

MIX XBRL Overview

A Microfinance Use Case for XBRL

6/19/2009



MIX: A Microfinance Use Case for XBRL

- Who we are
- What we do
- How XBRL can help the microfinance industry
- How we use XBRL now
- How we want to use XBRL in the future

MIX: Who We Are

- Global source for data on the microfinance sector
 - Core focus is to provide objective data and analysis on microfinance providers
- Addresses the lack of reliable, comparable and publicly available information on microfinance institutions and their services
- Two primary means for disseminating information:
 - MIX Market (beta.mixmarket.org)
 - MicroBanking Bulletin (MBB; themix.org)

MIX: Who we are

- A little more background:
 - *Founded in 2002 as non-profit organization*
 - *Currently 15+ staff*
 - *Headquarters in Washington DC, hub offices in Lima, Peru; Dakar, Senegal; Gurgoan, India and Jakarta, Indonesia*
 - *Core funders:*

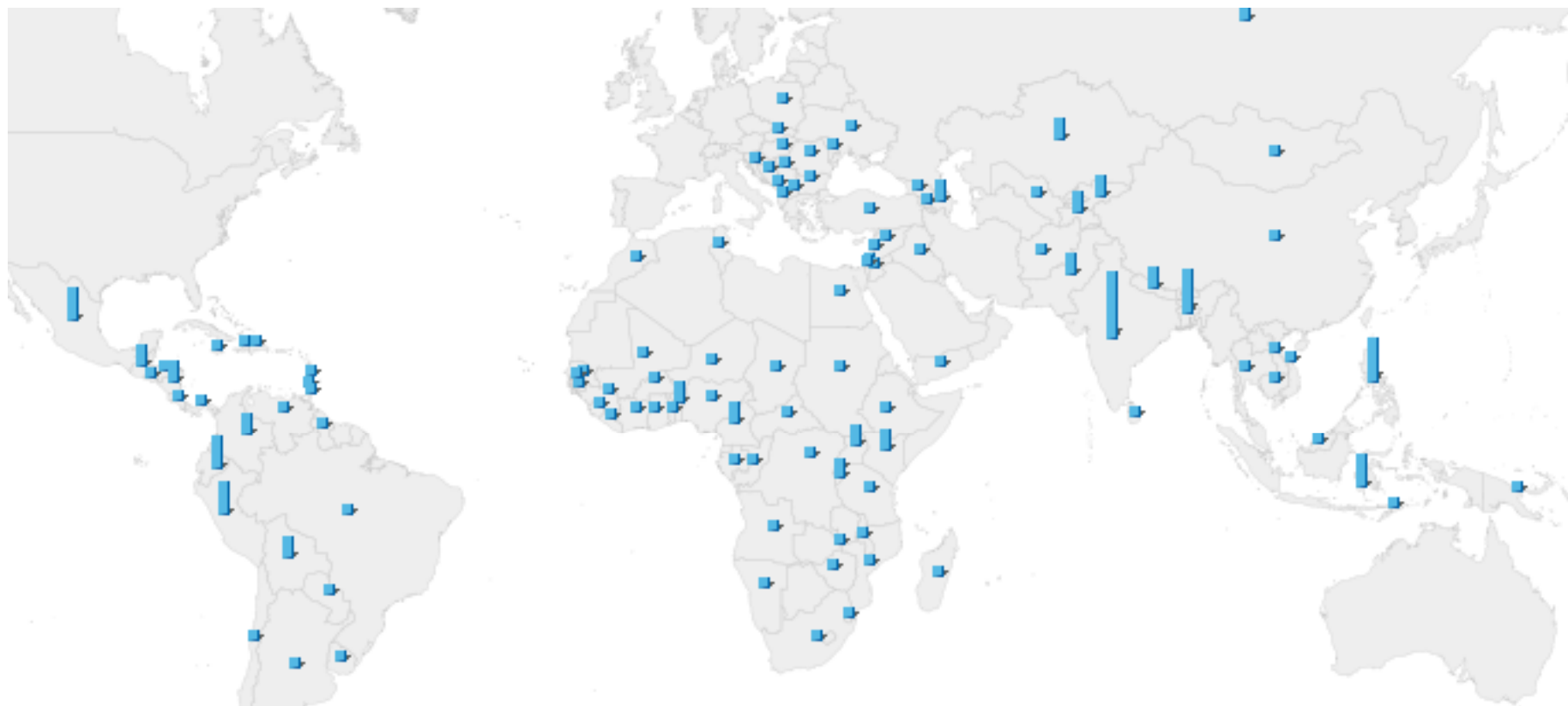
SPONSORS



MIX: What is microfinance? (A primer)

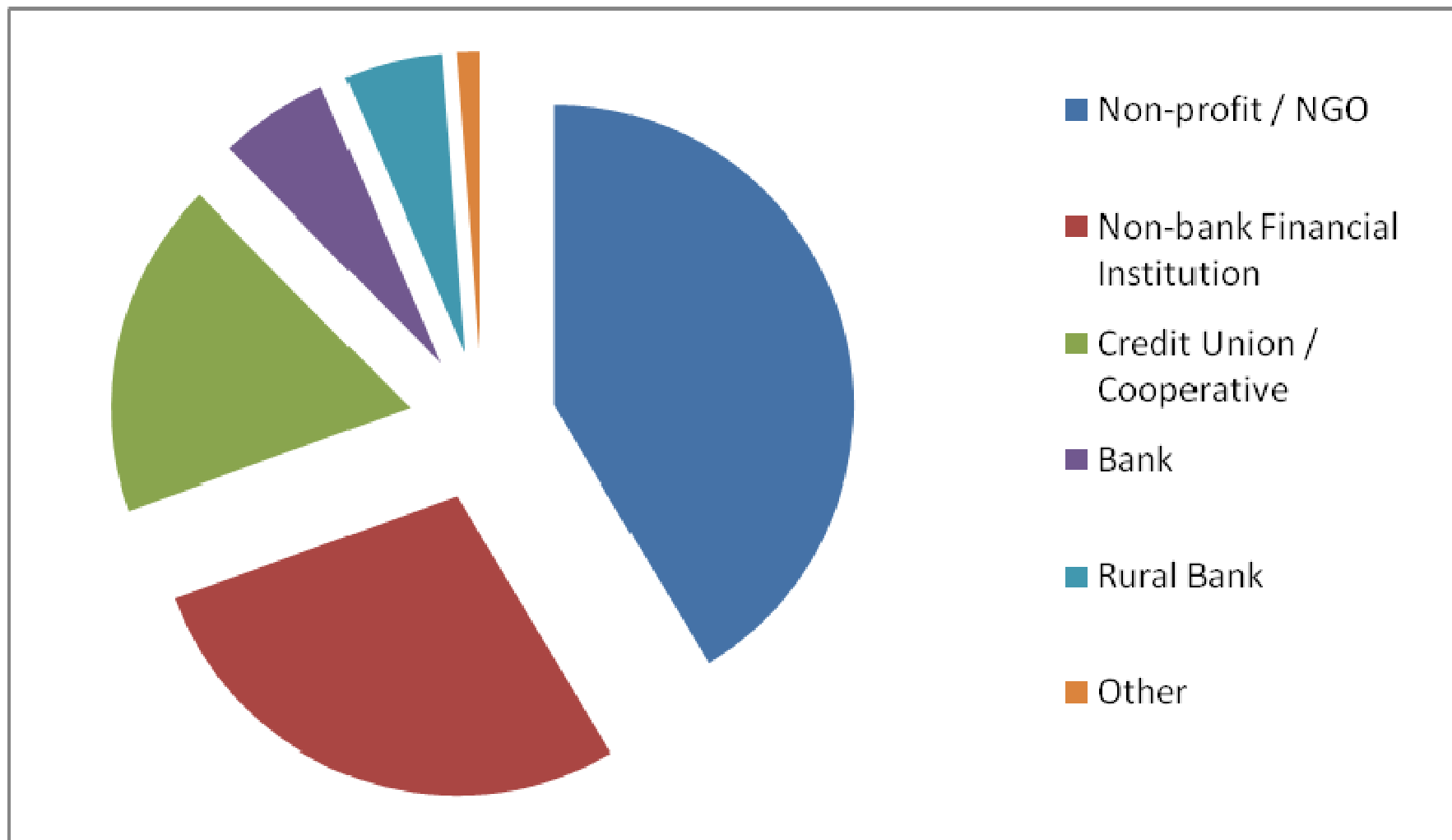
- Financial services targeted to low-income populations in developing countries
 - Historically, primarily focused on credit
 - But also savings
 - And remittances, insurance, leasing, etc.
- Increasing diversity of services and service providers
- Increasing commercialization (and related challenges)

MIX: Global coverage

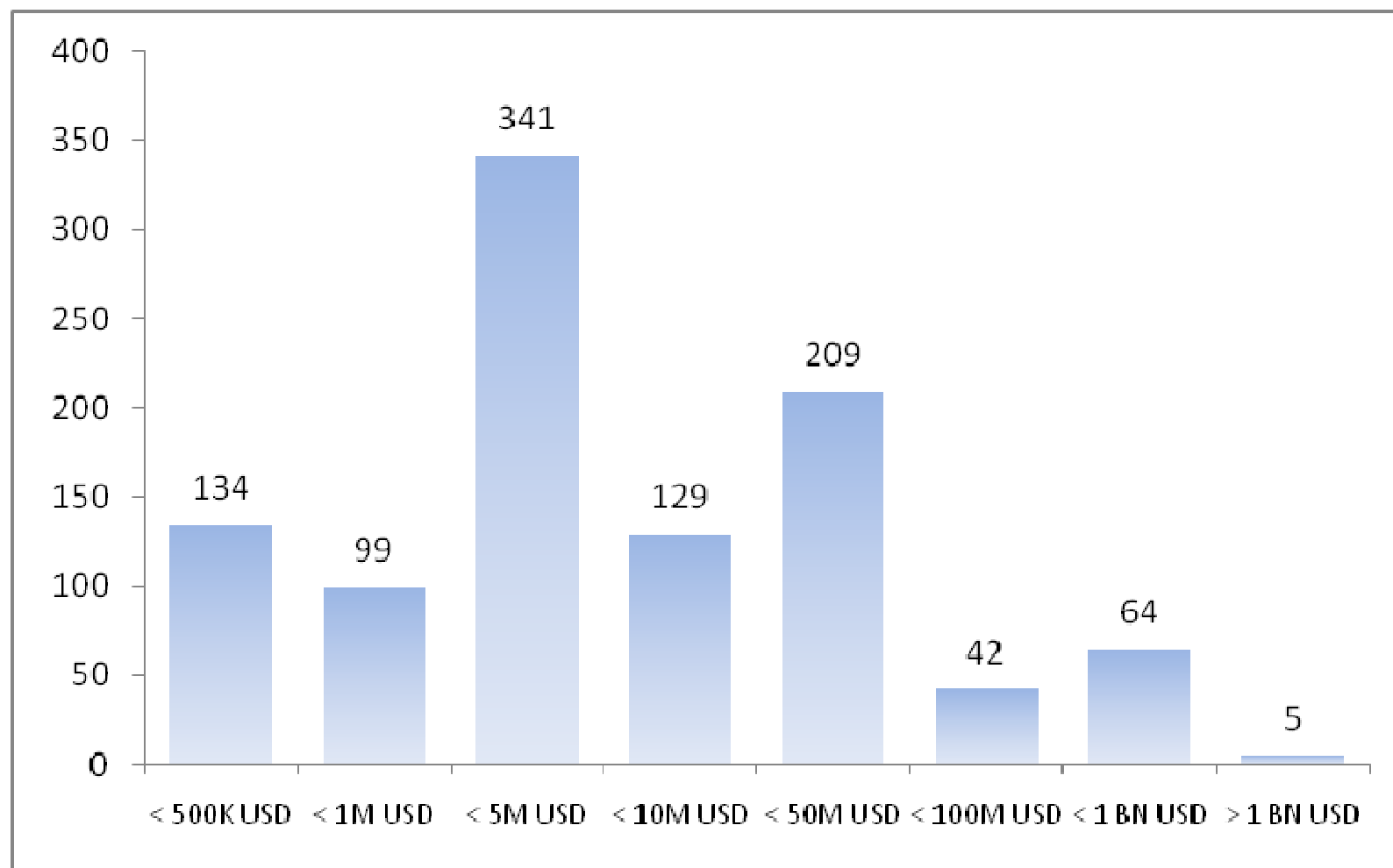


- 1400+ microfinance institutions (MFIs) in over 100 countries
 - Plus linked profiles for investors, networks and service providers

MFIs: A multitude of legal forms

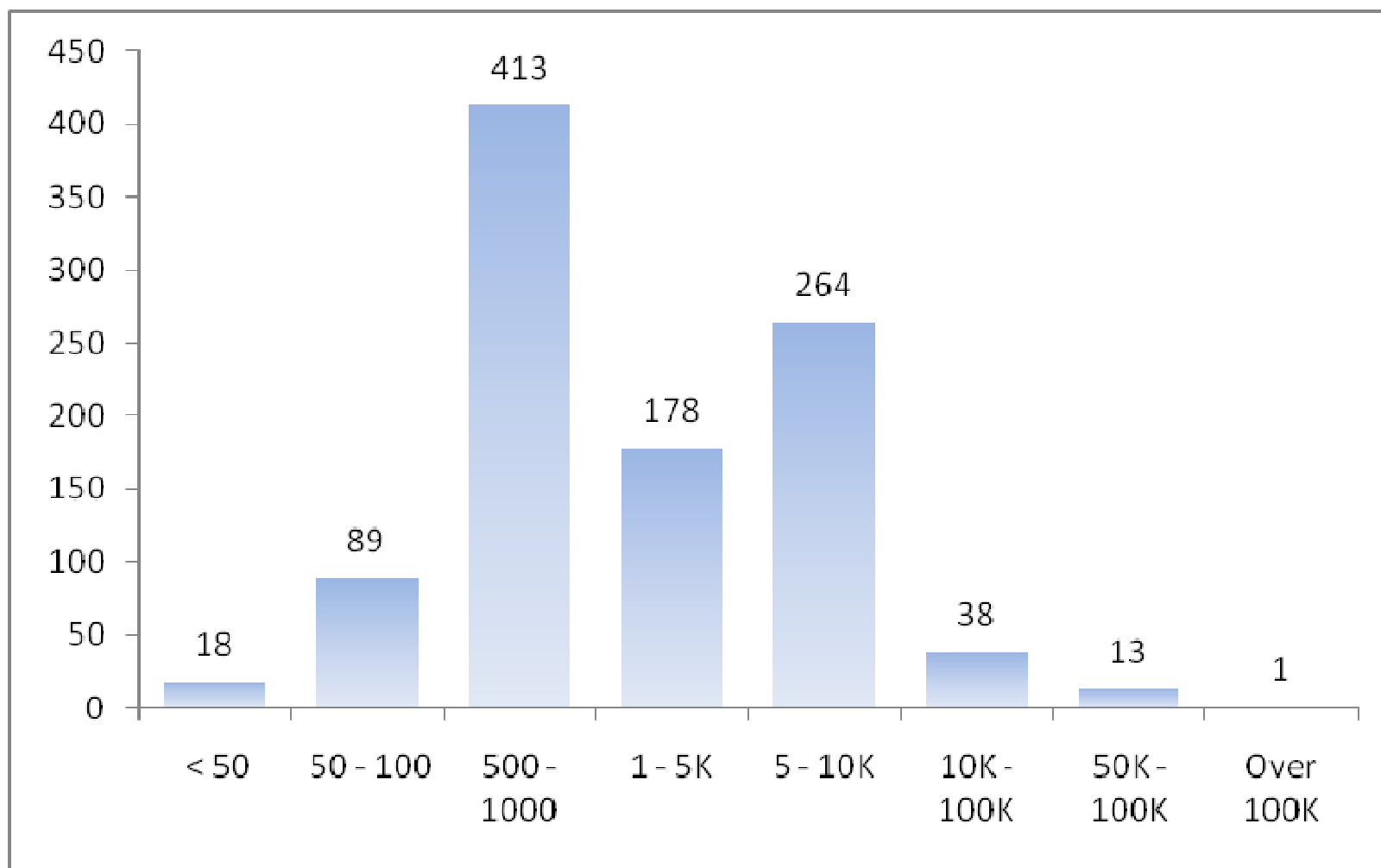


MFIs: Small institutions



- 2007 data on 1023 MFIs

MFI: Small loans

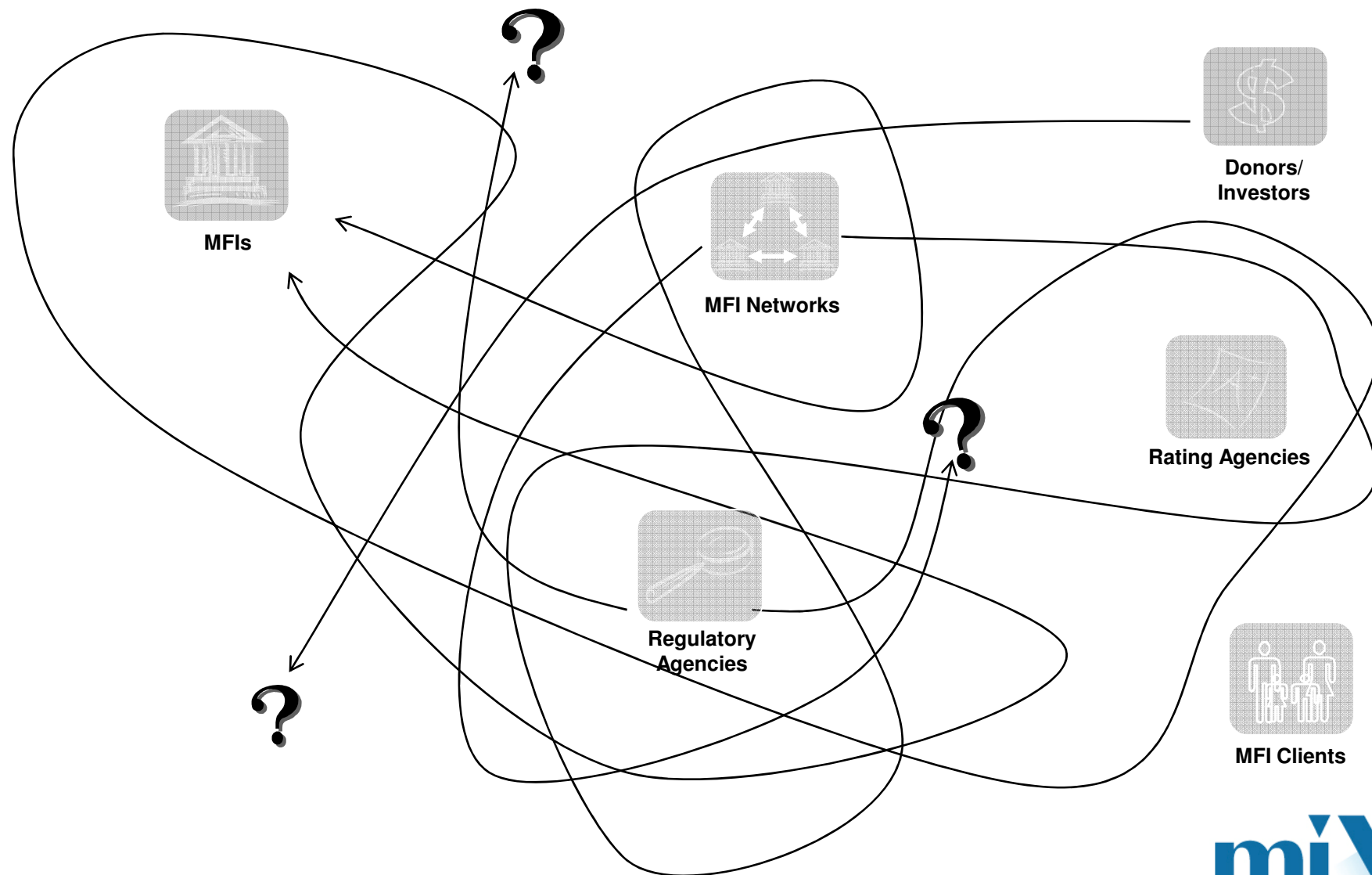


- Data in USD; 2007 data on 1014 MFIs

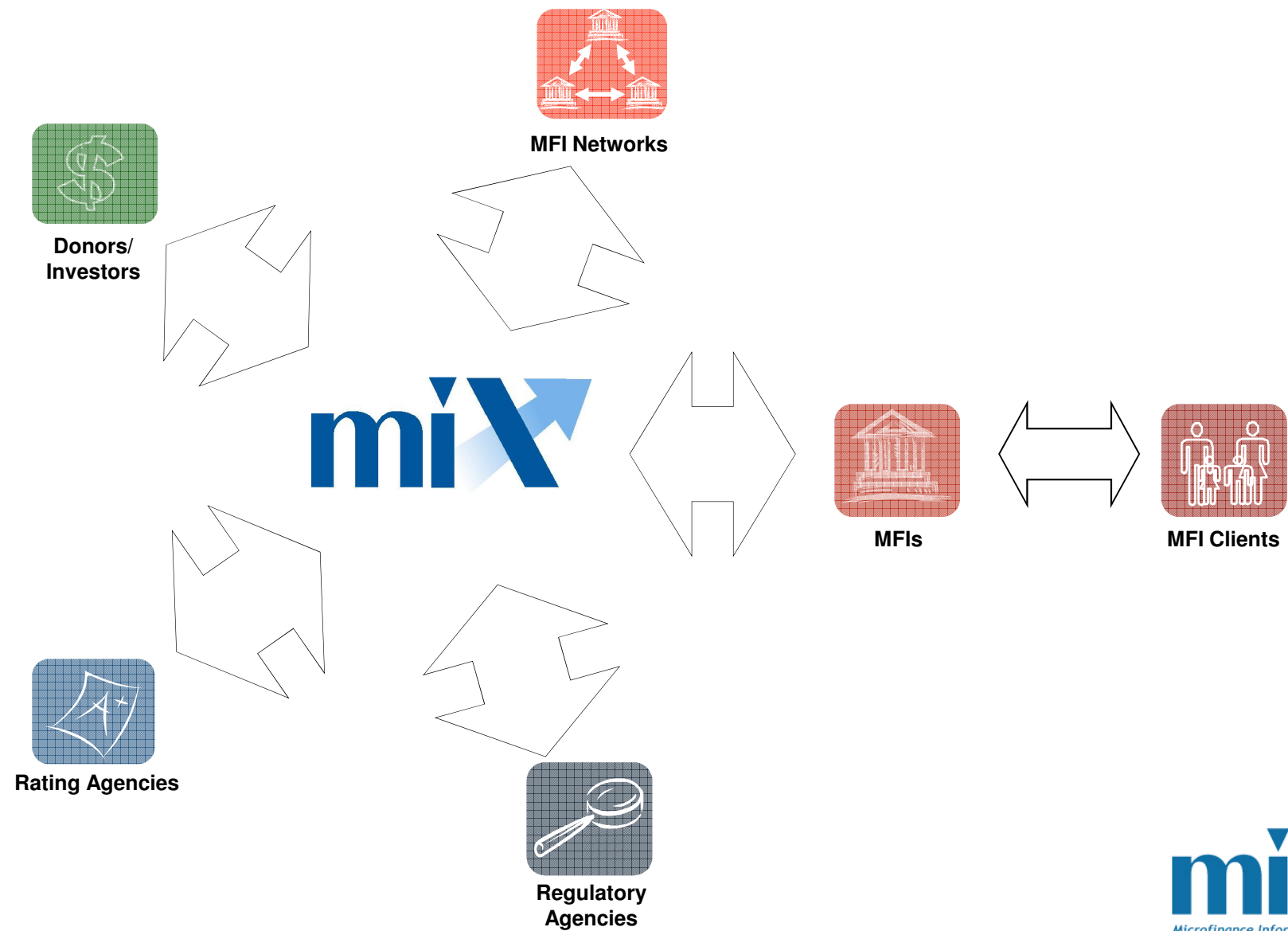
MIX: Our role

- Launched to
 - Support financial transparency
 - Increase capital flows
 - Create industry benchmarks
- Providing information as a public good
 - Free, voluntary participation by over 1400 MFIs
- Not a: regulator, rater, auditor, etc.
 - Neutral actor enabling information flow

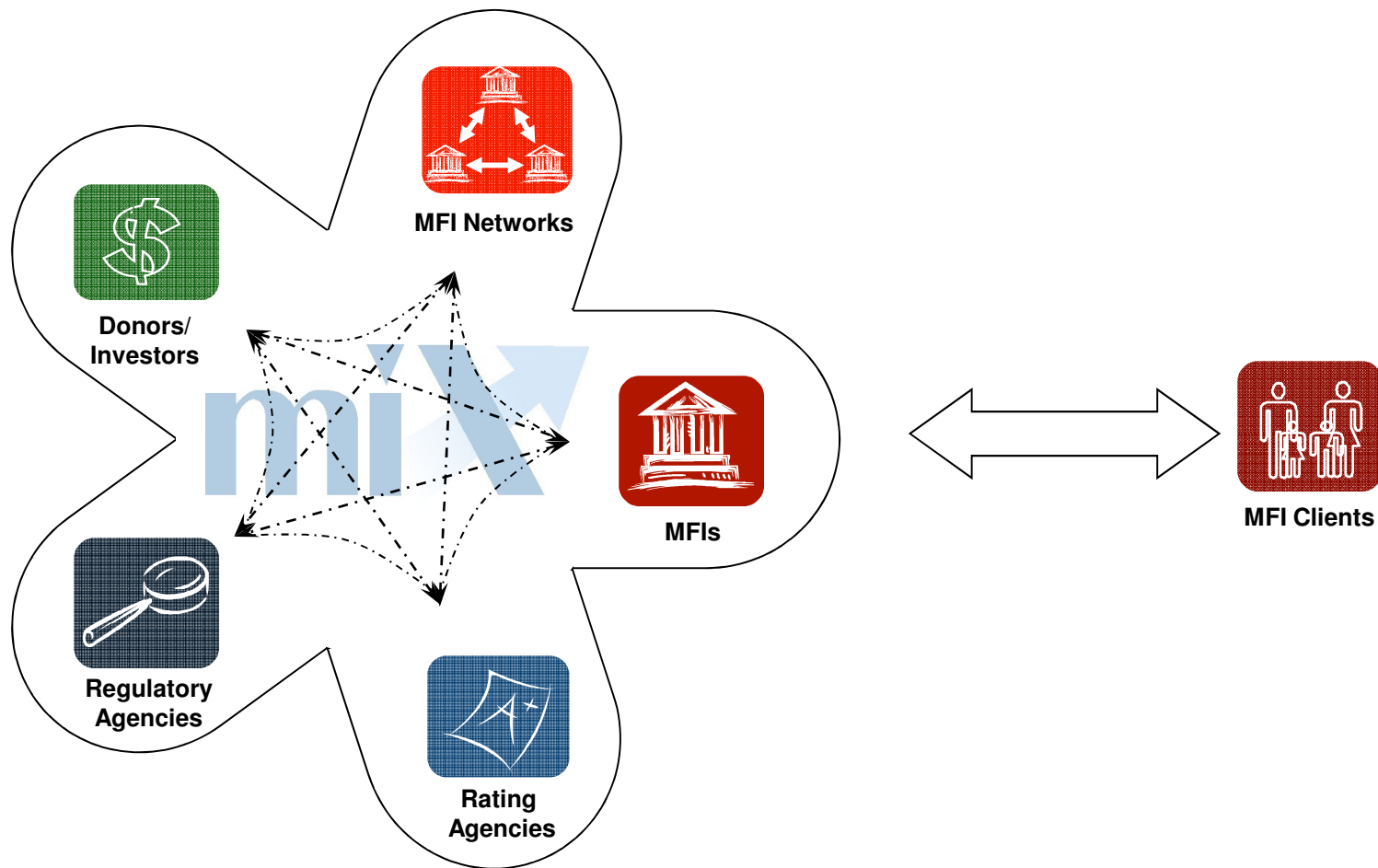
Problems with microfinance data flow



MIX: Building Information Infrastructure



MIX: Targeting Seamless Data Flow



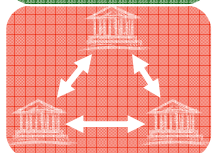
MIX: Benefitting multiple actors



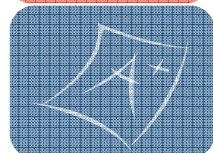
- MFIs: Increase visibility and access to external funding



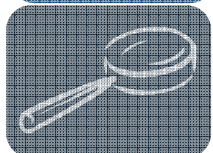
- Investors/Donors: Identify MFI investment opportunities and assess risk



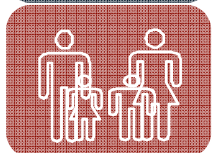
- Networks: Promote services to MFIs, investors and regulatory agencies



- Rating Agencies: Access data for comparative risk assessment

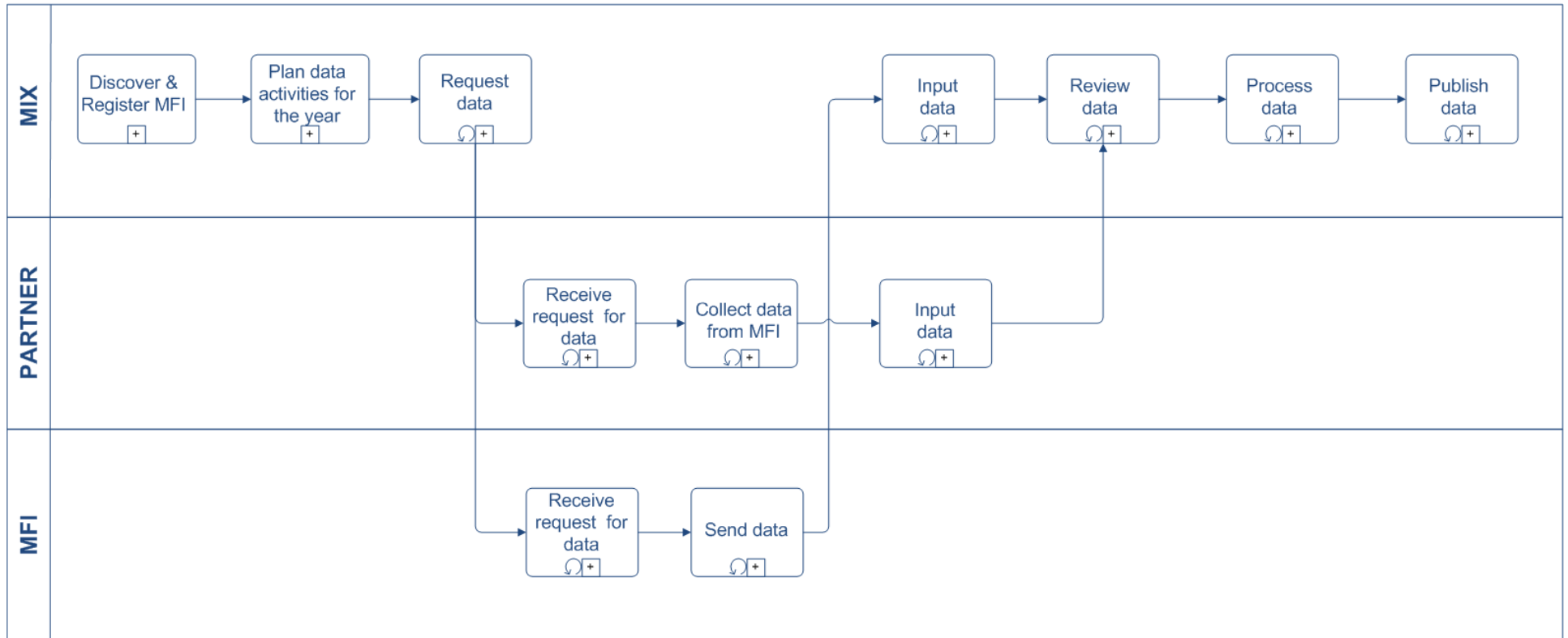


- Regulatory Agencies: Create benchmarks and streamline monitoring process



- MFI clients: More transparent MFIs and more information increased access to financial services

MIX: How do we do this?



Legend:



Rolled-up business process



Rolled-up business process with activity looping

MIX: Business Process

- Carried out by team of ~10 analysts
 - Regional focus and expertise
 - Non-technical staff
 - Non-technical partners
 - Primarily annual data, but some quarterly
- What are the sources for this information?

MFI Data Collection: The Challenge

- Different local accounting standards
 - Many still unregulated / unaudited
 - Microfinance providers include banks, NBFIs, NGOs, credit unions and others
- Hundreds of different financial statement presentations
- Different languages
- Different file formats (Excel, PDF, Word)

Collecting MFI Data: The Challenge

Баланс (на 31.12.2006г.):

Актив

| | |
|--|------------|
| 8. Денежные средства на банковских счетах и в кассе. | сч. баланс |
| 9. Краткосрочные финансовые активы. | |
| 10. Общий портфель займов. | 1123000 |
| 11. Резерв на восполнение потерь от невозврата займов. | 62206 |
| 12. Проценты к получению по всем активам. | |
| 13. Прочие ожидаемые поступления и прочие активы. | |
| 14. Долгосрочные финансовые активы. | 10760 |
| 15. Сумма основных средств | |
| 16. Активы всего. | баланс |

Пассив

| | |
|------------------------------|-----------|
| 17. Добровольные сбережения. | 1.119.514 |
| 18. Обязательные сбережения. | |
| 19. Срочные депозиты. | |
| 20. Кредиты и займы. | |
| 21. Проценты к оплате | |

Форма 07 10001 с.2

| ПАССИВ | Код | На начало | На конец |
|--|--------|----------------|-------------------|
| | строки | отчетного года | отчетного периода |
| | 2 | 3 | 4 |
| III. Капитал и резервы | | | |
| Паевой фонд | 410 | 118 | 126 |
| Добавочный капитал | 420 | 9186 | 9451 |
| Резервный капитал | 430 | 74790 | 113497 |
| в том числе: | | | |
| резервные фонды, образованные в соответствии с законодательством | 431 | 74674 | 113381 |
| | | 116 | 116 |

* Snapshot of 2006 Data submission for Credit Union EKPA (Russia)

Beyond regulatory reporting

- Voluntary - MIX cannot mandate reporting
 - Not a regulator
 - Many MFIs have small staff, lack reliable internet connection
- Transparency concerns – unstable legal frameworks (tax legislation), country risk
- Need to evaluate contextual and non-financial information
 - Count people, not just dollars
 - Social performance, coming soon

MIX: Initial XBRL Implementation

- Initial implementation
 - Early decision to invest in XBRL as a solution
 - Knowledge gathering, infrastructure building stage
 - Closed reporting framework
 - Private taxonomy
 - Data completed for 2800 MFI-years for 2003 – 2007
 - Published in benchmarks and reports, but no distribution of XBRL content

MIX: Basic XBRL solution requirements

- XBRL should be invisible for MFIs (for the near-term at least)
 - No real chance for XBRL adoption by the institutions
- Tools should work for large volumes of data, easy-to-use for non-technical staff, distributed
- Data-driven model
- We are not required to be a 'source of record' for MFI information though

MFI XBRL Implementation: The Solution

- Build extensible taxonomy for open-reporting framework
 - Follow IFRS - most common basis for local accounting standards
 - Sufficiently general to allow for extension
- Use XBRL and format-agnostic system
 - License off-the-shelf products (for SEC filers primarily)
 - But mask XBRL from users
- Provide more value by reflecting MFI data better
 - Still an absence of reliable reporting from anyone
 - We can fill this role

MIX: Data-driven model

- Cannot use forms-driven model
 - No ability to enforce reporting
 - Data is too diverse (forms would ask for too much information in some areas, lose too much in others)
- Specific data needs of microfinance sector
 - Non-financial data
 - Heavy reliance on dimensions
 - Need for managing extensions
 - Ex. Portfolio at risk

MIX Taxonomy: Extending IFRS 2009

| [020000] Statement - Balance sheet (USD \$) | Dec. 31, 2003 |
|---|--------------------|
| Assets [Calculation] | |
| Property, plant and equipment | \$92,185 |
| Loans and receivables [Calculation] | |
| Net loan portfolio | 1,200,902 |
| Trade and other receivables | 166,092 |
| Cash and cash equivalents | 95,390 |
| Total assets | <u>1,554,569</u> |
| Liabilities [Calculation] | |
| Total trade and other payables | <u>117,656</u> |
| Deferred revenue | 111,993 |
| Deposits | 62,426 |
| Borrowings | 877,641 |
| Total liabilities | <u>1,169,716</u> |
| Equity [Calculation] | |
| Issued capital | 257,850 |
| Retained earnings | 114,138 |
| Other reserves | 2,110 |
| Donated equity | 10,755 |
| Total equity | <u>384,853</u> |
| Total equity and liabilities | <u>\$1,554,569</u> |

MIX Taxonomy: Extending IFRS 2009

| [030000] Statement - Income statement (USD \$) | |
|--|--|
| | 12 Months Ended Dec. 31, 2003 |
| Revenue [Calculation] | |
| Revenue from interest | \$398,526 |
| Interest expense | 12,684 |
| Non-operating income [Calculation] | |
| Net non-operating income | (38,587) |
| Donations [Calculation] | |
| Total donations | <u>38,588</u> |
| Other income from operations | 63,678 |
| Expense by nature [Calculation] | |
| Employee benefits expense | 219,360 |
| Depreciation and amortisation expense | 28,138 |
| Impairment loss (reversal of impairment loss) recognised in profit or loss, gross loan portfolio | 44,676 |
| Administrative expense | 109,359 |
| Income tax expense, continuing operations | 9,598 |
| Net profit (loss) | \$38,390 |

MIX Taxonomy: Extensive use of dimensions

| Dimensions to Statements / Notes | Balance sheet | Note - Products and clients | Note - Loan portfolio, net | Note - Movements in Impairment Loss Allowance | Income statement | Note - Interest income (expense) | Note - Fee income (expense) | Note - Administrative expense |
|----------------------------------|---------------|-----------------------------|----------------------------|---|------------------|----------------------------------|-----------------------------|-------------------------------|
| Products (Credit) | | x | x | x | x | x | x | |
| Products (Deposits) | | x | | | x | x | x | |
| Operating Segments | x | x | x | x | x | x | x | |
| Maturity | x | x | x | x | | x | | |
| Relationship | x | x | x | x | | x | | |
| Guarantee | x | x | x | x | | x | | |
| In-kind Subsidy | | | | | x | | | x |
| Currency | x | x | x | x | | x | | |
| Economic Sectors | | x | x | x | | x | | |
| Lending Methodology | | x | x | x | | x | | |
| Geography | | x | x | x | | x | | |
| Gender | | x | x | x | | x | | |
| Risk | | x | | | | | | |
| Delinquency | | x | | | | | | |
| Location | | x | x | x | | x | | |
| Residency | x | x | x | x | | x | | |

MIX Taxonomy: Sample dimensions

| |
|---|
| Extended Link ([090060] Dimension - Products (Deposits)) |
| <i>Products (Deposits) [Dimension]</i> |
| Products (Deposits) [Domain] |
| <i>Deposits from corporations [Member]</i> |
| <i>Deposits from financial institutions [Member]</i> |
| <i>Deposits from governments [Member]</i> |
| Retail Deposits [Member] |
| Voluntary deposits [Member] |
| <i>Demand deposits [Member]</i> |
| <i>Time deposits [Member]</i> |
| <i>Compulsory deposits [Member]</i> |

| |
|---|
| Extended Link ([090300] Dimension - Lending methodology) |
| <i>Methodology [Dimension]</i> |
| Methodology [Domain] |
| <i>Individual [Member]</i> |
| <i>Solidarity group [Member]</i> |
| <i>Village banking / SHG [Member]</i> |

MIX Taxonomy: Lending disclosures

(b) Geographic distribution

| | 2006 | 2005 |
|--|-------------------|-------------------|
| Peje | 2,843,729 | 2,204,021 |
| Prizren | 2,468,733 | 1,890,918 |
| Gjakove | 2,170,138 | 1,758,233 |
| Prishtina | 1,840,912 | 1,340,906 |
| Mitrovice | 1,445,008 | 1,099,092 |
| Istog | 1,271,086 | 943,528 |
| Suhareka | 1,007,327 | 826,970 |
| Gjilan | 846,669 | 626,492 |
| Ferizaj | 777,574 | 362,978 |
| | 14,671,176 | 11,053,138 |
| Staff loans | 137,225 | 115,754 |
| Total loans and advances to customers | 14,808,401 | 11,168,892 |

(c) Loan product analysis

| | 2006 | 2005 |
|--|-------------------|-------------------|
| Individual loans | 10,510,140 | 8,302,943 |
| Consumer loans | 1,629,991 | 1,245,177 |
| Group loans | 479,626 | 885,310 |
| Agricultural loans | 1,850,118 | 433,330 |
| Village banking | 179,537 | 255,391 |
| Livestock loans | 158,989 | 46,741 |
| Total loans and advances to customers | 14,808,401 | 11,168,892 |

AFK
(Kosovo)

MIX Taxonomy: Deposit disclosures

| | | 2006 | |
|-----|-------------------------|--------------|-------------------|
| | | Number | TJS |
| 10. | DEPOSITS FROM CUSTOMERS | of accounts | c |
| | Demand liabilities | | |
| | Current deposits | 341 | 11,584,088 |
| | Time liabilities | | |
| | Term deposits | 76 | 4,541,966 |
| | Saving deposits | 4,589 | 1,171,008 |
| | | <u>5,006</u> | <u>17,297,062</u> |

| | | 2006 | |
|------|--------------------------|--------------|-------------------|
| | | Number | TJS |
| 10.1 | Particulars of ownership | of customers | c |
| | Individual depositors | 4,624 | 1,999,516 |
| | Institutions | 70 | 683,246 |
| | Companies | 282 | 14,614,300 |
| | Total | <u>4,976</u> | <u>17,297,062</u> |

First Microfinance Bank (Tajikistan)

MIX Taxonomy: Deposit disclosures

11. Due to banks

Due to other banks as at 31 December 2006 is composed as follows:

| | Lek '000 equivalent | Maturity | Rate of Interest (p.a.) |
|--------------------|------------------------|----------|----------------------------|
| In EUR (2,100,000) | 260,085 | 3 months | 3.423% |
| Accrued interest | 443 | | |
| Total | 260,528 | | |

12. Due to customers

Customer accounts for enterprises, private entrepreneurs and individuals consisted of the following:

| | 31 Dec 2006 | 31 Dec 2005 |
|-------------------------------|-------------------|-------------------|
| Current accounts | | |
| Foreign currency | 2,089,392 | 2,106,981 |
| Local currency | 2,304,737 | 1,549,580 |
| Savings accounts | | |
| Foreign currency | 423,741 | 540,037 |
| Local currency | 511,577 | 460,155 |
| Term deposits | | |
| Foreign currency | 5,948,171 | 4,855,844 |
| Local currency | 11,777,400 | 9,401,288 |
| Other customer account | | |
| Foreign currency | 444,381 | 489,070 |
| Accrued interest | 273,250 | 189,234 |
| | 23,772,649 | 19,592,189 |

ProCredit Bank (Albania)

MIX Taxonomy: Deposit disclosures

8. Compulsory and voluntary savings liabilities

| | 2007 VND'000 | 2006 VND'000 |
|-----------------------------|-----------------|-----------------|
| Compulsory savings | 61,918,165 | 45,406,681 |
| Voluntary and other savings | 9,171,309 | 10,310,046 |
| | <hr/> | <hr/> |
| | 71,089,474 | 55,716,727 |

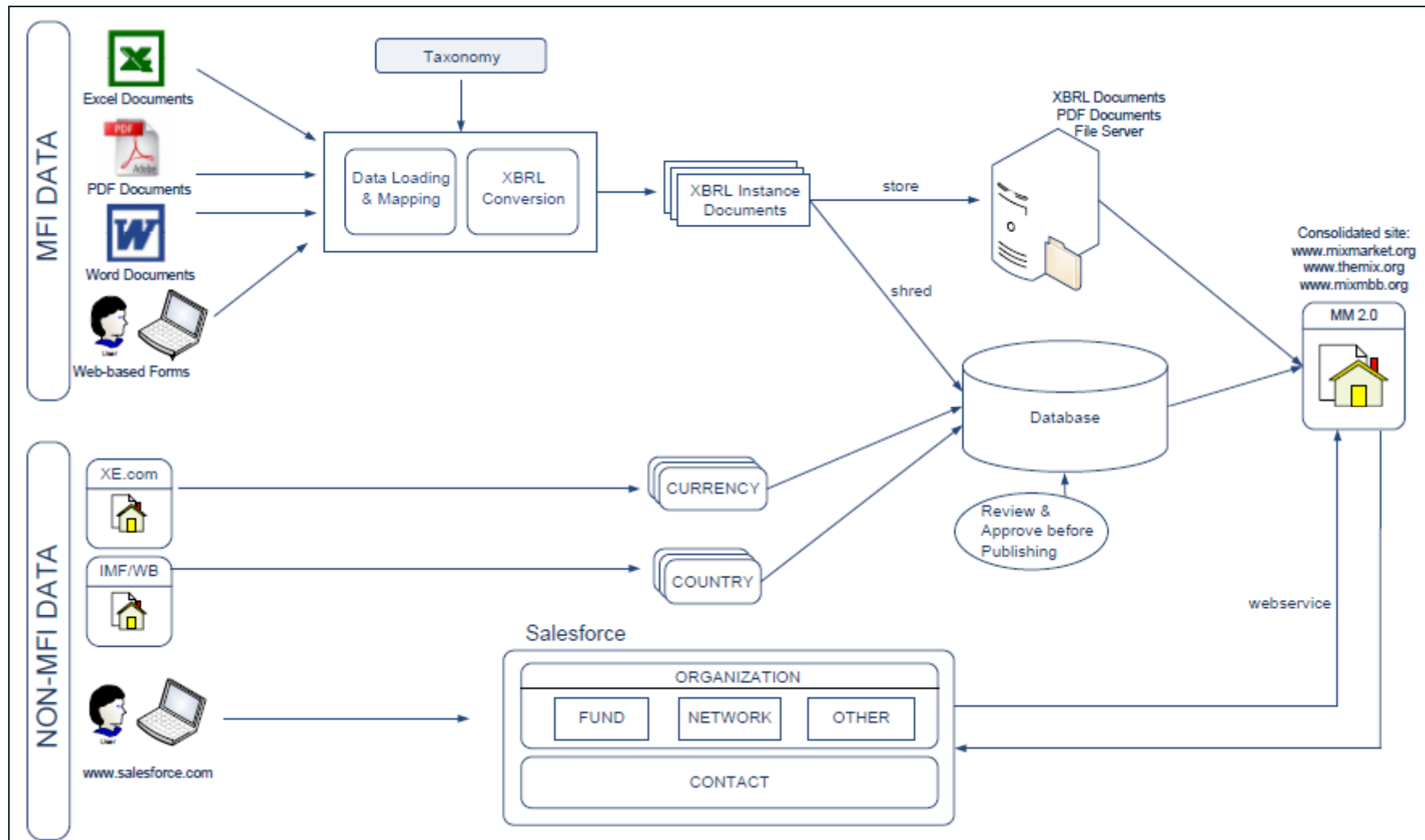
Compulsory and voluntary savings by types of borrowers:

| | 2007 VND'000 | 2006 VND'000 |
|---------------|-----------------|-----------------|
| Workers | 14,222,556 | 11,369,882 |
| Labour | 50,243,588 | 39,394,094 |
| Petty traders | 6,438,620 | 4,900,751 |
| Others | 184,710 | 52,000 |
| | <hr/> | <hr/> |
| | 71,089,474 | 55,716,727 |

MIX: Architecture for current solution

- Data loading and mapping – IFRS based public taxonomy
 - Need to separate between IFRS-compliant statements and just matching accounts
- XBRL conversion – create XBRL documents
- Store documents on file server
- Shred documents into relational DB
 - Automated processing
- Data processing for calculation and presentation
 - Handled within mySQL DB
- Data publication
 - Dissemination through MIX Market website

MIX: Current Implementation



MIX: Benefits of this approach

- Main benefit of XBRL (now) is enabling more flexible and scalable data capture
 - We are able to achieve this in the current framework
- Modular infrastructure allows growth over time as XBRL product landscape diversifies
- XBRL mostly masked from everyone (no one sees an XBRL document)

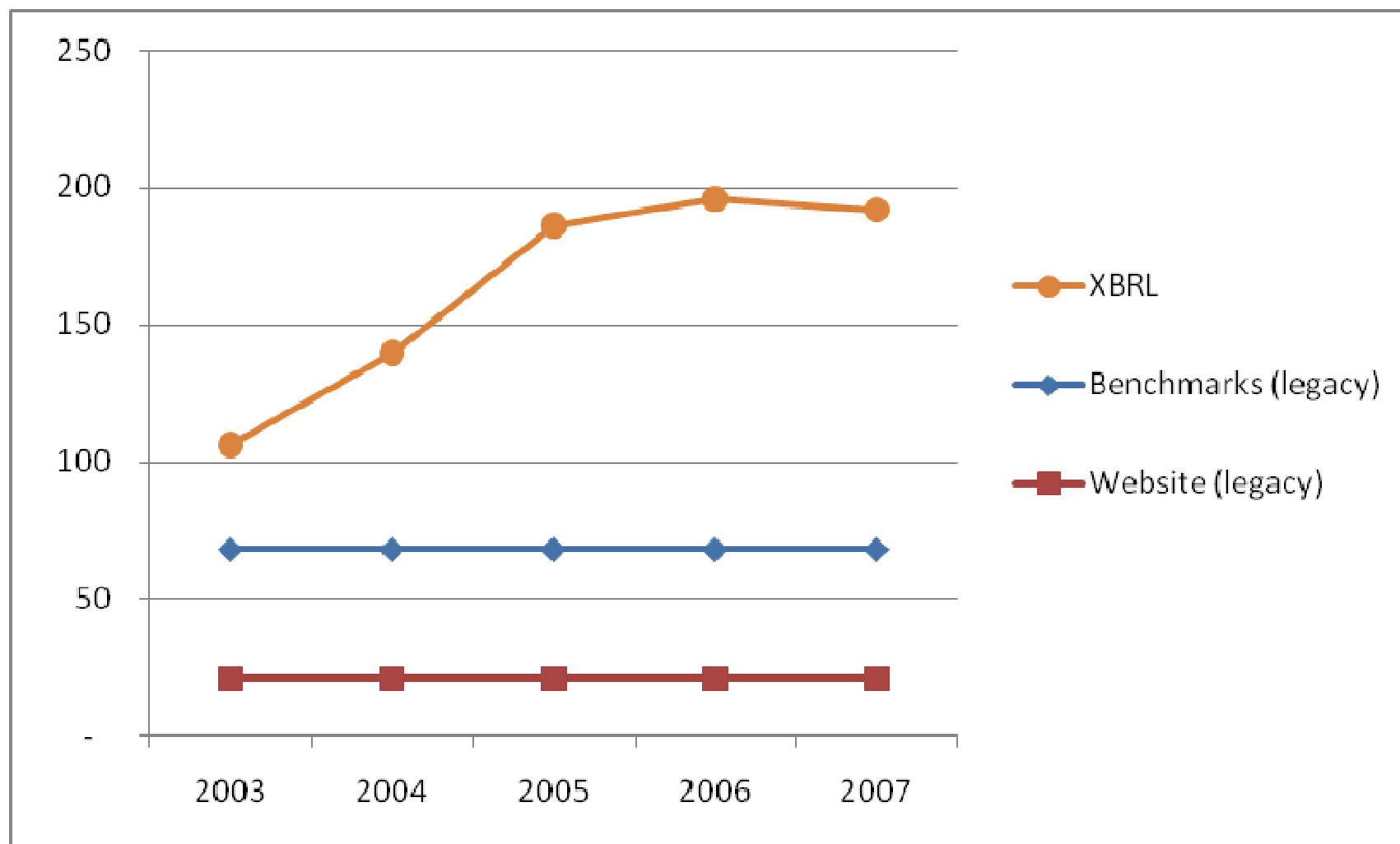
MIX: What's missing?

- No one sees XBRL content – why use XBRL at all?
 - Instance documents not distributed to public (yet)
- Modular infrastructure means no end-to-end processing
- Heavy post-processing for calculation and aggregation to support analysis
 - Side-by-side comparison does not suffice
- Limited use of XBRL presentation
 - But working to change this

MIX: Goals for this year

- Targets for 2009
 - 1000+ institutions presented with XBRL content
 - Unified data process leads to improved turnaround time
 - Taxonomy publicly available (sent to TRTF this week!)
 - Greatly expanded set of concepts available for publication
- Review main lessons learned from both initial and expanded implementation
 - Team discussion board for staff
 - Taxonomy review within microfinance sector
- How XBRL has helped MIX improve our business
 - Building store of knowledge for translation of variety of financial statements
 - Providing a service to our audience

MIX: Real benefits to open reporting



* Average data points per year per MFI; Cambodia – 2003 – 2007

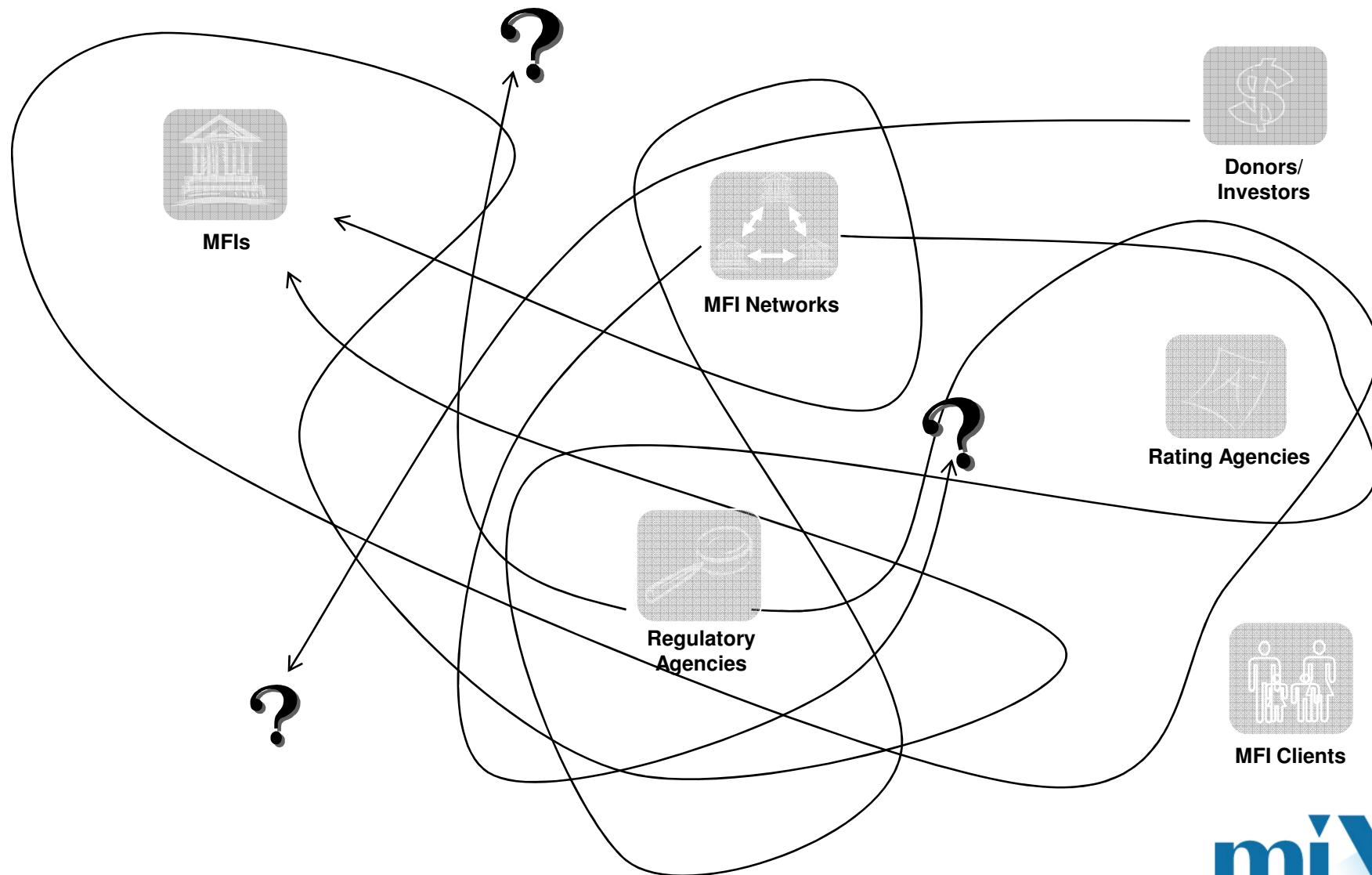
MIX: Challenges for this year

- Extensibility and comparability of taxonomy
 - Ability to compare MIX extensions
 - Ability to compare to other IFRS extensions
- Communication to microfinance sector
- Too much information
- Data processing too technical for our constituents
 - Ex. zeros vs. NULLs – XBRL tools in Excel world
- Technology gaps
 - Collaboration
 - Versioning – what about IFRS 2010?

MIX: Building on our current usage

- Managed open-reporting framework
 - Too diverse (data) and too small (organization) to allow completely open reporting
 - But worthwhile to incorporate some flexibility and to follow local standards when possible
- Working with regulators, networks, other data providers for wider adoption
- Again, no need to serve as ‘source of record’

How far have we come?



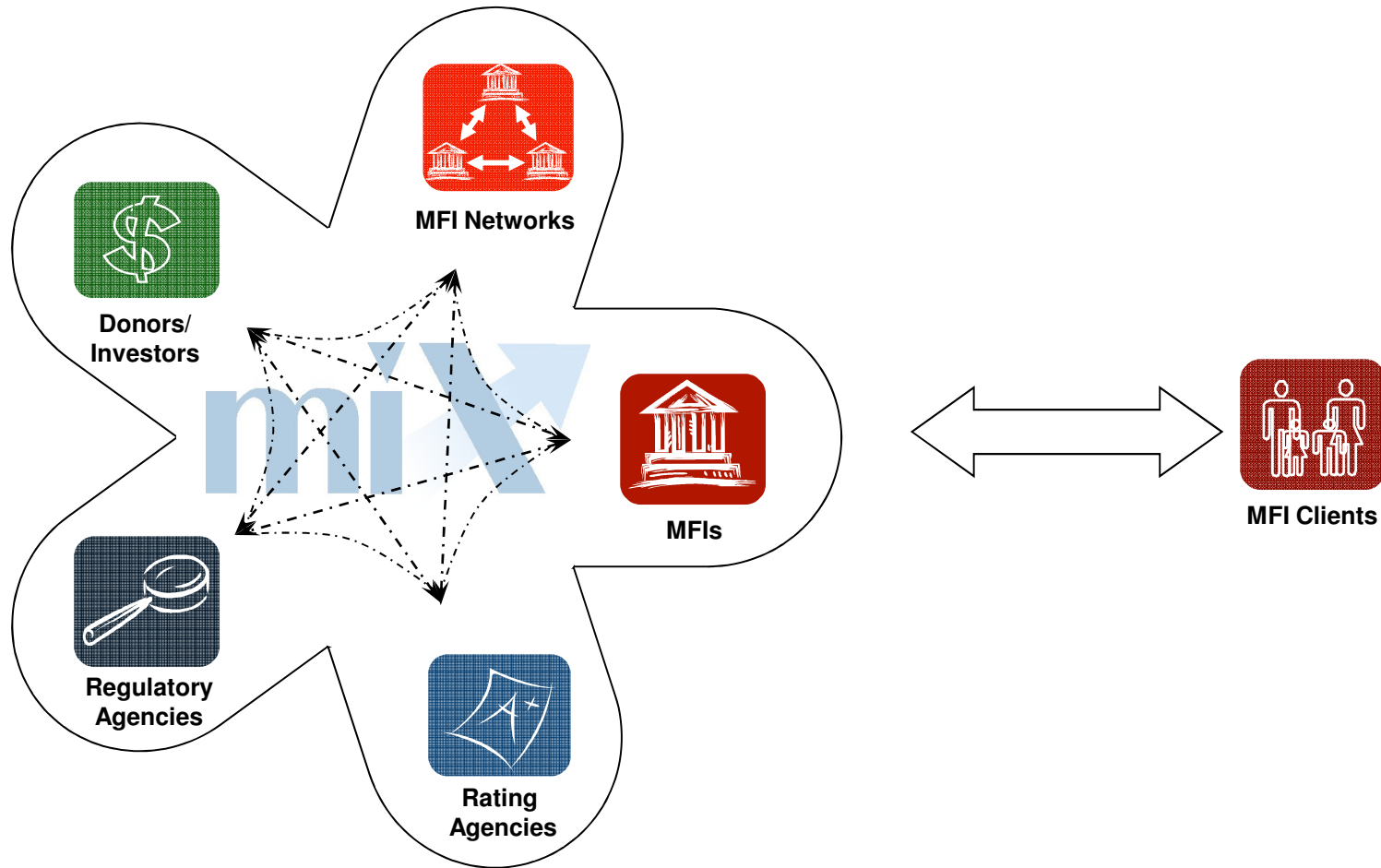
MIX: How XBRL can benefit microfinance

- MIX can use XBRL to link MFIs to regulators
 - Taxonomy publicly available, easy to create country extensions; based on IFRS to encourage standards
- Links MFIs to investors
 - Reduce reporting burden – single dissemination point for data and monitoring (populate canned investor reports based on XBRL)
- MIX can use XBRL to link MFIs to networks and associations
 - Faster, better data to support more detailed local analysis
- MIX can use XBRL to link to technology providers
 - MFI financial reporting systems that create XBRL content on the horizon
- MIX can use XBRL to link MFIs to borrowers
 - Other initiatives – work to promote transparency on APR – can be easily incorporated into this broader reporting framework

Improved data exchange

- Faster time-to-market for data
 - Tools to make data collection easier, more efficient
- Framework for industry reporting standards
 - Taxonomy based on IFRS
- Financial sector integration
 - Allow regulators means for local extensions and data exchange – bring MFIs into the fold
- Reduce reporting burden
 - Facilitate donor / investor / regulatory reporting

One step closer to seamless data flow



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