2 863	949	2 169	949	2 492	13 790	
MACROECONOMIC INDICATORS							
GNI per Capita	450	3 450	1 320	1 520	4 460	2 570	1 470
GPD Growth Rate	7,50%	4,10%	14,00%	5,50%	6,40%	7,00%	7,00%
Deposit Rate	9,10%	6,50%	10,60%	5,80%	4,00%	5,20%	5,80%
Inflation Rate	8,60%	7,30%	8,20%	7,40%	9,70%	8,30%	7,40%
Financial Depth	21,30%	43,10%	16,30%	33,40%	33,40%	13,60%	21,30%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	3,50%	0,30%	2,65%	0,90%	-0,60%	4,00%	3,00%
Return on Equity	11,10%	1,10%	5,35%	7,50%	-3,00%	5,00%	7,90%
Operational Self-Sufficiency	135,90%	113,30%	136,40%	113,40%	108,30%	144,30%	133,60%
Financial Self-Sufficiency	121,40%	106,10%	116,50%	111,00%	97,50%	119,10%	117,30%
REVENUES							
Financial Revenue Ratio	36,60%	20,90%	32,55%	18,30%	23,80%	26,30%	28,70%
Profit Margin	17,60%	5,70%	14,15%	9,90%	-2,60%	16,10%	14,70%
Yield on Gross Portfolio (nominal)	41,10%	27,30%	34,65%	20,90%	25,10%	29,70%	31,30%
Yield on Gross Portfolio (real)	29,10%	16,60%	27,95%	15,40%	17,30%	28,50%	23,40%
EXPENSES							
Total Expense Ratio	29,00%	22,60%	27,95%	16,50%	27,60%	26,00%	27,20%
Financial Expense Ratio	8,90%	7,60%	7,85%	6,80%	14,70%	5,70%	7,10%
Loan Loss Provision Expense Ratio	1,20%	1,00%	1,20%	0,90%	0,90%	0,90%	1,40%
Operating Expense Ratio	19,60%	13,00%	18,00%	8,50%	10,50%	19,60%	16,60%
Personnel Expense Ratio	10,00%	5,00%	9,60%	4,00%	4,90%	10,20%	9,50%
Administrative Expense Ratio	7,40%	6,30%	7,30%	4,00%	6,10%	6,40%	7,20%
Adjustment Expense Ratio	3,40%	1,70%	3,00%	1,30%	1,00%	5,30%	2,50%
EFFICIENCY							
Operating Expense/Loan Portfolio	22,80%	16,70%	21,95%	12,50%	12,40%	22,40%	19,10%
Personnel Expense/Loan Portfolio	12,60%	7,50%	12,10%	6,20%	5,80%	12,30%	11,30%
Average Salary/ GNI per Capita	787,10%	380,50%	530,55%	600,65%	238,90%	578,20%	584,85%
Cost per Borrower	115	366	126	544	288	248	187
Cost per Loan	115	363	126	532	288	237	183
PRODUCTIVITY							
Borrowers per Staff Member	66	45	82	49	62	80	73
Loans per Staff Member	71	45	83	50	62	80	75
Borrowers per Loan Officer	154	120	217	191	104	143	170
Loans per Loan Officer	154	120	222	191	118	149	171
Voluntary Savers per Staff Member	0	0	0	121	13	0	0
Savings Accounts per Staff Member	0	0	0	121	19	0	0
Personnel Allocation Ratio	48,05%	42,00%	40,15%	29,15%	58,30%	58,45%	45,60%
RISK AND LIQUIDITY							
Portfolio at Risk > 30 Days	0,90%	2,50%	0,90%	1,20%	2,80%	0,70%	1,10%
Portfolio at Risk > 90 Days	0,65%	0,70%	0,50%	0,60%	1,05%	0,55%	0,50%
Write-off Ratio	0,30%	1,00%	0,60%	0,50%	1,40%	0,50%	0,60%
Loan Loss Rate	0,20%	0,60%	0,45%	0,30%	0,60%	0,50%	0,40%
Risk Coverage	143,20%	86,80%	118,15%	210,80%	47,00%	95,70%	132,70%
Non-earning Liquid Assets as % of Total Assets	3,90%	6,00%	4,75%	5,10%	2,00%	5,10%	4,20%

The report is prepared by Russian Microfinance Center in partnership with the Microfinance Information eXchange, Inc.



RUSSIAN MICROFINANCE CENTER

The Russian Microfinance Center (RMC) was established in July 2002 in response to the need for an organization which represents and advocates for the interests of the entire microfinance community.

The RMC's mission is to promote a strong and sustainable microfinance sector in the Russian Federation, facilitate access to financial resources for SME and low-income people, create jobs and improve living standards of the poor. RMC serves as a resource center for Russia's microfinance industry and a national forum for its interaction with the government, public, and investors; it advocates for an enabling legal environment for microfinance; offers training and professional consulting services to microfinance institutions, and promotes national microfinance standards. RMC sees its role in promoting the development of the entire Russian microfinance market and consequently, all types of microfinance providers. Starting from 2005 RMC is a partner of the MIX and accomplish collection and analysis of information received from Russian microfinance institutions.

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The Microfinance Information Exchange, Inc. (MIX) is the leading business information provider dedicated to strengthening the microfinance sector. MIX promotes financial transparency in the industry and helps building the information infrastructure in developing countries. The core mission of MIX is to be a world-class public information platform on microfinance. MIX was incorporated in June 2002 as a not-for-profit private company in order to assume the management of the MIX Market (formerly Virtual Microfinance Market) and the MicroBanking Bulletin. Today MIX offers a number of additional information tools as well as consulting and training services for the microfinance industry.

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