IMON International – Tajikistan

FINAL RATING

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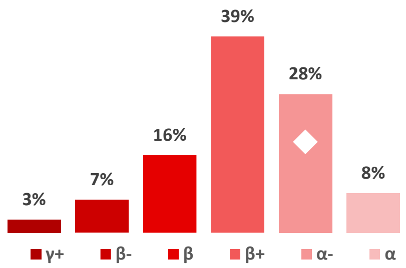
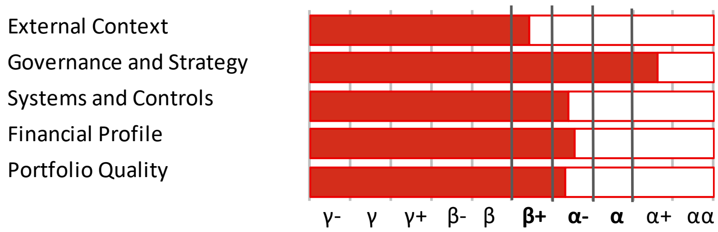
Medium

Remote interviews:	July 2021
Rating Committee date:	November 2021
Validity:	1 year if no relevant changes in operations or in external context occur.





GOVERNANCE AND DECISION MAKING

In Jun-21, following the instruction of the regulator prohibiting microcredit funds from equity participation in other credit organizations, IMON MFC exited the institution selling its shares to three of existing shareholders: Mikro Kapital, EBRD, and FMO, so after this deal Mikro Kapital became the largest one with 42.7% of shareholding. Financial capacity of shareholders to support IMON International is strong. Corporate governance is effective and comprises members with diverse backgrounds and profiles. A new CEO joined the institution in Jul-21. He comes from the banking industry and has good understanding of the local context, because prior his approval by the Board he served as a short-term regional manager for half a year in 2020. The management team is committed, and decision-making process is effective. Risk Management framework, policies and tools are well structured. Market positioning is good as IMON International is the fourth largest (total assets) FI in the country. The CBS is outdated and is not on par with all latest regulatory or business requirements. Management plans to replace CBS with a new solution or update the existing one in 2021-2022.

FINANCIAL ANALYSIS

Despite a deterioration in portfolio quality caused by the implications of COVID-19, IMON International managed to achieve adequate profitability in the analyzed period. However, the profitability indicators for 2020 and for the period Apr20-Mar21 are overestimated due to insufficient credit risk coverage. The operational efficiency is good. Loan portfolio is well diversified among branches. The granularity of loans and deposits is good: as of Mar-21, top 20 borrowers and top 20 savers account for 4.5% and 15.0% of equity, respectively. Liquidity level is adequate: as of Mar-21, cash ratio stands at 15.7% and liquidity on total assets at 9.4%. Exposure to FX risk is at medium-low level and the exposure to interest-rate risk is very low. As of Oct-21, tensions on the borders with the Kyrgyz Republic and Afghanistan are under the control of the Tajik authorities and do not affect the normal course of operations of IMON International and its solvency.

Institution details	
Legal form	NBFI
Ownership	Alternative Fund, EBRD, FMO & others
Year of inception	2008
Financial services	Credit, Deposit, Money Transfer
Main credit methodology	Individual
Regulator/Supervisory Authority	National Bank of Tajikistan

Institutional data	Dec19	Dec20	Mar21
Clients	122,231	117,359	120,607
Active borrowers	109,050	103,536	106,199
Female borrowers	38.1%	36.4%	35.5%
Active loans	110,086	104,362	107,085
Active depositors	13,181	13,823	14,408
Branches	27	27	27
Total staff	1,419	1,441	1,438
Loan officers	577	579	563
Assets (USD)	121,770,790	105,547,257	102,222,041
Gross loan portfolio (USD)	93,705,612	78,844,867	86,094,688
Deposits (USD)	38,156,949	38,290,531	40,089,148
Equity (USD)	20,491,680	18,526,372	18,997,655

na: not available n/a: not applicable

Indicators	Dec19	Dec20	Mar21
ROE	12.9%	5.4%	6.2%
ROA	2.2%	0.9%	1.1%
Oper. self-sufficiency (OSS)	113.1%	106.2%	107.2%
Portfolio yield	30.7%	28.9%	28.0%
Loan portfolio rev. / Gross revenues	91.2%	92.5%	91.7%
Operating exp. ratio (assets)	14.0%	13.6%	13.4%
Staff productivity (borrow.)	77	72	74
Funding expense ratio	14.7%	14.2%	13.8%
Provision expense ratio	1.2%	1.8%	1.7%
Capital Adequacy Ratio (MFR)	17.2%	17.2%	18.1%
Equity / Assets	16.8%	17.6%	18.6%
Cash Ratio	28.4%	32.5%	15.7%
Liquidity / Assets	14.4%	18.5%	9.4%
PAR30	1.6%	2.3%	2.2%
PAR90	1.2%	1.8%	1.7%
Restructured portfolio	0.4%	7.4%	5.3%
Write-off ratio	1.2%	1.0%	1.2%
Risk coverage ratio	130.1%	34.6%	36.2%
Average disbursed loan size (USD)	1,030	886	927
Avg. loan balance / p.c. GNI	80%	72%	76%

As of Mar21, ratios are calculated on last 12-months' data to ensure comparability with previous periods.

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Area	Rating Factors	Judgment*	Description
External Context	Political and Macroeconomic Context	Moderate	+ Adequate GDP growth rates (est. 4.5% for 2020 by World Bank) and forecasts for 2021 (ADB: 5.0%). - Moderate sovereign rating of the country (B- by S&P and B3 by Moody's). - Social instability risk due to tensions on the border with the Kyrgyz Republic and Afghanistan.
	Market and Regulation	Adequate	- High competition in the main areas of operation and recovering quality of the sector's portfolio due to COVID-19 crisis. + Sound regulation and supervision of micro-deposit organizations from NBT. + All regulatory constraints put in place in 2018 (interest rate caps on savings and loan products) were lifted in 2020.
Governance and Strategy	Ownership and Governance	Good	+ Diversified ownership structure consisting of prominent investors with good capacity to provide financial and technical support. The exit of the former major shareholder, IMON Microcredit Fund was finalized in Jun-21. + Strong BoD composition with relevant expertise and capacity to provide strategic guidance.
	Risk Management and decision making	Good	+ Formalized risk management framework with comprehensive tools for monitoring and reporting, supported by the Board and Management-level committees. + Management and Board demonstrate good capacity to manage risks.
	Environmental and Social Management	Adequate	+ Imon International confirmed its client protection compliance status by certifying in 2014, recertifying in 2017 and passing a surveillance audit in 2019. + Several types of “green” loan products and free trainings on effective farming, construction of houses in rural areas, and financial literacy for women. - As of Jul-21, the dissemination of social mission and client protection principles among field staff is heterogeneous.
	Strategy and market positioning	Good	+ Detailed Business Plan and good strategic planning capacity. + Realistic financial projections although scenario analysis shows space for improvement. + IMON has the largest number of borrowers and the fourth largest total assets among the financial institutions in Tajikistan as of Mar-21.
Systems and Controls	Human Resources	Adequate	+ Good staff retention: staff turnover for Apr20-Mar21 stands at 11.1%. + Biannual staff appraisal for all employees with individual career development plans. + Good staff training: mandatory induction module for new hires and basic refreshers for the existing staff. Tuition support opportunities for the HR reserves.
	Information Technology	Adequate	+ IT processes and policies are well formalized. - Outdated MIS including limitations in automatized reporting. Update/new MIS system procurement is planned for Aug-21.
	Internal Control and Internal Audit	Good	+ Internal control relies on clear reporting lines and benefits from partial centralization of business processes. + Operational control team conducts follow-up on red-flags and major areas of + Internal Audit is independent and relies on effective oversight from the Supervisory Board.

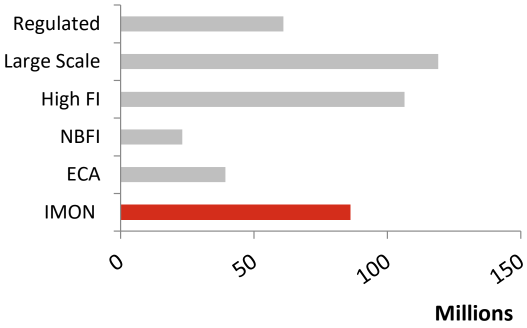
***Ranking: Excellent, Good, Adequate, Moderate, Weak, Very Weak. The judgment and description contribute to determine the rating of the institution.**

Area	Rating Factors	Judgment*	Description
Financial Profile	Profitability	Adequate	+ Profitability has been adequate over the period of analysis. ROE, ROA and OSS are registered at 6.2%, 1.1% and 107.2% respectively for Apr20-Mar21. - Adjusted profitability indicators are negative for the last period of analysis with AROE and AROA standing at -12.6% and -2.2%, respectively. + Profitability indicators show signs of improvement in the last period of analysis.
	Efficiency and productivity	Adequate	+ Good operational efficiency given operations in rural areas and non-lending services. Stable downward trend in operating expenses on assets (10.8% as of Mar-21). + Adequate staff productivity with 189 and 74 borrowers per employee and loan officer respectively as of Mar-21.
	Solvency	Adequate	+ As of Mar-21, regulatory CAR is above the minimum requirements: regulatory risk-weighted CAR stands at 17.8% against the minimum of 12%. MFR CAR at adequate level: 18.1% as of Mar-21. + As of Oct-21, tensions on the borders with the Kyrgyz Republic and Afghanistan are under the control of the Tajik authorities and do not affect the normal course of operations of IMON International and its solvency.
	Funding	Good	+ Diversified funding sources but high concentration of borrowings in 2 lenders (48.6% as of Mar-21). + Stable deposit base with low exposure to top 20 depositors (7.1% of all deposits). + Good capacity to meet the financial needs in the coming 12 months.
	Liquidity and market risks	Good	+ Adequate operational liquidity management policies and procedures although not fully formalized. Adequate monitoring of the liquidity risk. + Liquidity level is adequate as of Mar-21: cash ratio stands at 15.7%; liquidity on total assets stands at 9.4% (averaging to 13.9% during Apr20-Mar21). Liquidity levels falls as IMON is growing the disbursements post COVID-19 pandemic slow down. + Medium-low foreign currency risk exposure as unhedged aggregate NOP corresponds to 6.5% of Tier 1 equity as of Mar-21. + Very low exposure to interest rate risk: 200 bps change in market rates would lead to 0.7% and 0.4% change in net financial margin and equity.
Loan Portfolio Quality	Loan portfolio concentration	Good	+ Good diversification across branches: Khujand and Istaravshan account for 13.1% of GLP as of Mar-21. + High granularity of the portfolio (top 10 borrowers account for 0.5% o f GLP and 2.3% of equity as of Mar-21.
	Loan Portfolio Quality	Adequate	+ Portfolio quality is adequate: PAR30 and restructured portfolio at 2.2% and 5.3% respectively as of Mar-21 with 1.2% of write-offs in Apr20-Mar21. + Portfolio quality measured by PAR30 is above the market. - Average credit risk ratio stands at 10.0% for Apr20-Mar21 and is on an upward trend (4.0% for 2019 and 8.8% for 2020).
	Credit risk management and coverage	Adequate	+ Comprehensive policies and procedures for lending, tools to monitor and manage credit risk are well-developed. + Effective debt collection benefits from centralized approach and good client relationship management by the field staff. - Medium credit risk coverage: loan loss reserve covers up to 36.2% of potential losses from PAR30 and RL, partially mitigated by 32.1% of GLP backed by hard collateral and tendency of improvement in Q2 and Q3 2021.

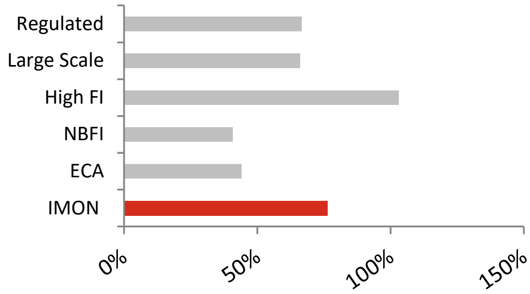
***Ranking: Excellent, Good, Adequate, Moderate, Weak, Very Weak. The judgment and description contribute to determine the rating of the institution.**

Benchmark[1]

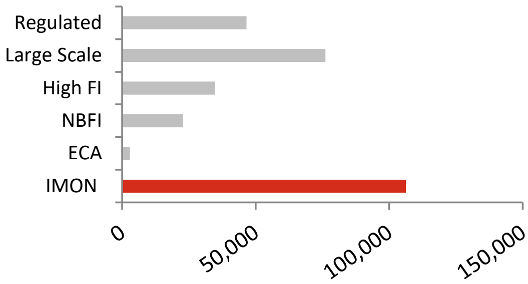
Gross Loan Portfolio in USD



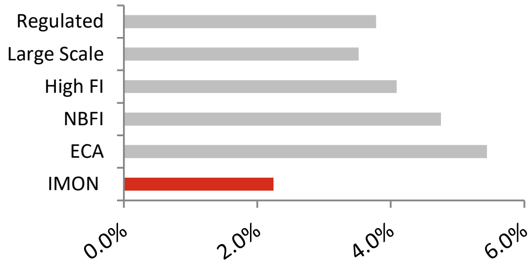
Average loan balance per borrower / GNI per capita



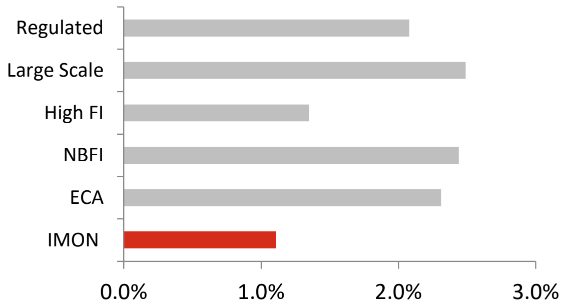
Number of active borrowers



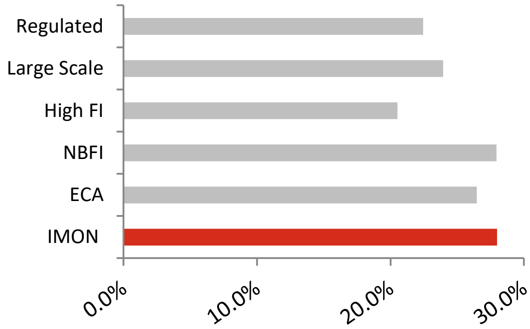
Portfolio at risk > 30 days



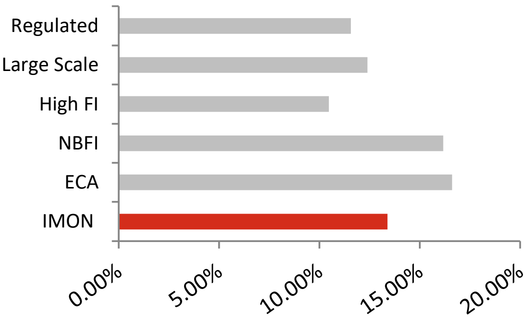
Return on assets



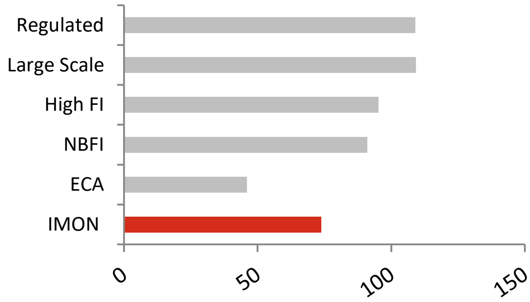
Yield on gross portfolio (nominal)



Operating expense / loan portfolio



Borrowers per staff member



[1] Source: MFR database. ECA: Europe and Central Asia. NBFI: Non Bank Financial Institution. High financial intermediation (FI): deposits >20% tot assets. Large Scale: > 10,000 clients. Regulated

External Context - Tajikistan

Sovereign Risk*

	Dec-18	Dec-19	Dec-20	Aug-21
Fitch Ratings	na	na	na	na
Moody's	B3 (Negative)	B3 (Negative)	B3 (Negative)	B3 (Stable)
Standard & Poor's	B- (Stable)	B- (Stable)	B- (Stable)	B- (Stable)

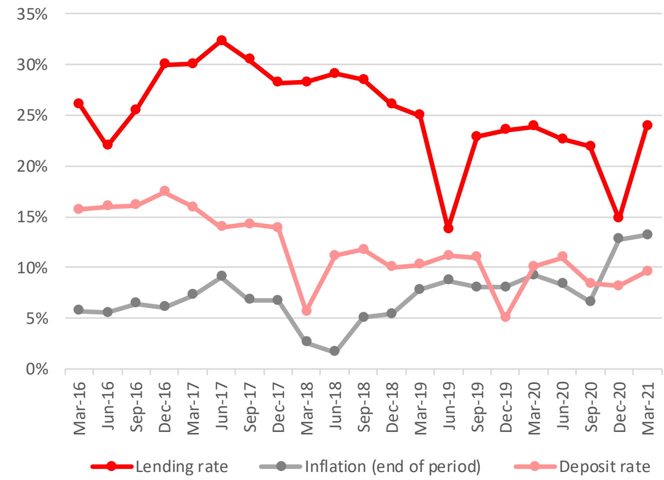
Source: Trading Economics *Long-term, foreign currency

Macroeconomic Indicators

	Dec-18	Dec-19	Dec-20
GDP per capita (current LCU)	7,808	8,487	8,868
Exchange rate local currency/USD	9.43	9.69	11.30
GNI per capita Atlas method (current US$)	1,030	1,070	1,060
GDP growth (annual %)	7.6%	7.4%	4.5%
Current account balance (% of GDP)	-4.9%	-2.2%	4.1%

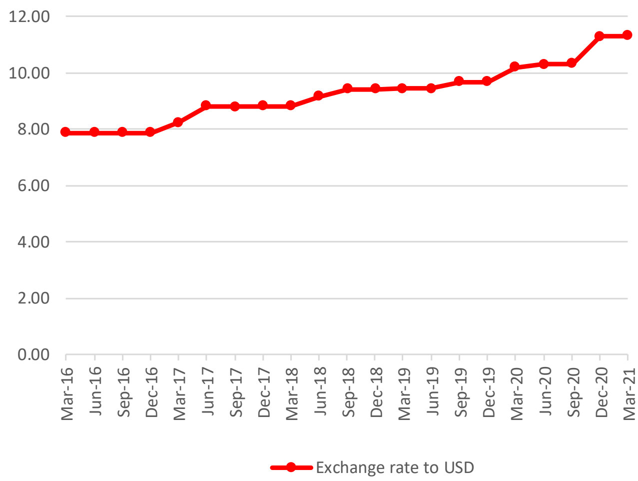
Source: World Bank *Some dates of the last period are estimated na = not available

Figure 1: Inflation and interest rates



Source: IMF, internal sources

Figure 2: Exchange rate local currency/USD



Source: IMF

Social Indicators

	Data	Source	Year
Population, total	9,537,642	*World Bank*	2020
Human development index (HDI)	0.67	*UNDP*	2019
Human development index (HDI), Level	medium	*UNDP*	2019
Poverty headcount ratio at national poverty lines	26.3%	*World Bank*	2019
Poverty headcount ratio at $3.20 a day	17.8%	*World Bank*	2015
Poverty headcount ratio at $1.90 a day	4.1%	*World Bank*	2015
Population without completing primary school	5.1%	*World Bank*	2017
Enabling environment for financial inclusion**	39.00	*Economic Intelligence Unit*	2016
- Country ranking	44.00	*Economic Intelligence Unit*	2016
Population with bank account	47.0%	*Global Findex*	2017
Population without an active loan in the past 12 months	14.7%	*Global Findex*	2017
MIMOSA Score***	4.0	*MIMOSA*	2017

na = not available

** Assessing the regulatory environment for financial inclusion and the implementation of relevant public policies.
*** For more information on the Microfinance Index of Market Outreach and Saturation (MIMOSA), go to http://mimosaindex.org/.

1. Governance & Strategy

IMON International has achieved an *excellent* performance in the Governance and Strategy area.

CJSC IMON International (IMON) is a micro-deposit institution that was founded in 2008[3] as a successor and subsidiary of the IMON Microcredit Fund (IMON MFC), an NGO evolved from the international female empowerment project of 1999 administered by the National Association of businesswomen of Tajikistan and Mercy Corps, to expand operations and to attract foreign investment. It is regulated by the National Bank of Tajikistan (NBT) and as such, provides detailed monthly prudential reports and is subject to audits by the NBT.

Headquartered in Khujand, IMON has wide regional presence in all four regions of Tajikistan, serving 120k clients through 27 branches and 103 banking service centers as of Mar-21.

IMON provides all traditional banking services with the exception for safety boxes, loans above TJS 500K/USD 44.2K, and some other services. To continuously support its clients, whose financial needs exceed the regulatory limit on the maximum loan amount, IMON has plans to transform into a bank. The formal preparations are planned for Q3-2022 in compliance with requirements of the regulator, that does not allow application for the banking license for a year after the change in the ownership structure. In addition, IMON provides financial literacy trainings for the public and clients.

Ownership Structure and Support

As of Jul-21, ownership structure is well diversified and includes two initial founders, Mrs. Sharipova S. and Mrs. Makhkamova G., two NGOs and prominent international investors. Most of the current shareholders that is FMO, EBRD, Triple Jump and MEDA have joined the institution in 2012-2013, while Luxembourg-based fund, Mikro Kapital has joined only in 2017.

Ownership	% shares
Alternative Fund, managed by MIKRO KAPITAL Sarl	42,7%
EBRD	17,9%
FMO	17,9%
Pettelaar Effectenbewaarbedrijf N.V. (managed by Triple Jump)	10,0%
MEDA, Mennonite Economic Development Associates	8,7%
Ms Sanavbar Sharipova	1,4%
Ms Gulbakhor Makhkamova	1,4%
The National Association of business women of Tajikistan	0,1%
Total	**100,0%**

In Jun-21, following the instruction[4] of the regulator prohibiting microcredit funds from equity participation in other credit organizations, IMON MFC exited the institution selling its shares to the existing shareholders[5] and thus making Mikro Kapital the largest one. No changes in ownership structure are expected in the nearest future.

Financial capacity of shareholders to support IMON is strong as evidenced also by provided subordinated loans in the past. Shareholders do not provide technical assistance directly but have appointed Board members with strong expertise in several areas relevant for IMON.

Corporate Governance

As of Jul-21, the Board is composed of eight members, of whom all but one are shareholder representatives. The Chairman of the Board Mr. Aleksandr Eremin (since Jun-21), previously held a CEO position within the institution. The Board members have extensive experience in banking, finance, management, IT and management consulting and have a good capacity to provide top management with effective strategic orientation and to determine the risk appetite of the institution. Supervision of Management is implemented through four Board-level committees: the Board Asset-Liability and Risk Committee (BARCO), the Board Audit and Compliance committee (BACCO), Remuneration and Compensation Committee (BREMCO), etc.

Following the exit of IMON MCF, two Board members were replaced by the representatives of now biggest shareholder, Mikro Kapital, while contracts with two representatives of EBRD, another shareholder, expired, leading to replacing them as well. Additional independent Board member was assigned to provide guidance and oversight over the transition into new MIS system and provision of digital lending tools.

The existing system for communication flow between Board and CEO is effective as Board committees receive regular detailed reports, while the Board gets a dashboard of the key indicators. Given that CEO and part of the Board just joined the institution, they are yet to fully utilize its potential.

The Board's activities are well formalized in the Charter which lists responsibilities of the Board members, requirements for the Board membership, meetings and remuneration among other aspects. Additionally, the document generally describes regulation of the potential conflict of interest. Board meets at least quarterly, and Board meeting minutes are systematically taken and are detailed.

[3] Then micro-lending organization. License for becoming a micro-deposit organization was obtained in 2013.
[4] NBT instruction #239 as of December 6th, 2019.

[5] Equity purchase deal for USD 5.4M was finalized in Jun-21 by three of the existing shareholders: Alternative Fund, EBRD, FMO.

Management Team and Decision-Making

IMON, according to the newly adopted Charter, is managed by the Management Board, which consists of five members: CEO, CBO, Deputy CEO/COO, CFO and CRO. The Management Team is experienced and mostly comprises internally grown professionals. New CEO, Mr. Andriy Palka, joined the institution in Jul-21. He is a seasoned banker with vast experience in retail banking and transformation of small FIs into a bank. Prior his approval by the Board, he served as a special manager, responsible for improving the internal control system, HR related issues, delinquency management of the southern branches for half a year in 2020. Mr. Bahodur Akbarov, who served as acting CEO since Jan-20, is currently holding a position of the Deputy CEO/COO.

Decision-making process is effective. Monthly meetings of the Management Board are supported by Assets and Liabilities Committee (ALCO), HR, IT Committee, Product Development, Tender and Credit committees, some of which meet weekly and monthly, while others meet quarterly.

Turnover rate at the Management level is adequate given recent change of the CEO, Head of HR and several other department heads.

Key person risk is limited due to the collegial decision-making and presence of the Deputy CEO/COO. A formal succession plan is in place all the way down to security officers. The institution maintains a talent pool, internal program for staff members with proven performance and potential to grow to the leadership positions, providing them guidance and necessary trainings for them to be able to replace an exiting staff members.

Risk Management

Capacity of the Board and Management to identify and manage risks is good. The Board sets a risk management framework and monitors its implementation through the BARCO. On Management's behalf, risk is managed and monitored through ALCO. Operations of the committees are well-formalized and documented.

A dedicated Risk Management Department is in place and consists of four sub-units: overdue loans department, risk management unit (RMU), internal control unit and underwriting. RMU consisting of four staff members is divided into 3 sections: operational, credit and financial risks.

Risk Management policies and risk appetite statements are formalized and approved by the Board. Risk exposure limits are set to ensure compliance with the regulatory requirements and investor covenants.

Comprehensive risk map is in place, with key risks being identified. Management of credit and operational risks as well as monitoring of key financial indicators are done by the RMD in close coordination with the concerned departments, while management of financial risks lies with ALCO.

Risk tools and quality and quantity of reporting to the Board is good. RMU produces risk reports with various breakdowns for existing exposures, while Finance department is responsible for running stress tests when needed. Additionally, as a micro-deposit organization, IMON is subject to strict prudential reporting requirements including daily reports on liquidity and FX position as well as extensive monthly prudential reports[6] among others.

Environmental and Social Management

The BoD and Management have strong potential in terms of social and environmental performance management. Several members of the BoD represent such flagships of social and green finance as EBRD, FMO, and MEDA.

There's no formal ESG champion, however the Project Management Officer takes lead on ESG initiatives.

There are two ESG policies: regulation on Social Performance Management and regulation on Charitable Assistance. These documents describe ESG goals, methods, indicators, and reporting on environmentally and socially responsible practices of Imon International.

In 2014, the institution passed the Smart Campaign Client Protection Certification for the first time. Then Imon International confirmed its client protection compliance status by recertifying in 2017 and passing a surveillance audit in 2019.

In mid-2021, as ESG responsibility is part of induction training for new hires only, and there are no additional refresher trainings on these topics, the dissemination of social mission and client protection principles among field staff is heterogeneous.

During 2020, in connection with the COVID-19 pandemic, IMON International made donations to healthcare in Tajikistan. In the period before the pandemic, the institution systematically sponsored several social initiatives related to supporting communities:

1) a competition among women entrepreneurs for the best business idea with a prize fund of USD 10K (TJS 100K) for its implementation,
2) sponsorship of Expo 2019 and 2018 for Sughd region entrepreneurs,
3) support of children's sports clubs in football and judo,
4) sponsorship of education in universities for geeks.

[6] FS, contractual maturity gaps, interest rate repricing gaps, CAR calculation, FX position, etc.

In addition, there are several types of “green” loan products and free trainings on effective farming, construction and renovation of houses in rural areas, and financial literacy for women.

The informal policy on environmental impact management includes:

1) careful treatment of trees:
    - the use of two-sided printers,
    - established rate of paper consumption,
    - the use of electronic documents for all types of agendas and meetings;
2) prevention of negative effects on the health of employees:
    - the use of new cartridges,
    - vaccination against COVID-19,
3) energy saving:
    - equipping offices with energy-saving lamps and air conditioners,
    - pilot project in the Head Office – solar energy outdoor lighting.

Imon International has a significant share of its loan portfolio in agriculture (35.2%) and is aware of possible environmentally harmful activities associated with this sector. Thus, there is a procedure for environmental protection and E&S risk assessment in lending to customers, plus, such tools as exclusion list and free training on effective farming contribute to risk mitigation strategy.

The institution has an adequately structured social risk management policy in relation to staff. However, this does not offset the declining motivation caused by a decrease in purchasing power of the current wage level associated with a strong currency depreciation.

Strategy and Financial Projections

Management demonstrates good capacity for strategic planning. The planning process follows a bottom-up approach but requires close coordination with the Business Development Division in HO, who may correct proposed plans. A detailed Strategic Development Plan for 2020-2022 includes market analysis and positioning, institutional SWOT analysis, overview of strategic goals (increase of client base, customer loyalty, etc.) and steps on how they will be achieved (e.g. NPS assessment, introduction of mobile wallet). The strategic plan is operationalized through an annual plan for 2021. Due to the disruption caused by the COVID-19 pandemic, most of the new development project were frozen and moved to 2021.

Long-term (2021-2024) financial projections are yet to be approved by the new Board and are based on realistic assumptions and include key financial performance ratios, number of branches and staff, details on the target portfolio structure in terms of currency. A multiple scenario analysis and sensitivity analysis for exchange rates are done when needed (e.g. for 2020 financial projections in view of COVID-19).

Annual budget includes financial statements, cash flow projections and select ratios (CAR, liquidity thresholds, ROE, portfolio quality indicators, operational expenses and cost to income ratios, among others). Budget performance is tracked and reported to Board on monthly basis. The budget for 2020 was revised in Q2-2020 to account for the impact of the COVID-19 pandemic and stress tested for potential level of delinquencies and FX rate change.

Budget for Jan-Mar21 was overachieved due to higher-than-expected income from loan portfolio and recoveries from written off loans. Underachieved items include revenues from money remittances, cash settlements, and FX transactions which stand at 63.7%, 67.6%, and 67.7% of the budgeted values, respectively, attributed to the technical issues related to the cashless transfers from Sberbank online to national Korti Milli cards and overall decline in the volume of remittances sent from the Russian Federation.

Projected Financial Indicators	Apr20 - Mar21	Jan21 - Dec21	Jan22 - Dec22
Annual portfolio growth	-1.3%	18.7%	18.2%
Return on Equity (ROE)	6.2%	10.0%	11.5%
Return on Assets (ROA)	1.1%	1.8%	2.0%
Debt/Equity ratio	4.4	4.7	4.9
Operating Expenses (Portfolio)	13.4%	14.3%	13.0%

Source: IMON International, adapted by MFR

Market Positioning

As of Mar-21, IMON has the largest number of borrowers and the fourth largest total assets among the financial institutions in Tajikistan. It is well positioned and holds 8.8%, 18.7% and 4.2% share of the market’s loan, microloan and deposit portfolios, respectively. The institution serves 120K clients through a network of 130 retail outlets including 27 branches and 103 banking service centers, 50 ATMs, 208 POS terminals and 167 payment terminals as of Mar-21. Digital financial services available for clients include mobile and internet banking both for individuals and legal entities. E-wallet is being pilot-tested at the moment of writing the current report and is expected to become available to all of the clients by the end of 2021.

IMON’s products are well diversified and meet the needs of the retail and micro segment. Suitability of products to SME clients is limited due to maximum loan size limit set by the regulator for micro-deposit organizations. Loan products of IMON are competitive and interest rates are in line or lower than peers.

Market analysis tools are good. In addition to systematic competition monitoring, there are monthly analysis of the customer feedback based on the calls of the auto-robot, sometimes followed-up by the call-center specialist, if the client gives negative one, and quarterly analysis of customer complaints and annual mystery shopping assessment conducted industry-wide. In addition, an NPS research has been launched first time in Jul-21 with further plans of performing it quarterly starting from 2022. A dedicated marketing department is in place.

2. Systems & Controls

IMON International has achieved an *adequate* performance in Systems and Controls Area.

Human Resource Management

HR management is good and is led by an experienced HR manager, who has joined IMON in the beginning of 2021. HR department is well staffed and comprises four sections: staff recruitment, training, development, and HR accounting.

HR processes are centralized and automated. HR policies and procedures are formalized, although not all of them are up to date. HR policies include a general HR Manual, and detailed procedure descriptions for staff recruitment, compensation, appraisal, development, trainings, succession planning, disciplinary actions etc. Job descriptions are in place for all positions. The Code of Ethics gives an overview of expected behaviors and conflict of interests and is familiarized by all staff, including the Board Members, as part of the induction process.

Personnel	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21
Total	**1,419**	**1,441**	**1,438**
Loan officers	577	579	563
Other staff	842	862	875
Staff turnover rate	17.7%	12.6%	11.1%

Source: IMON International, adapted by MFR

The capacity to retain staff is good with positive trend (turnover of 11.1% for Apr20-Mar21). Internal staff turnover analysis is conducted quarterly, and the analysis shows that the most frequent reason for exit is migration. There was no downsizing due to COVID-19, however all new planned hirings and bonuses were frozen.

Market salary surveys are conducted annually. The latest survey revealed that the remuneration is in line with the market. That said, staff satisfaction analysis conducted for the branches in 2020 revealed that around 30% of the staff members are not content with their remuneration. The minimum fixed wage in the institution is enough to cover the basic consumer basket. All staff members not involved in the sales and loan recovery are eligible for annual bonus of up to 10% of the annual salary. Business officers are eligible for monthly bonuses depending on the achievement of personal targets in the amount of up to 30% of the fixed wage. Additional allowances include tuition coverage for the staff in the talent pool, and coverage of medical expenses incurred abroad.

Staff appraisal is formalized and conducted twice a year for all staff members. The process consists of self-assessment of the employee, achievement of the objectives set during the previous appraisal, professional test and assessment of the competences by the direct supervisor.

Staff training system is good thanks to a mandatory specialized trainings as part of the induction of new-hires and systematic refreshers. Annual training plans are in place and include internal and external training opportunities for staff of all levels. Internal promotion and career growth opportunities for staff are good benefiting from the individual development plans for talent pool. Succession plans are in place for all positions including management.

Information Technology

IT department is understaffed[7] and is led by experienced IT Manager who has long-standing experience in IMON. Formalization of IT policies is good and includes general IT Policy, Access Management Policy, IT Security Policy among others.

The MIS is an outdated Oracle-based core banking system RSBank[8] (Version 6.0, edition 19) and has been operational since 2015. In 2016, due to high costs, IMON has refused vendor support and took maintenance in-house. Despite efforts put by IT department, software is not on par with all latest regulatory or business requirements. Management plans to replace MIS with a new solution or update the existing MIS to the current edition (69th) in Q3-2021. The implementation process is expected to last for a year. The systems are fully integrated with some external services such as AML/CFT list checks, and e-wallet, while connection with the Credit Bureau requires manual input.

Reporting capacity is adequate due to extensive manual efforts put into data processing and consolidation. MIS provides a good set of reports, but data is not consistent across departments. In addition, some regulatory requirements were not automated and are handled manually in the end of month.

Given the scope of operations, IT risk is highly relevant. A dedicated IT security manager position is vacant and replacement search is underway. Access to network is adequately protected. Software access is role-based and password protected, although audit of active roles in the system has not been conducted yet.

[7] 12 staff members for 130 services points.

[8] Modules include general ledger, credit, deposit, cash settlement operations, payroll, fixed assets, mobile and internet banking

Frequency and quality of information security trainings for staff could also be improved. IMON has a good data contingency plan. The DR site is in 5km from the HQ and is synchronized with the core server in HQ. Formal disaster recovery was conducted in 2015 upon implementation of RSBank. Since then, consistency and completeness of data backup is only tested monthly. Management plans to update the server park in 2021 as well.

Internal Control

Organizational structure is overall effective: Chief Business Officer oversees main lines of business, while Chief Operating Officer is responsible for the back-office activities including HR and IT, among others. The branch structure provides for adequate segregation of duties, with regional managers serving as main points of contact with the headquarters on a variety of tasks. Internal controls are foreseen in the Risk Department, Internal Audit and Business Development Division. Loan approval process is centralized for retail loans and microloans in some branches and approval limits are delegated based on experience and performance for other loans.

The level of formalization and dissemination of policies, processes and procedures are good and is supported by full centralization of some business processes (e.g. HR, accounting, liquidity management, loan recovery). That said, in practice liquidity management functions can be delegated to the Branch Management and loan officers still get involved into the loan recovery.

Quality of preventive controls is good. More basic analysis required for retail loans is crosschecked by the centralized underwriting department. Duties within branches are adequately segregated with contract walk-through done by the separate loan officer. However, automation of preventive controls in MIS became moderate due to system limitations.

Cash handling risk is minimized by a formalized ban on cash collection by all staff interacting with clients, with the exception for very rare cases when the regional managers are together with the loan officers on the field. Transfer of cash between branches and the regulator is protected by in-house armed security. Maximum and minimum cash limits are set for each branch by the Management Board.

Quarterly monitoring of operational risks by Risk Department is good. Business continuity policy is in place, that provides the general orientation for the responsible departments to develop a plan in case of emergencies.

IMON has contracted reputable external firm to conduct audit of its AML practices and implemented results in its AML/CFT prevention practices. AML/CFT procedures are now automated and integrated into the core banking system. The unit provides at least annual trainings to the staff members on AML/CFT procedures and KYC principles.

Internal and external audit

Internal Audit (IA) unit comprising nine staff members is in place. Head of IA service has good relevant experience. The number of IA staff members is low, despite additional staff member being underway of hiring, given the audit scope and requirements (annual complex audit of branches, surprise, thematic and process audits every six month and quarterly AML/CFT checks).

The Internal Audit department is fully independent from Management. It reports to the Board Audit and Compliance Committee (BACCO), which approves annual plans of the IA unit and meets at least quarterly to discuss the reports and major findings.

Internal Audit process relies on a compliance- and process-based approach. Internal Audit Manual could be further strengthened by detailed rules of each type of audit exercise, sampling methodology for client visits, etc. The regulator requires for annual audit of each unit of the bank and for frequent spot checks of branches. Hence, HO departments and branches are audited at least annually.

A standard audit of the branch lasts for 10 working days and covers all activities of the given branch, interviews with staff, operations of cashier’s office, deposits, money transfers, review of loan files, client visits and compliance with other internal regulations. The share of clients visited is representative and sampling applied uses different criteria and red flags (e.g. loan amount, regular short-term delinquency, affiliated borrowers, repayment by third parties, etc.).

Quality and effectiveness of follow-up is good thanks to the integration of the action plan developed by the Management into the MIS. Upon completion of the audit, one of the compliance team members is assigned a responsibility for following up on closing the identified gaps and reporting on them.

Several cases of staff fraud were registered in the last periods of analysis: a loan officer received a monthly loan repayment amount in cash from the client but deposited only a part of it. Another staff member using the login credentials of the colleague with higher access to the core banking system was able to change the mobile number of the clients to his own and stole small amounts of money from clients using mobile banking. Upon detection, the accesses to the MIS were revised and SMS notifications even for small amounts of transactions were turned on for clients. These cases were detected through centralized loan recovery officers and staff complaints and are followed up with sanctions and reimbursement of the customers’ funds.

External audit is carried out annually by international audit firms[9] that are although not part of Big Four but belong to globally recognized networks. Audit reports for the past 3 years present all relevant breakdowns of items and clean opinions.

3. Financial Profile

IMON International has achieved an *adequate* performance in Financial Profile area.

Profitability and Sustainability

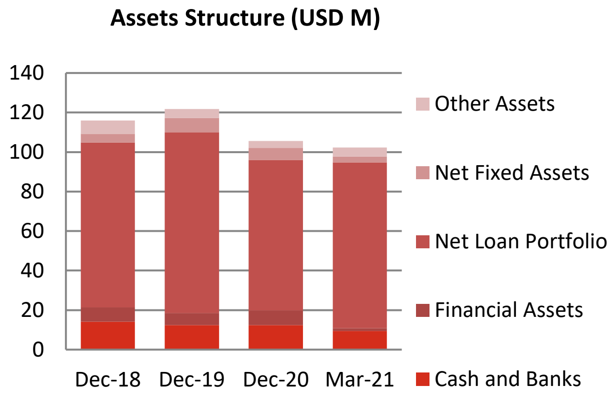
Financial returns posted by IMON were positive over the period of analysis and stand at an adequate level for Apr20-Mar21 with ROE, ROA and OSS of 6.2%, 1.1% and 107.2%, respectively. The profitability ratios decreased substantially in 2020 due to implications of the COVID-19 pandemic, but show signs of improvement in 2021[10].

Profitability and Sustainability	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21
Return on Equity (ROE)	12.9%	5.4%	6.2%
Return on Assets (ROA)	2.2%	0.9%	1.1%
Operational self-sufficiency (OSS)	113.1%	106.2%	107.2%

Profitability indicators adjusted for loan loss reserves and inflation show negative results: AROE and AROA stand at -12.6% and -2.2%, respectively, for Apr20-Mar21[11]. The trend is negative due to increased inflation rate in the country.

Concentration of assets in the net loan portfolio is good (82.1% as of Mar-21) and has exceeded pre-COVID levels (75.1% as of Dec-19) after a drop in 2020 (72.3% as of Dec-20) reflecting the institution's more stringent approach to lending and increased liquidity levels due to the pandemic. Liquid assets are mostly represented by cash and funds in the corresponding accounts in NBT and local and foreign commercial banks (9.4% of total assets as of Mar-21). Net fixed assets are represented by office buildings, equipment and intangible assets.

Counterparty risk is recognized and is managed through maximum exposure limits set on single entity[12] which are monitored monthly.



Revenues and Expenses Structure

IMON has diversified sources of revenues, although portfolio yield is the largest contributor and comprises 91.7% of all revenues for Apr20-Mar21. Portfolio yield displays downward trend over the period of analysis becoming insufficient to cover all costs and stands at 28.0% in Apr20-Mar21 explained by the decrease of interest income due to the implications of the COVID-19 pandemic.

Other financial income comes from FX transactions and returns from financial investments and accounts for 2.0% of total revenues in Apr20-Mar21 (0.5% of total assets).

Commissions received from payment services, money transfers and recovery from write-offs are reflected in other operating revenue and represent 6.3% of all revenues and 1.4% of total assets in Apr20-Mar21.

Despite the decrease in the financial expenses' ratio, net interest margin has been narrowing due to falling portfolio yield and is expected to remain strained until IMON increases the share of savings in the structure of liabilities, which is challenging until the institution receives a banking license[13].

The financial expense ratio (on fin. liabilities) stands at 13.8% in Apr20-Mar21. It has decreased over the period of analysis due to a gradual replacement of borrowings with savings (share of borrowings in total liabilities has decreased from 61.2% in Dec-18 to 47.3% as of Mar-21).

The loan loss provision expense ratio stands at 1.7% in Apr20-Mar21 and demonstrates a slight improvement in 2021 after a drop in loan portfolio quality attributed to the COVID-19 impact.

[9] Baker Tilly, RSM.
[10] Updated projections for 2021 forecast ROE and ROA for 2021 to be at 9.5% and 1.7%, respectively.
[11] See Annex 1 for further details on adjustments and annex 2 for AROE, AROA and FSS.
[12] From 2% to 50% of regulatory capital for commercial banks (JSC TransKapital Bank – 2%, OJSC Bank Eskhata – 5%, PJSC Sberbank – 50%, etc.) and 100% of regulatory capital for NBT.
[13] As of Jun-21 aggregate balances in savings accounts/regulatory capital stand at 222%, against the maximum of 300% for MDOs.

Revenues and Expenses Structure	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21
Portfolio yield	30.7%	28.9%	28.0%
Other fin. income (assets)	0.7%	0.4%	0.5%
Other products yield (assets)	1.6%	1.4%	1.5%
Operating Expenses (Portfolio)	14.0%	13.6%	13.4%
Financial Expenses (fin. Liabilities)	14.7%	14.2%	13.8%
Provision Expense (Portfolio)	1.2%	1.8%	1.7%

Operational efficiency is good considering a wide presence is rural areas, benefiting from further centralization of the loan processes (delinquency management, underwriting). Operating expense ratio (on average assets) stands at 10.8% for Apr20-Mar21 and demonstrates a downward trend in the last period also due to freezing of new hirings, new development projects, new office openings, travel and external trainings and other expenditures not related to the clients and personnel.

Staff productivity is adequate in terms of both number of active borrowers and clients (74 and 84 per employee, respectively, as of Mar-21), while loan officers' productivity shows room for improvement given the average loan balance of 87.4% of GNI p.c. for Apr20-Mar21). Both loan officers' and staff productivities show signs of improvement in the last period of analysis, following the disbursement restrictions lifting imposed in 2020 due to the pandemic.

The institution projects positive results in 2021 with ROA and ROE at 1.8% and 10.0%, respectively,[14] benefiting from recoveries of written-off loans, lower provisioning expenses and increased returns from loan portfolio. Operating expenses are expected to increase by 15.0% due to investments into the new MIS and digital lending tools. Financial expenses are expected to increase by 4.2% when compared to 2020 results driven by the increase in interest paid on savings and hedging expenses. Revised for the impact of COVID-19 financial projections for 2020 ended up being too pessimistic, as net income exceeded the projected zero profits. Similarly projected net profit of the institution for Mar-21 was overachieved by 189.6%[15].

Capital Adequacy

Total equity stands at TJS 214.9M / USD 19.0M and comprises paid-in capital (54.6%), reserves (37.2%) and retained earnings (8.2%). Tier 1 capital represents 100% of total adjusted capital.

Capacity to absorb losses is moderate considering the high-risk context. Capital adequacy ratio (CAR), calculated in line with MFR methodology, reaches 18.1% as of Mar-21.

Internal capital adequacy limits are set in line with the requirements of the regulator and selected investors (Proparco, EBRD, Arbor FS), which have put in place CAR limits based on Basel II accords. As of Mar-21, regulatory CAR stands at 17.9% vs. required 10% and regulatory risk-weighted CAR stands at 17.8% against the minimum of 12% as of Mar-21. The trend observed over the period of analysis is negative. There were no breaches of both regulatory and investor covenants on CAR thresholds over the period of analysis.

MFR CAR is higher than the regulatory risk-weighted CAR due to differences in calculation of risk-weighted assets.

Capitalization strategy relies on full reinvestment of future earnings. Equity injections are not planned in the short and medium-term. Yet, the shareholders have capacity to provide financial support if needed as evidenced by the practice of providing the subordinated loans in the past.

Structure of Liabilities and Equity

As of Mar-21, total funding liabilities stand at TJS 941.6M / USD 83.2M and are almost evenly split between deposits (48.2%) and borrowings (47.3%).

Sources of funding are adequately diversified. Two lenders, Symbiotics and BlueOrchard Finance, account for 48.6% of all borrowings. Borrowings are received mostly in local currency (71.0%) with half being long-term (50.7%). Cost of borrowings showed a steep downward trend and averaged to 14.5% as of Mar-21 due to increasing share of typically less expensive local currency borrowings received through the special social projects. Cost of commercial TJS borrowings is within 16.5%-20% p.a., while most of USD borrowings carry a fixed rate of 5.8%-6.95% plus hedging cost and withholding tax.

Hedging is expensive and reached 12.9% p.a. in Mar-21. Higher costs in local currency are partially mitigated by IMON's access to special financing programs with below market rates that roughly comprise 24% of all borrowing.

Despite the COVID-19 pandemic and the flee of legal entities who held currents accounts, due to the regulatory restrictions imposed back in 2018 by the regulator on conversion transactions, deposit base has grown by 22.7% in Dec19-Mar21, mainly through special promo actions offered to the public. Deposit concentration risk is very low as top 20 deposit (predominantly short-term deposits) holders account for 15% of equity and 7.1% of total deposits as of Mar-21. Regionally, a substantial share of deposits (77.1%) is concentrated in the two largest regions (Sughd and Dushanbe) as of Mar-21.

[14] These projections were yet to be approved by the Board at the time of writing the report.

[15] NI for Jan-Mar21 is at TJS 5.6M/USD 1.1M against the projected TJS 1.9M/USD 171.0K.

Deposits	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21
Active depositors	13,181	13,823	14,408
Total amount of deposits (USD M)	38.1	38.3	40.1
Compulsory deposits	n/a	n/a	n/a
Demand deposits	18.7%	7.4%	7.4%
Short-term deposits	76.2%	81.4%	82.6%
Long-term deposits	5.1%	11.2%	9.9%
Top 20 depositors / Deposits	na	na	7.1%

na: not available n/a: not applicable

Funding needs for the upcoming year are already met and sufficient in view of projected increase in the loan portfolio and stability in borrowings and deposits. Funding strategy will continue to rely on deposits and borrowings that is adequate considering planned additional agreements with foreign investors (EBRD, responsAbility, Agent for Impact, Water Equity, and others).

Asset Liability Management

Operational liquidity is well managed by the Head of the Treasury Department in close coordination with the Business Development Division and Branch Managers. Available tools facilitate good monitoring of liquidity needs and levels. Excess liquidity in branches located in the southern and northern parts of the country is sent to Dushanbe and Khujand branches, respectively, which stores it in their vault.

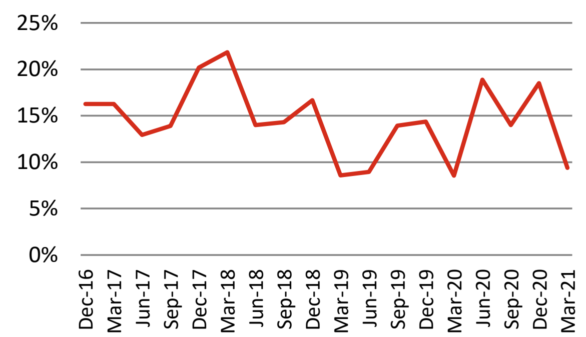
Liquidity risk management framework is formalized in Funding and Financial Management Policies and is set by ALCO[16] that reviews monthly reports from the Head of Treasury. Liquidity management tools include monthly maturity gap analysis by currency (i.e. TJS and USD) and in aggregate, annual cash-flow projections by month, weekly and daily cash-flow projections, and external funding maturity projections. To account for uncertainty around COVID-19, IMON ran stress tests on potential mass withdrawal of deposits and increased liquidity.

As of Mar-21, liquidity level is adequate: cash ratio is at 15.7%, liquidity over total assets stands at 9.4% averaging 13.9% for the past twelve months. Liquid assets are more than sufficient to cover demand deposits (381.0%) and top 20 depositors (335.3%). Management has decided to hold liquidity equivalent to at least 30% of total deposits to meet needs of clients in case of potential withdrawal given uncertainty related to COVID-19[17]. To maintain sufficient liquidity, the institution has frozen all non-urgent OPEX and CAPEX, including travel, external trainings, new hirings, new office openings and set thresholds for OSS level in 2020. The quality of the reports on liquidity sent to the regulator and investors is adequate.

Analysis of contractual maturity gap shows negative net positions from 0 to 30 days and over two years due to mismatch of maturities of loans against liabilities. Cumulative net position is positive for all periods, but 0 to 30 days. Maturity gap is stress tested on potential deposit withdrawal to ensure sufficient liquidity levels.

Liquidity contingency plan is not formalized and relies on the encashment of the funds in the correspondent banks and converting the USD reserves into TJS. Additionally, IMON is in the process of negotiating the credit line agreement with the local bank.

The adverse effects of the COVID-19 pandemic on the economy have put a strain on liquidity for financial institutions; as such, the liquidity levels of the institution must be monitored over the next few months.



Market Risk Management

FX risk management is overall good. Internal limits are based on regulatory net open position (NOP) requirements[18] and investor covenants[19] and are monitored daily. ALCO monitors currency composition of balance sheet each month and takes corrective measures to maintain balance between USD denominated portfolio and funding attracted in foreign currency. Stress tests on potential impact of fluctuations in exchange rate are run only when needed.

As of Mar-21, foreign exchange risk relevance is medium-low as unhedged aggregate net open position corresponds to 6.5% of Tier 1 equity in almost stable macroeconomic context (9.3% exchange rate average variation for the past four years).

FX risk mitigation strategies include matching foreign currency denominated assets (mostly – loans and cash and cash equivalents) with liabilities, negotiation of local currency borrowings with lenders and SWAP agreements

[16] Comprised of CEO, COO, CFO, CRO, CBO, Head of Finance division, Head of Business development division, and Head of Operational division.

[17] No COVID-19-related deposit withdrawals took place in Q2 and Q3 2021.

[18] 8% for each currency and 20% for aggregate NOP.

[19] 30% limit on FX loans by EBRD. Between -50% and +150% for aggregate NOP by Symbiotics. 20% for aggregate NOP by BlueOrchard and responsibility.

via MFX (11.9%-12.2% p.a. as of Mar-21) for uncovered part.

Interest rate risk management policy is formalized and is mitigated by good monitoring tools, including the aggregate interest rate risk ratio threshold[20] set by the Board. ALCO reviews maturity gap presented monthly.

As of Mar-21, relevance of interest rate risk is very low both on net financial margin and equity. Based on MFR's repricing gap analysis, IMON is asset-sensitive and sensitivity to 200 basis points change in interest rates is 0.7% on net financial margin and 0.4% on equity.

4. Loan Portfolio Quality

IMON International has achieved an *adequate* performance in Loan Portfolio Quality Area.

As of Mar-21 GLP stands at TJS 974M / USD 86.1M and demonstrate improving trend in Q1-2021.

Portfolio Features	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21
Gross loan portfolio (USD M)	93.7	78.8	86.1
Barakat (Multi-purpose)	11.8%	9.6%	16.1%
Bovari (Consumer)	6.0%	5.9%	6.6%
Charogi Marifat (Education)	0.2%	0.1%	0.1%
Amonat (Deposit-Backed)	0.5%	0.6%	0.4%
Other products	3.2%	3.4%	3.5%
Inkishof (Rural Business)	23.6%	19.3%	19.3%
Kishovarz (Crop Production)	6.8%	5.1%	6.7%
Zamina (Business)	8.9%	6.5%	5.9%
Bahoriston KFW (Housing)	4.0%	3.1%	2.5%
Manzil KFW (Mortgage)	0.8%	0.6%	0.6%
Rushdi zamon (Working capital)	1.7%	1.7%	1.6%
Climate mitigation for Aral Sea Basin	1.2%	1.5%	1.8%
Efficient use of water and land	0.5%	0.4%	0.3%
Promo action products*	30.8%	38.8%	30.0%
Farovon (Horticulture, fishery)	0.0%	3.5%	4.7%
Number of borrowers	109,050	103,536	106,199
Number of loans	110,086	104,362	107,085
Avg. disb. loan (USD)	1,030	886	927
Avg. disb. loan / p.c. GDP	117.6%	112.9%	118.2%

* IMON offers promotional loan products tailored to seasonal needs of its clients.

Risk of Loan Portfolio Concentration

Loan portfolio is well diversified: two largest branches (Khujand and Instaravshan) account for 13.1% of the GLP.

Diversification across economic sectors is moderate. As of Mar-21, the largest shares correspond to agriculture and consumption (35.2% and 25.5%, respectively), partially mitigated by the better performance of the agriculture loans when compared to trade and services.

Most of the portfolio is denominated in the local currency (91.8% as of Mar-21). USD loans are usually cheaper and are disbursed only to those borrowers who provide proof of generating income in foreign currency.

Concentration risk in one single borrower is low with the exposure to the largest borrower reaching 0.3% of equity (0.1% of GLP). This is likewise true for top 10 borrowers with exposure of 2.3% of equity (0.3% of GLP).

In consideration of COVID-19, IMON has restricted lending only to the repeat clients who requested loans in local currency up to TJS 15K/USD 1.3K. Lending to the borrowers from construction, tourism, restaurant, and other sectors harshly affected by COVID-19 was banned.

Loan Portfolio Quality

Portfolio quality is adequate and is better than the market: PAR30 stands at 2.2% against the 23.2% and 4.1% for all types of FIs and micro-deposit organizations, respectively, as of Mar-21[21]. Share of the restructured loans are decreasing (9.6% at the peak as of Jun-20 vs. 2.9% as of Jun-21). Level of write-offs are low and demonstrate stable trend over the period of analysis. The main drivers of adequate portfolio quality despite COVID-19 include centralized debt collection, good client relationship management, and more stringent disbursement during 2020. The trend over the period of analysis is negative, although the portfolio quality data as of Mar-21 is showing signs of improvement.

Average credit risk ratio[22] is on the upward trend and stands at 10.0% for Apr20-Mar21 mainly due to restructurings related to COVID-19.

Portfolio Quality Indicators	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21
PAR1	3.2%	4.2%	5.5%
PAR30	1.6%	2.3%	2.2%
PAR90	1.2%	1.8%	1.7%
PAR180	0.8%	1.3%	1.2%
PAR365	0.1%	0.9%	0.5%
Restructured portfolio	0.4%	7.4%	5.3%
Restructured portfolio (PAR 30)	33.7%	4.6%	8.4%
Write-off ratio	1.2%	1.0%	1.2%
Average credit risk ratio	4.0%	8.8%	10.0%

Credit risk is concentrated in consumption and services (weighted PAR30 of 0.5% for both). Other relevant sectors are trade and agriculture with weighted PAR30 of 0.4% and 0.3% or PAR30 of 3.0% and 0.9%, respectively, as of Mar-21.

[20] +-20% cumulative open position over total equity.

[21] Banking Statistics Bulletin of the NBT for Mar-21.

[22] Average credit risk ratio: (Average PAR30 + Average restructured portfolio 0-30 days + Written-off portfolio) / Average Gross Portfolio.

Sector	% loan portfolio	PAR30	Weighted PAR30
Trade	14.8%	3.0%	0.4%
Services	18.8%	2.6%	0.5%
Agriculture	35.2%	0.9%	0.3%
Production, processing & handicr.	4.1%	5.2%	0.2%
Education	1.9%	1.2%	0.0%
Housing	3.5%	4.3%	0.2%
Consumption	20.5%	2.6%	0.5%
Other	1.1%	6.2%	0.1%

Branch-wise, credit risk is concentrated in Khujand branch (PAR30 of 5.2%) due to implications COVID-19 related lockdowns and their effect on local businesses, which are the main clients of the branch.

Portfolio quality for loans disbursed for more than 120 months is lower than for other terms (PAR30 – 48.2%), although contribution to overall portfolio risk is negligible (weighted PAR30 is 0.0%).

It is important to mention that the quality of the entity's portfolio must be monitored in consideration of the adverse effect of the COVID-19 pandemic on the overall economy, as well as the loan deferral/restructuring measures[23] taken by the financial sector that are expected to bring about a significant increase in the credit risk.

Credit Risk Coverage

Credit risk coverage is moderate: loan loss reserve covers 115.0% of PAR30, but only 36.2% of PAR30 + r. 0-30 as of Mar-21, partially mitigated by a decent share (32.1%) of GLP backed by as hard collateral[24] and tendency of improvement in Q2 and Q3 2021[25]. The trend in the past three years is improving following the gradual repayment of the restructured due to the COVID-19 pandemic loans by the borrowers. It should be noted that IMON follows selected investors' requirements on risk coverage ratio[26]. On the limit breaches set by KIVA, Arbor FS and Ministry of Economic Development and Trade (KfW)[27] waivers have been requested, already received or new position limits defined.

IMON complies with the national regulation for loan loss provisioning[28] and accrues loan loss reserves monthly. IFRS 9 provisioning tool was adopted in back 2018 that is used during annual external audits.

Credit Risk Coverage	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21
Provision expense ratio	1.2%	1.8%	1.7%
Loan loss reserve ratio	2.4%	3.2%	2.6%
Risk coverage ratio (PAR30)	152.7%	139.0%	115.0%
Risk coverage (PAR30 + r. 0-30)	130.1%	34.6%	36.2%

Credit Risk Management

Policies and procedures related to lending provide adequate overview of the loan process and show room for improvement in formalization of some requirements (e.g. debt collection). Policy dissemination among staff is good.

Repayment capacity analysis is overall good and varies depending on loan products and terms. Client's business site (if applicable) is visited prior to loan disbursement. No client visits are done in case of the retail loans. Outstanding debt of clients is taken into account when such information is available.

Each loan is checked on the internal limit of concentration per single borrower/group of borrowers and sector. Collateral is monitored on the annual basis for potential deterioration and loss of quality.

Use of credit bureau is effective. Credit history is checked at all loan cycles for borrowers and, in case of larger loans, for family members and related parties. Parallel loans to borrowers are limited at three per household (including cases when a borrower is a guarantor).

Quality of pre-disbursement crosschecks is good thanks to the well-structured loan approval process, envisaging higher approval levels for higher loan amounts and its partial centralization[29], client visits done together with the senior staff members. Retail loans up to TJS 5K/USD 442.5 are approved by the automated scoring model, which considers the credit history of the borrower and its repayment capacity.

Debt recovery process is effective[30] benefiting from the centralized (soft, hard and legal) collection process and overall good client relationship management. Policies and procedures for collection and restructuring are formalized and covers loan recovery schedule, conditions for restructuring and responsible staff lines (loan and delinquent loans unit officers). Centralization of the debt collection is still underway, as loan officers having better contact with clients still help with the delinquency management.

[23] As per the NBT Instruction # 215 the provisioning rate for non-overdue unrestructured loans is 2%, for non-overdue restructured loans it is 5%, for loans overdue from 30 to 90 days, both unrestructured and restructured, it is 30%. Consequently, the Instruction provides for a significant increase in the coverage of credit risks associated with PAR30 and insignificant increase in the coverage of credit risks associated with restructuring.

[24] Portfolio backed by mortgage and deposits

[25] PAR30 + r/ 0-30 coverage trend: Apr-21 – 41.4%, May-21 – 46.8%, Jun-21 – 51.4%, Jul-21 – 55.9%, Aug-21 – 64.3%.

[26] E.g., IMON tracks uncovered capital ratio (PAR>30 including restructured loans minus LLR/Equity) that should not exceed 25% for Symbiotics.

[27] LLR/PAR30+RL stand at 36.2% as of Mar-21 against the min. of 75%.

[28] The NBT Instruction #215.

[29] As of Mar-21, underwriting department approves retail loans (<~USD 1.3K) and is pilot testing approval of microloans (<~USD 1.3K)

[30] Recovered values of written-off loans in 2020 and Q1-21 stand at TJS 6.3M/USD 560.1K and 3.0M/USD 261.4K respectively.

Quantity and quality of portfolio reports are good. Monthly reports presented at ALCO meetings cover the portfolio quality breakdown by segments and quality of the restructured portfolio. Quarterly risk report presented at BARCO is much more comprehensive and cover relevant portfolio breakdowns (e.g. by currency, product, sector, etc.) and concentration limits and includes vintage analysis.

Annex 1 – Financial Statements and Adjustments

Balance Sheet	Dec18		Dec19		Dec20		Mar21	
	USD	TJS M	USD	TJS M	USD	TJS M	USD	TJS M
ASSETS								
Cash and cash equivalents	14,076,207	132.7	12,394,706	120.1	12,330,354	139.3	9,358,773	105.9
Short-term financial assets	1,988,525	18.8	6,043,852	58.5	7,338,761	82.9	1,420,479	16.1
Net loan portfolio	83,412,234	786.5	91,442,212	885.8	76,292,212	862.1	83,873,500	948.9
Gross loan portfolio	85,711,907	808.2	93,705,612	907.7	78,844,867	890.9	86,094,688	974.1
Loan loss reserve	2,299,673	21.7	2,263,399	21.9	2,552,655	28.8	2,221,187	25.1
Other short-term assets	5,588,254	52.7	6,464,097	62.6	5,642,301	63.8	4,502,654	50.9
Total short-term assets	**105,065,220**	**990.7**	**116,344,867**	**1,127.1**	**101,603,628**	**1,148.1**	**99,155,406**	**1,121.8**
Long term financial assets	5,321,329	50.2	42,943	0.4	36,814	0.4	36,730	0.4
Net fixed assets	4,433,486	41.8	4,487,055	43.5	3,359,381	38.0	3,029,904	34.3
Other long term assets	1,185,310	11.2	895,925	8.7	547,434	6.2	0	0.0
Total long term assets	**10,940,125**	**103.2**	**5,425,923**	**52.6**	**3,943,628**	**44.6**	**3,066,635**	**34.7**
Total assets	**116,005,345**	**1,093.9**	**121,770,790**	**1,179.6**	**105,547,257**	**1,192.7**	**102,222,041**	**1,156.5**
LIABILITIES								
Demand deposits	4,580,894	43.2	3,139,607	30.4	2,823,805	31.9	2,984,130	33.8
Restricted deposits	0	0.0	0	0.0	0	0.0	0	0.0
Short-term time deposits	27,999,385	264.0	33,076,637	320.4	31,978,142	361.4	34,328,610	388.4
Short-term loans	16,314,266	153.8	18,832,170	182.4	21,304,159	240.7	20,051,996	226.9
Other short-term liabilities	4,940,188	46.6	5,224,833	50.6	3,164,159	35.8	3,733,692	42.2
Total short-term liabilities	**53,834,733**	**507.6**	**60,273,247**	**583.9**	**59,270,265**	**669.8**	**61,098,429**	**691.3**
Long-term time deposits	309,027	2.9	1,940,705	18.8	3,488,584	39.4	2,776,407	31.4
Long-term loans	43,343,620	408.7	36,442,212	353.0	21,606,991	244.2	19,349,529	218.9
Other long-term liabilities	0	0.0	2,622,946	25.4	2,655,133	30.0	0	0.0
Total long-term liabilities	**43,652,647**	**411.6**	**41,005,863**	**397.2**	**27,750,708**	**313.6**	**22,125,936**	**250.3**
Total liabilities	**97,487,380**	**919.3**	**101,279,111**	**981.1**	**87,020,973**	**983.3**	**83,224,365**	**941.6**
EQUITY								
Paid-in capital	12,446,551	117.4	12,115,575	117.4	10,386,372	117.4	10,373,563	117.4
Reserves	4,074,298	38.4	5,622,058	54.5	7,082,743	80.0	7,073,979	80.0
Total retained earnings	1,997,009	18.8	2,754,047	26.7	1,057,257	11.9	1,550,113	17.5
Other equity accounts	0	0.0	0	0.0	0	0.0	0	0.0
Total equity	**18,517,859**	**174.6**	**20,491,680**	**198.5**	**18,526,372**	**209.3**	**18,997,655**	**214.9**
Total liabilities and equity	**116,005,239**	**1,093.9**	**121,770,790**	**1,179.6**	**105,547,345**	**1,192.7**	**102,222,021**	**1,156.5**
Exchange Rate	USD/TJS = 9.4		USD/TJS = 9.7		USD/TJS = 11.3		USD/TJS = 11.3	

Income Statement	Jan18 - Dec18		Jan19 - Dec19		Jan20 - Dec20		Apr20 - Mar21	
	USD	TJS M	USD	TJS M	USD	TJS M	USD	TJS M
Interest Revenue	**26,206,838**	**247.1**	**27,836,010**	**269.7**	**23,674,779**	**267.5**	**23,178,702**	**262.2**
Interest revenue from deposits	3,288	0.0	0	0.0	0	0.0	0	0.0
Interest revenue from investments	581,043	5.5	321,352	3.1	391,858	4.4	370,029	4.2
Interest revenue from loan portfolio	25,622,508	241.6	27,507,742	266.5	23,246,814	262.7	22,772,611	257.6
Interest Expense	**13,358,149**	**126.0**	**13,002,828**	**126.0**	**11,240,442**	**127.0**	**10,887,412**	**123.2**
Interest expense on deposits	4,236,341	39.9	3,410,067	33.0	3,745,752	42.3	4,030,373	45.6
Interest expense on loans and other debt	9,121,808	86.0	9,122,141	88.4	7,017,080	79.3	6,380,020	72.2
Net interest margin	**12,848,689**	**121.2**	**14,833,182**	**143.7**	**12,434,336**	**140.5**	**12,291,290**	**139.1**
Comission Revenue	**1,193,476**	**11.3**	**799,922**	**7.7**	**709,469**	**8.0**	**700,610**	**7.9**
Comission revenue from loan portfolio	196,403	1.9	0	0.0	0	0.0	0	0.0
Comission Expense	**505,854**	**4.8**	**543,914**	**5.3**	**558,761**	**6.3**	**558,070**	**6.3**
Comission expense on loans and other debt	0	0.0	0	0.0	0	0.0	0	0.0
Other Financial Revenue	**895,372**	**8.4**	**506,132**	**4.9**	**0**	**0.0**	**92,060**	**1.0**
Exchange rate gains	895,372	8.4	506,132	4.9	0	0.0	87,994	1.0
Other Financial Expense	**0**	**0.0**	**0**	**0.0**	**77,522**	**0.9**	**0**	**0.0**
Exchange rate losses	0	0.0	0	0.0	77,522	0.9	0	0.0
Gross financial margin	**14,431,683**	**136.1**	**15,595,322**	**151.1**	**12,507,522**	**141.3**	**12,525,890**	**141.7**
Provision Expense	**1,407,271**	**13.3**	**1,108,576**	**10.7**	**1,413,097**	**16.0**	**1,399,953**	**15.8**
Loan loss provision	1,407,271	13.3	1,073,685	10.4	1,425,752	16.1	1,372,291	15.5
Reversal of loan loss provision	0	0.0	0	0.0	0	0.0	0	0.0
Net financial margin	**13,024,412**	**122.8**	**14,486,745**	**140.3**	**11,094,425**	**125.4**	**11,125,937**	**125.9**
Operating Expenses	**12,326,504**	**116.2**	**11,997,791**	**116.2**	**10,364,513**	**117.1**	**10,314,289**	**116.7**
Staff expenses	6,978,769	65.8	7,630,069	73.9	6,571,327	74.3	6,643,149	75.2
Administrative expenses	5,347,735	50.4	4,367,722	42.3	3,793,186	42.9	3,671,140	41.5
Intermediation margin	**697,909**	**6.6**	**2,488,954**	**24.1**	**729,912**	**8.2**	**811,648**	**9.2**
Other Operating Revenue	**1,797,001**	**16.9**	**1,011,954**	**9.8**	**747,080**	**8.4**	**862,224**	**9.8**
Operating margin	**2,494,910**	**23.5**	**3,500,908**	**33.9**	**1,476,991**	**16.7**	**1,673,872**	**18.9**
Extraordinary Revenue	**10,605**	**0.1**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**
Extraordinary Expenses	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**
Net profit, before taxes	**2,505,515**	**23.6**	**3,500,908**	**33.9**	**1,476,991**	**16.7**	**1,673,872**	**18.9**
Taxes	**734,602**	**6.9**	**1,034,664**	**10.0**	**517,611**	**5.8**	**550,388**	**6.2**
Net profit	**1,770,913**	**16.7**	**2,466,244**	**23.9**	**959,381**	**10.8**	**1,123,484**	**12.7**
Exchange Rate	USD/TJS = 9.4		USD/TJS = 9.7		USD/TJS = 11.3		USD/TJS = 11.3	

The financial statements in Annex 1 are the result of standard reclassification and they are based on the annual audited financial statements. As for the infra-annual periods the internal financial statements are used.
Financial statements have been adjusted to calculate adjusted ratios (AROE, AROA, FSS) in order to make them comparable to financial reporting and performances of institutions using different accounting standards and operating in different environment and to evaluate the level of sustainability of the institution with market conditions.
Adjustments include: a) Provisions (calculated with a standard formula[31]); and b) Inflation.

Adjustments (USD)	Jan18 - Dec18	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21
Inflation adjustment	(598,600)	(1,237,000)	(1,362,969)	(1,581,260)
Inflation rate used	4.1%	7.6%	8.8%	10.0%
Loan loss provision adjustment	0	0	(1,981,902)	(1,820,118)
Other adjustments	0	0	0	0
Total adjustments	**(598,600)**	**(1,237,000)**	**(3,344,871)**	**(3,401,377)**

[31] Provisions are calculated according to the following formula:

Portfolio at risk:	1-30 days	10%	0-30 days restructured loan	50%
	31-60 days	30%	>30 days restructured loans	100%
	61-90 days	50%		
	>90 days	100%		

Annex 2 – Ratios

PROFITABILITY	Jan18 - Dec18	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21	Tendency
Return on Equity (ROE)	10.2%	12.9%	5.4%	6.2%	
Adjusted Return on Equity (AROE)	6.7%	6.4%	-13.4%	-12.6%	
Return on Assets (ROA)	1.5%	2.2%	0.9%	1.1%	
Adjusted Return on Assets (AROA)	1.0%	1.1%	-2.4%	-2.2%	
Operational self-sufficiency (OSS)	109.0%	113.1%	106.2%	107.2%	
Financial self-sufficiency (FSS)	106.7%	108.1%	93.1%	93.5%	
Profit Margin	8.3%	11.6%	5.9%	6.7%	
Net interest margin	14.2%	14.8%	13.7%	13.6%	

INCOME AND EXPENSES	Jan18 - Dec18	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21	Tendency
Portfolio yield	31.2%	30.7%	28.9%	28.0%	
Other financial income (on assets)	1.3%	0.7%	0.4%	0.5%	
Other products yield (on assets)	2.4%	1.6%	1.4%	1.5%	
Extraordinary income (on assets)	0.0%	0.0%	0.0%	0.0%	
Operating expense ratio (on assets)	11.1%	11.1%	10.8%	10.8%	
Funding expense ratio (on funding liabilities)*	14.5%	14.7%	14.2%	13.8%	
Provision expense ratio	1.7%	1.2%	1.8%	1.7%	
Loan portfolio revenue / Gross revenues	85.8%	91.2%	92.5%	91.7%	
Net loan portfolio / Assets	71.9%	75.1%	72.3%	82.1%	

EFFICIENCY AND PRODUCTIVITY	Jan18 - Dec18	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21	Tendency
Operating expense ratio (on GLP)	15.5%	14.0%	13.6%	13.4%	
Operating expense ratio (on assets)	11.1%	11.1%	10.8%	10.8%	
Operating expenses / Gross revenues	42.6%	41.7%	43.4%	43.9%	
Cost per borrower (USD)	117	112	101	102	
Cost per client (USD)	106	102	90	90	
Loan officer productivity (borrowers)	200	189	179	189	
Staff productivity (borrowers)	80	77	72	74	
Staff productivity (clients)	88	86	81	84	
Staff productivity (GLP)	62,155	66,036	54,715	59,871	
Staff allocation ratio	39.9%	40.7%	40.2%	39.2%	

CAPITAL ADEQUACY AND ALM	Jan18 - Dec18	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21	Tendency
Capital Adequacy Ratio (MFR)	17.2%	17.2%	17.2%	18.1%	
Tier 1 capital / Total capital (MFR)	91.6%	96.0%	100.0%	100.0%	
Capital Adequacy Ratio (regulatory)	20.7%	21.4%	18.3%	17.8%	
Equity / Assets	16.0%	16.8%	17.6%	18.6%	
Debt to equity ratio	5.3	4.9	4.7	4.4	
Funding expense ratio (on funding liabilities)*	14.5%	14.7%	14.2%	13.8%	
Funding expense ratio (on assets)*	11.6%	11.4%	11.1%	10.7%	
Cost of borrowings*	15.6%	16.3%	15.4%	14.5%	
Cost of savings*	12.7%	10.4%	11.1%	11.4%	
Cash equivalents / Assets	12.1%	10.2%	11.7%	9.2%	
Liquidity / Assets	16.7%	14.4%	18.5%	9.4%	
Liquidity / Demand deposits	324.2%	541.8%	673.6%	321.0%	
Liquidity / Short-term liabilities	36.5%	28.4%	32.5%	15.7%	
Current ratio	0.74	0.96	0.59	0.46	
Net loan portfolio / Deposits	253.6%	239.6%	199.2%	209.2%	

LOAN PORTFOLIO QUALITY	Jan18 - Dec18	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21	Tendency
Average credit risk ratio	7.6%	4.0%	8.8%	10.0%	
Portfolio at risk > 1 day (PAR1)	3.9%	3.2%	4.2%	5.5%	
Portfolio at risk > 30 days (PAR30)	1.9%	1.6%	2.3%	2.2%	
Portfolio at risk > 90 days (PAR90)	1.2%	1.2%	1.8%	1.7%	
Portfolio at risk > 365 days (PAR365)	0.0%	0.1%	0.9%	0.5%	
Restructured loans	1.0%	0.4%	7.4%	5.3%	
Write-off ratio	2.7%	1.2%	1.0%	1.2%	
Loan loss reserve ratio	2.7%	2.4%	3.2%	2.6%	
Risk coverage ratio (PAR30)	142.0%	152.7%	139.0%	115.0%	
Risk coverage (PAR30 + r. 0-30)	98.0%	130.1%	34.6%	36.2%	

OTHER RATIOS	Jan18 - Dec18	Jan19 - Dec19	Jan20 - Dec20	Apr20 - Mar21	Tendency
Client drop-out ratio	25.7%	33.3%	28.6%	29.2%	
Staff turnover rate	41.9%	17.7%	12.6%	11.1%	
Avg annual percentage rate (APR)	n/a	n/a	n/a	32.9%	
Avg annual percentage rate (APR), Inkishof (Rural Business)	n/a	n/a	n/a	31.5%	
Avg annual percentage rate (APR), Zamina (Business)	n/a	n/a	n/a	30.1%	
Avg. transparency index (%)	n/a	n/a	n/a	88.2%	
Avg. transparency index (%), Inkishof (Rural Business)	n/a	n/a	n/a	93.3%	
Avg. transparency index (%), Zamina (Business)	n/a	n/a	n/a	90.9%	
Average disbursed loan size (USD)	958	1,030	886	927	
Average loan balance (USD)	778	859	762	811	
Average disbursed loan / GNI p.c.	93.0%	96.3%	83.6%	87.4%	
Average loan balance / p.c. GNI	75.5%	80.3%	71.8%	76.5%	
Average savings account balance (USD)	3,007	2,893	2,770	2,782	
Female borrowers	37.7%	38.1%	36.4%	35.5%	

na: not available   n/a: not applicable   * Exchange rate gains/losses not included.

As of Mar21, ratios are calculated on last 12-months' data to ensure comparability with previous periods.

Annex 3 – Definitions

Ratio	Formula
PROFITABILITY & SUSTAINABILITY	
ROE	Net income / Average equity
Adjusted ROE	Adjusted net income / Average equity
ROA (before donations)	Net income / Average assets
Adjusted ROA (before donations)	Adjusted net income / Average assets
Operational Self-sufficiency (OSS)	(Financial revenues + Other operating revenues) / (Financial expenses + Provision expenses + Operating expenses)
Financial Self-sufficiency (FSS)	(Adjusted financial revenues + Other operating revenues) / (Financial expenses + Adjusted loan loss provision expenses + Adjusted operating expenses)
Portfolio Yield	Interest and fee revenues on loan portfolio, including penalty interest and fees / Average gross outstanding portfolio
Other Products' Yield	Other operating revenues / Average assets
Financial income ratio	Interest and fee revenues on financial assets not from loan portfolio / Average assets
Financial expense ratio	Interest and fee expenses on funding liabilities / Average gross outstanding portfolio
Provision Expense ratio	Loan loss provision expenses / Average gross outstanding portfolio
Profit Margin	(Total operating revenues – operating expenses – financial expenses – loan loss provision expenses) / Total operating revenues
Net Interest Margin	(Interest and fee revenues on loans + interest revenues from bank deposits and financial investments - Interest and fee expenses on funding liabilities)/ (Average value of bank deposits, financial assets and performing loans)
Portfolio to Assets Ratio	Net outstanding portfolio / Total assets
EFFICIENCY & PRODUCTIVITY	
Staff Allocation Ratio	Number of loan officers / Number of staff
Staff Turnover Ratio	Number of staff who left the institution during the period / Average number of staff
Loan Officer Productivity – Borrowers	Number of active borrowers / Number of loan officers
Loan Officer Productivity – Amount	Gross outstanding portfolio / Number of loan officers
Staff Productivity – Borrowers (Clients)	Number of active borrowers (clients) / Number of staff
Operating Expenses Ratio on Portfolio	Operating expenses / Average gross outstanding portfolio
Personnel Expenses Ratio on Portfolio	Personnel expenses / Average gross outstanding portfolio
Operating Expenses Ratio on Assets	Operating expenses / Average assets
Cost per Borrower (active client)	Operating expenses / Average number of active borrowers (active clients)
CAPITAL ADEQUACY & ALM	
Loans to Deposits Ratio	Net outstanding portfolio / Total deposits
Cost of Funds Ratio	Interest and fee expenses on funding liabilities / Average funding liabilities
Current Ratio	Assets with contractual maturity < 365 days / Liabilities with contractual maturity < 365 days

Maturity Gap Ratio 30 days	Assets with contractual maturity < 30 days / Liabilities with contractual maturity < 30 days
Liquidity over Total Assets Ratio	Cash and cash equivalents / Total assets
Liquidity over Demand Deposits	Cash and cash equivalents / Total demand deposits
Liquidity over Total Deposits	Cash and cash equivalents / (Demand deposits + Short Term Deposits)
Cash Ratio	Cash and cash equivalents / (Liabilities with contractual maturity < 365 days)
FX Net Open Position as % Equity	((Assets – Liabilities – Equity +– off balance sheet item) denominated in each single foreign currency) / Total equity
Debt to Equity Ratio	Total liabilities / Total equity
Equity to Asset Ratio	Total equity / Total assets
Capital Adequacy Ratio (MFR)	Total adjusted capital (according to MFR methodology) / Total risk weighted assets (according to MFR methodology)
Capital Adequacy Ratio (Regulatory)	Qualifying capital / Regulatory risk weighted assets

ASSET QUALITY

Portfolio at Risk 30 (PAR 30)	Outstanding balance on loans with arrears > 30 days / Gross outstanding portfolio
Portfolio at Risk 90 (PAR 90)	Outstanding balance on loans with arrears > 90 days / Gross outstanding portfolio
Portfolio at Risk 365 (PAR 365)	Outstanding balance on loans with arrears > 365 days / Gross outstanding portfolio
Write-off Ratio	Value of loans written-off during the period / Average gross outstanding portfolio
Restructured Loans Ratio	Total gross outstanding rescheduled and/or refinanced portfolio / Gross outstanding portfolio
Average Credit Risk Ratio	(Average value of PAR30 + Average value of restructured portfolio 0-30 days + Value of loans written-off during the period) / Average Gross Outstanding Portfolio
Loan Loss Reserve Ratio	Loan loss reserve / Gross outstanding portfolio
Risk Coverage Ratio (PAR 30)	Loan loss reserve / Portfolio at risk >30 days
Risk Coverage Ratio (PAR30+r0–30)	Loan loss reserve / Portfolio at risk >30 days + restructured loans 0-30 days

OTHER RATIOS

Drop-out Ratio	Active borrowers beginning of the period + new (first time) borrowers during the period – borrowers written off during the period – active borrowers end of period) / (active borrowers beginning of the period).
Average Disbursed Loan Amount	Total loan amount disbursed in the period / Number of disbursed loans
Avg. Disbursed Loan on p.c. GDP	Average disbursed loan amount / Per capita GDP
Annual Percentage Rate	Includes interest rate, method of interest calculation, commissions, taxes, mandatory savings (see MicroFinance Transparency tool)
Transparency index	Nominal interest rate / Annual Percentage Rate

Annex 4 – Credit Products Features

Credit Products	Barakat (Multi-purpose)	Bovari (Consumer)	Charogi Marifat (Education)	Amonat (Deposit-Backed)	Nazdikon (Consumer)	Inkishof (Rural Business)	Dastras (Unsecured SME)	Kishovarz (Crop Production)	Zamina (Business)	Bahoriston KFW (Housing)	Manzil KFW (Mortgage)
Main loan purpose	Personal	Personal	Personal	Microenterprise	Personal	SME	SME	SME	SME	Microenterprise	Microenterprise
Credit methodology	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual	Individual
Main currency	TJS	TJS	TJS	TJS	TJS	TJS	TJS	TJS	TJS	TJS	TJS
Type of interest (declining balance, flat, upfront)	Declining balance	Declining balance	Declining balance	Declining balance	Declining balance	Declining balance	Declining balance	Declining balance	Declining balance	Declining balance	Declining balance
Min. annual nominal interest rate (%)	24%	25%	24%	4% surplus to the deposit rate	32%	24%	33%	26%	26%	26%	25%
Max. annual nominal interest rate (%)	34%	30%	24%	20% surplus to the deposit rate	33%	31%	33%	31%	29%	26%	25%
Average annual nominal interest rate (%)	29%	28%	24%		33%	28%	33%	29%	27%	26%	25%
Upfront fees charged to clients (% or amount)	1% of loan amount, but no more than 100 TJS	1% of loan amount, but no more than 100 TJS	1% of loan amount, but no more than 100 TJS	1% of loan amount, but no more than 100 TJS	1% of loan amount	1% of loan amount, but no more than 100 TJS	2% of the loan amount	1% of loan amount, but no more than 100 TJS	1% of loan amount, but no more than 100 TJS	1% of loan amount, but no more than 100 TJS	100 TJS
Ongoing fees charged to clients (% or amount)	-	-	-	-	-	-	-	-	-	-	-
Min. credit amount (USD)	88	884	88	88	88	884	1,768	884	884	884	884
Max. credit amount (USD)	1,768	8,839	2,652	22,097	884	22,097	7,071	22,097	44,193	17,677	17,677
Min. loan maturity (months)	2	2	2	2	2	2	2	2	2	36	60
Max. loan maturity (months)	24	36	72	24	24	120	24	18	36	120	120
Frequency of principal payments	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Grace period (months)	9	3	0	0	3	12	6	16	12	12	0

Annex 5 – Rating Scale

Institutional Rating		*Common scale for financial inclusion rating agencies*	
Grade	**Definition**	**Classification**	**Definition**
αα	*Excellent outlook for financial sustainability, which is not expected to be affected by a potential deterioration of the operations or economic conditions. Extremely strong and stable fundamentals.*	EXCELLENT	Low or well-managed short to medium term risk. Strong performance
α+	*Very strong outlook for financial sustainability, which may be marginally affected by a potential deterioration of the operations or economic conditions. Very strong and stable fundamentals.*		
α	*Strong outlook for financial sustainability, which may be affected by a potential deterioration of the operations or economic conditions. Strong and stable fundamentals.*		
α-	*Good outlook for financial sustainability, which may be affected by a potential deterioration of the operations or economic conditions. Good fundamentals.*	GOOD	Modest or well-managed short to medium term risk. Good to moderate performance
β+	*Adequate outlook for financial sustainability, which may be significantly affected by a potential deterioration of the operations or economic conditions. Adequate fundamentals.*		
β	*Moderate outlook for financial sustainability, which is vulnerable to a potential deterioration of the operations or economic conditions. Moderate fundamentals.*	FAIR	Moderate to moderate-high risk. Moderate performance
β-	*Modest outlook for financial sustainability, which is highly vulnerable to a potential deterioration of the operations or economic conditions. Modest fundamentals.*		
γ+	*Weak outlook for financial sustainability. Modest fundamentals.*	POOR	High risk. Poor performance
γ	*Weak outlook for financial sustainability. Weak fundamentals.*		
γ-	*Extremely weak outlook for financial sustainability. Extremely weak fundamentals.*		

MODIFIERS	**The modifiers “High”, "Medium" or “Low” may be assigned to a rating to indicate relative status within the main rating category. The modifiers cannot be assigned to "αα", "γ" or "γ-".**