

Tamweelcom, Jordan

Tamweelcom, formerly Jordan Micro Credit Company (JMCC), was created in 1999 by Noor Al-Hussein Foundation (NHF) and received 1.7 M USD of start-up funding from the USAID-funded AMIR program. It is registered with the Ministry of Trade and Industry as a non-profit Limited Liability Company (LLC). Tamweelcom offers both individual and groups loans through a network of 15 branches and sub-branches spread in urban and semi-rural areas throughout Jordan. As of April 2009, it served 39,339 clients and had an outstanding loan portfolio of 9.5 M JOD (13.3 M USD).

GIRAFE Rating

Rating

A

Outlook

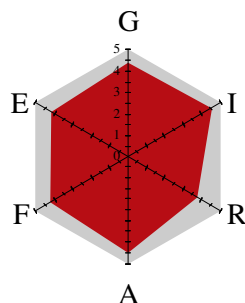
Stable

Date of the rating

June 2009

Valid until May 2010

Rating per evaluation area



Governance – Information – Risk –
Activities – Funding – Efficiency

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Rating highlights

- Tamweelcom shows a consistently solid profitability with an ROA and ROE respectively standing at 9.1% and 26.1% as of December 2008.
- This strong financial performance is underpinned by a high portfolio yield (30% on average), moderate operating expenses (18-20%), and historically low credit risk levels (PAR>30=0.5% and write-off ratio=0.2% as of April 2009).
- Thanks to a good management team, efficient decision making process, and ambitious strategy, Tamweelcom strengthened its market position on the Jordanian market to rank number one in terms of number of clients as of December 2008.
- Following the retained earnings capitalization, leverage stands low at 1.86x and leaves room for more debt, channeled through a well-diversified albeit increasingly expensive funding structure (expenses up from 0.7% in 2004 to 6.4% in 2008).
- Main challenges ahead comprise finalizing the Internal Audit department set-up, bringing in new technical skills at Board's level, maintaining strong portfolio growth and low credit risk level in a highly competitive market, while further optimizing the profitability structure, especially in case growth targets are not met.

Outlook

The grade is assigned with a "Stable" outlook based on the expectation that Tamweelcom will sustain a good profitability level, despite portfolio growth slowing down due to high competition, economic slowdown and stricter loan conditions applied to maintain low credit risk levels.

Performance indicators

USD	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Apr. 2009
Assets	5,659,263	6,477,397	8,987,685	13,296,548	16,997,786	17,114,560
Loan portfolio	3,495,415	4,860,989	8,094,927	11,532,964	14,537,114	13,298,306
Active borrowers	8,352	10,665	17,729	31,412	39,352	39,339
Average outs. loan / client	419	456	457	367	369	338
Staff	63	78	98	120	156	175
ROE	10.1%	10.3%	12.2%	16.4%	26.1%	26.0%
ROA (without donations)	29.4%	6.9%	5.9%	6.3%	9.1%	9.5%
Liabilities / Equity	0.87x	0.88x	1.31x	1.89x	1.86x	1.63x
Portfolio yield	28.6%	30.4%	29.7%	30.1%	35.4%	38.1%
Operating expense ratio	20.8%	22.3%	19.0%	18.2%	18.3%	20.7%
Funding expense ratio	0.7%	1.0%	2.1%	4.7%	6.4%	6.0%
Loan loss prov. exp. ratio	(0.1%)	(0.1%)	1.3%	0.2%	0.7%	(0.0%)
PAR 31-365	0.2%	0.1%	0.0%	0.2%	0.4%	0.5%
PAR > 365	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Write-off ratio	0.7%	0.2%	0.1%	0.0%	0.2%	0.2%

REF: NC / 160809

Microfinance sector

Microfinance in Jordan started in the mid-to-late 1990s, and is characterized by the presence of both market-oriented and subsidized credit providers. Through the AMIR program, USAID has played a leading role in supporting a sustainable microfinance environment: AMIR program has provided funding, technical assistance, and advocacy, and has engaged in broader economic development activities as well¹. The approved budget for the program over the years exceeded 70 M USD, with over 10 M USD specifically allocated to micro-entrepreneur support². USAID has launched a new program called Sustainable Achievement of Business Expansion and Quality (SABEQ), but its microfinance component directly targets micro-enterprises. Other bilateral and multilateral organizations have been active in the sector, including IFAD (International Fund for Agriculture Development) that has also provided funding for NGOs and government providers for agricultural loans.

The total potential market for microfinance services in Jordan was estimated at around 150,000 micro-enterprise clients³ before the Iraqi war: since then, immigrants' influx could have raised the number of potential clients up to 250,000. When counting in either small enterprises and private businesses, or other loans (education, housing, etc.), this figure could go up to 5-600,000⁴. The market coverage thus ranges from a low estimate of 30% to a high estimate of 60%, in both cases one of the highest in the MENA region.

MFI As of Dec. 2008	Portfolio in USD	%	Active loans	%
DEF	50,138,776	39.0%	17,515	12.2%
MEMCO	15,922,428	12.4%	11,552	8.1%
Al Watani	15,311,580	11.9%	20,900	14.6%
MFW	15,405,639	12.0%	34,349	24.0%
Tamweelcom	14,537,114	11.3%	39,352	27.5%
AMC	4,647,175	3.6%	2,946	2.1%
UNRWA	2,925,440	2.3%	3,562	2.5%
FINCA	2,394,709	1.9%	9,062	6.3%
Others	7,139,890	5.6%	4,103	2.9%
Total	128,422,751	100%	143,341	100%

Source: MiX; CGAP; MEMCO and UNRWA as of Sept. 2008.

As of December 2008, the four MFIs⁵ funded by the USAID/AMIR program were serving 90,794 clients for an outstanding portfolio of 50 M JOD (71 M USD). The National Microfinance Bank (NMB or Al Watani), a government initiative funded by AGFUND⁶ and also known as the "Bank for the Poor", was launched in March 2006. It

¹ The initial program, started in 1998 and renewed in 2002 and 2004, ended in 2006.

² 2005 figures.

³ 2002 AMIR estimates.

⁴ Source: MFIs own studies; "Access to Finance" March 2009, CGAP.

⁵ Tamweelcom, MFW (WWB affiliate), MEMCO (CHF affiliate), AMC.

⁶ Arab Gulf program For United Nations Development Organizations.

offers loans ranging from 200 JD (300 USD) to 15,000 JD (21,000 USD) and had plans to reach 50,000 clients by 2010. Other sustainability-oriented loan providers include FINCA, the latest and fastest growing entrant on the market, the United Nations Relief and Works Agency (UNRWA), which solely works with Palestinian refugees, and the private banking sector, which has been making consumer loans increasingly accessible to those with a salary⁷.

Funded by the Jordanian government, KfW and the EU, the Development and Employment Fund (DEF) was created in 1991, with the aim of providing microfinance for poverty alleviation: it currently provides loans at substantially lower rates than other MFIs. To avoid market distortion⁸, the 2005 National Strategy for Microfinance⁹ recommended all governmental retail programs be shut down: in accordance, and despite its good performance, DEF was to start acting as a wholesale provider; yet, it didn't stop direct lending but focused on loans over 2,000 JOD (2,807 USD).

Subsidized providers include the National Assistance Fund (NAF), a governmental program aimed at unemployed poor, and the Industrial Development Bank (IDB), a private bank in operation for several decades authorized under special laws with a mixed public/private sector Board. Funding for agriculture is served by government organizations such as the Agricultural Credit Corporation. A myriad of other smaller government and quasi-government players also exist. Little information is available regarding these institutions¹⁰.

The lack of a Credit Bureau, which has been waiting for official authorization since 2003, has been recently compensated by the creation of an information sharing platform hosted by Delta Informatics, which has provided the loan-tracking system for most MFIs. As a positive result, cross-indebtedness decreased from an allegedly high level of 30%-40%¹¹ down to 13%.

Legal and regulatory environment

Although publicly microfinance is a concept that receives government support, Jordan's regulatory environment does not explicitly recognize the industry and, as per law, any legal entity may provide loans. Oversight of the industry, as well as registration of MFIs as non-profit Limited Liability

⁷ Cairo-Amman bank also launched its microfinance program, but has had little impact on the market so far.

⁸ DEF has not received any external funding since 2004 and claims it does not subsidize loans.

⁹ Drafted by MOPIC (Ministry of Planning and International Cooperation) with CGAP's technical assistance, it states that all government agencies will "withdraw from microfinance lending activities".

¹⁰ 2001 total portfolio estimated at 64 M JOD (46 M USD), but probably including many loans never written off; cf. "Microfinance/Microenterprise Assessment" April 2001, Graham Perrett.

¹¹ Practitioners estimation in 2007.

companies (LLC), has so far been the responsibility of the Ministry of Trade and Industry (MTI). MTI collects quarterly information, but does not publish them, nor does it actually conduct supervisory visits. All MFIs also report to the Ministry of Planning and International Cooperation (MOPIC), which plays an important role in supporting the industry. When initially passed, the authorizing law for NMB also provided numerous tax exemptions, since then extended to all MFIs.

This lack of formal recognition leads to policy constraints within which local MFIs must operate, notably the inability to collect savings. Microfinance stakeholders are working to address these issues, but the National Microfinance Strategy did not result in any concrete measures to provide a better legal environment for MFIs. On the contrary, the institutional set-up of private MFIs is presently endangered by the latest law on associations, which requires non-profit companies to change their name to “association” and start reporting to the Ministry of Social Affairs (MSA) by year-end. Lobbying is being carried out to have the industry benefit from a special “closed status” where MFIs would be kept under the MTI while reporting to both MTI and MSA. At the time of the rating, reporting to MOPIC was still ongoing.

Political & economic environment

Gradual growth slowdown

Discontinuation of subsidies on oil products and the rise of world prices for raw materials and staple foodstuffs compounded by inflation imported via depreciation of the dollar-pegged dinar generated strong inflation in 2008. Surging prices affected private consumption despite the steady flow of emigrant worker remittances. Slowdowns gripped the financial, insurance, and property sectors. In the manufacturing sector, clothing suffered from weakening United States demand. Tourism nonetheless remained buoyant. Investment – relatively stable – continued to drive economic growth.

An appreciable drop in raw-material and staple-foodstuff prices since the 2008 fourth quarter will likely improve household purchasing power and spur private consumption in 2009. But a drop in emigrant worker remittances, affected by the economic slowdown in Gulf countries, could limit the resulting consumption growth. Ongoing work on investment programs in progress – industrial, property, and infrastructure projects financed mainly by foreign direct investment – will likely continue to underpin the economy. The credit crunch abroad and the crisis of investor confidence could impede inflows of new foreign direct investment, particularly in the property sector. In a context of world economic crisis, tourism could also suffer and

exports continue to decline. Easing tensions in Iraq could, however, generate increased import and re-export business through Jordan. Overall, a moderate slowdown is expected in 2009 and the economy could grow at a respectable clip. Jordanian banks, which focus mainly on the domestic market, have no direct exposure to the world financial crisis. But they are vulnerable to an economic slowdown, domestic and regional stock market volatility, and a possible property market downturn.

Dependence on increasingly scarce foreign capital

The country suffers from severe imbalances in public sector and external accounts, exacerbated in 2008 by the cost of oil. In 2009, a drop in inflation is expected to facilitate reducing social spending and holding the public sector deficit to about 8.5% of GDP excluding donations. Early repayment of Paris Club rescheduled debt has significantly reduced the level of albeit still high government debt. The current account deficit moreover will likely remain near its level of 2008. The weakening of imports – attributable to the price decline for raw-materials and staple foodstuffs as well as to the GDP growth slowdown – will likely offset the deceleration of exports, tourism earnings and private transfers. A shortage of foreign capital to finance the deficit could put pressure on liquidity in the country.

Although exposed to regional instability, the Hashemite Kingdom benefits from political and financial support from friendly countries. Its political stability is not expected to be in jeopardy.

Strengths

- The customs-free areas and the free-trade agreement with the United States and the countries of the Arab League as well as with the Association Agreement with the European Union have spurred exports and attracted investors.
- Reforms carried out by the government to improve the business environment have benefited companies.
- Tourism and expatriate-worker remittances have been major sources of foreign exchange earnings.
- Jordan enjoys political and financial support from the international community, which has, however, reduced the flow of aid.
- World Bank governance indices rank the country at the highest level within the region.

Weaknesses

- Despite reforms undertaken to consolidate government finances, the public sector deficit and debt constitute a major source of vulnerability for the economy, which remains dependent on foreign aid.

- A heavy dependence on imports has resulted in a profound current account imbalance that exposes the economy to a crisis of investor confidence.
- The high proportion of short-term capital in Jordan's foreign debt constitutes a source of financial vulnerability.
- With its geographic position, the kingdom's political environment and economy are exposed to regional instability.

COFACE Country Rating: B – Political and economic uncertainties and an occasionally difficult business environment can affect corporate payment behaviour. Corporate default probability is appreciable.

Business Climate Rating: A4 – The business environment is acceptable. Corporate financial information is sometimes neither readily available nor sufficiently reliable. Debt collection is not always efficient and the institutional framework has shortcomings. Intercompany transactions may thus run into appreciable difficulties in the acceptable but occasionally unstable environments rated A4.

USD billions	2006	2007	2008(e)	2009(f)
Economic growth (%)	6.3	6.0	5.4	4.4
Inflation (%)	6.3	5.3	15.8	7.6
Public sector balance (%GDP) (*)	-7.5	-8.5	-9.7	-8.4
Exports	5.2	5.7	6.6	7.1
Imports	10.3	12.0	15.7	16.0
Trade balance	-5.1	-6.3	-9.1	-8.9
Current account balance (%GDP)	-17.1	-19.9	-24.5	-20.3
Foreign debt (%GDP)	99.3	94.5	73.1	72.7
Debt service (%G&S exports)	7.7	6.9	4.1	3.7
Foreign currency reserves (in months of imports)	5.9	5.6	4.3	4.1

Source: COFACE's Country Risk Rating Guidebook, 2009. (*) excluding donations (e) estimates (f) forecasts. [Disclosure Statement](#): Data is provided with authorization from COFACE – a shareholder of Planet Rating.

Institutional presentation

Legal form, supervision and audit

Tamweelcom was registered with the Ministry of Trade and Industry as a non-profit Limited Liability Company (LLC) in 1999. As such, Tamweelcom is governed by the Company Law and historically reported to both the MIT and MOPIC. Once the new law on non-profit companies is finalized, Tamweelcom is expected to report to the Ministry of Social Affairs instead of MOPIC.

Tamweelcom's financial year starts on January 1st and ends on December 31st. From 2002 to 2007, its accounts were audited by "Hawit, Fasheh & Co", Jordanian certified public

accountants. In 2008, they were audited by "Talal Abu-Ghazaleh"¹². The financial statements have always been certified without reserve. Tamweelcom won the CGAP Transparency Award based on its 2006 statements and was ranked 8th in the 2008 MIX Global 100 Composite.

Ownership

Tamweelcom is fully owned by the Noor Al-Hussein Foundation (NHF), who holds 100% of the shares and appoints the Board of Directors (BOD). As per law, it is not allowed to distribute dividends to its shareholders. In order to maintain a low leverage, the paid-in capital was raised from 30 K JOD (42 K USD) to 2.5 M JOD in 2007 (3.5 M USD) then to 3.0 M JOD (4.2 M USD) in 2008, both by capitalizing part of the retained earnings.

Tamweelcom is governed by a BOD composed of seven members with diverse professional backgrounds including representatives from the finance and business communities, a former Minister of Justice, and a microfinance specialist. The BOD composition has been stable over the years, with six of its seven members in place since 2003 or before. Chairman of the Board since 2003, H.H. Sharif Shaker Bin Ziad is an experienced Jordanian businessman. Since October 2008, the BOD comprises an Internal Audit and an Executive sub-committee. The latter is the only one already active and is in charge of making recommendations to facilitate BOD's decisions.

Donations

Since inception, Tamweelcom has received 2.04 M JOD (2.86 M USD) in grants, essentially from the USAID-funded AMIR program. The bulk of it was donated from 1999 to 2001, with an additional 1.05 M USD granted in 2004 and initially used as a 100% cash collateral for loans with Citibank Jordan¹³. In 2007, all the donations accumulated since inception were converted into equity.

Funding composition

As of December 2008, Tamweelcom funded its activities through equity (35%) and borrowings (65%), out of which 63% are of long term. Equity is made up of a majority of capitalized donations (48%) and retained earnings (47%), atop of a compulsory statutory reserve (4%). Most of the

¹² Talal Abu Ghazaleh is a renowned firm with a presence in most countries of the Arab world. One of its executives is a board member at Tamweelcom. The firm has been appointed through a transparent call for proposal. It used to be Tamweelcom's external auditor prior to 2002.

¹³ 1.05 M USD granted in 2001 through the Wholesale Funding Facility to each of the four AMIR-funded MFIs. Tamweelcom used this facility in 2002 and 2003 to borrow commercial funds. In 2004, having reached the performance criteria set by USAID, Tamweelcom was given the right to withdraw the cash collateral and use it for direct funding

borrowings originate from local investors (90%), are denominated in JOD (90%), and bear a fixed interest rates (84%). 16% of Tamweelcom's debt is on a floating basis, linked to the Jordanian Central Bank's 3-month bonds.

Management team

The management team includes the Chief Executive Officer (CEO), Chief Operational Officer (COO), Financial Manager, as well as the heads of IT, Marketing and Human Resources (HR). Since 2008, when Tamweelcom decided to stop subcontracting its Internal Audit (IA), the IA department is under creation. At the time of the rating, the position Head of IA was vacant.

The CEO, Mr. Ziad Helmi Al-Refai, has led Tamweelcom since January 2006. From 2001 to 2006, he was the Finance & Administration Manager of MFW, one of Tamweelcom's main competitors. Mr. Al-Refai has participated in numerous microfinance trainings, holds an MBA in Microfinance from Bergamo University of Italy and a BA in accounting from the University of Jordan where he has also taken courses towards an MBA in Financial Management.

Organization

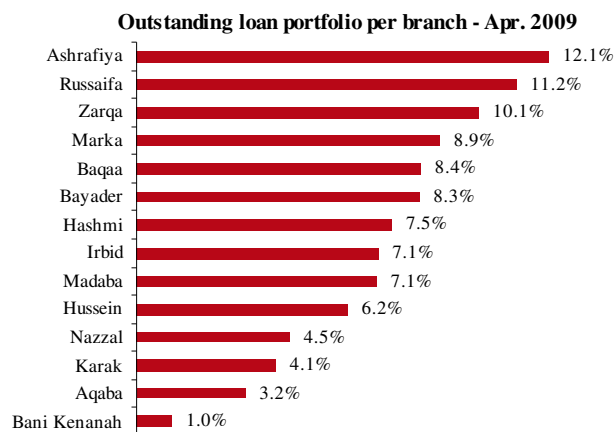
The Amman headquarters (HQ) centralize all management and administrative staff (general and regional management, accounting and finance, tellers head, data entry). Other operations are decentralized in the 15 branches and sub-branches. Each branch comprises a Branch Manager (BM), Administrative Assistants, Senior Loan Officers (SLO), Loan Officers (LO), and tellers and Group Coordinators / BMs' assistants in the largest branches. The loan application is prepared by LOs, verified by BMs, reviewed by the Administrative Assistants, then sent to HQ for final validation by the Regional Manager (RM). Large loans require the COO or the CEO's approval. Loans are disbursed by checks written at HQ and cashed at the bank. They may be reimbursed at the client's convenience either at local banks or, since December 2008, directly at the branches. Tamweelcom introduced tellers in 11 of them and cashiers are expected to be in place in all the branches by the end of 2010.

Tamweelcom relies on the integrated Oracle-based Delta system for accounting and loan tracking. Delta has been developed by a Jordanian company, Delta Informatics: it is in place at the main Jordanian MFIs, as well as abroad in the MENA region. Portfolio information for all loans (approved and rejected) is processed at HQ by dedicated data entry personnel. LOs and BMs may access the information but cannot modify it. Cash operations are recorded instantly in the MIS by the tellers at the branch level. The bank information is automatically shared with the central MIS.

Accounting is centralized at the HQ. The HQ and branches are connected to the central database, located at HQ. Over the past few years, Tamweelcom has purchased additional systems to meet its specific needs (e.g. GCE for non-financial services, MenaITech for HR).

Market penetration

Tamweelcom operates through a network of 15 branches and sub-branches serving urban and semi-rural areas in greater Amman and its adjacent governorates (Zarqa, Irbid, Madaba, etc.), where competition is high. Since 2005, the network has been extended with openings in the Southern and Northern parts of Jordan (Aqaba, Kerak, Bani Kenana). The branches now cover the most important economic cities, with expansion to rural areas planned over the coming years.



Products and services

Tamweelcom currently offers 6 main loan products targeting both individuals and groups. All have monthly repayments. Disbursement fees range from 0.5 JOD (0.7 USD) for group loans to 1 JOD (1.4 USD) per tranche of 1,000 JOD disbursed for the other loans. Penalties are of 5 JOD (7 USD) per day for Home Group and Amal loans and of 10% of the monthly installment per day for the other loans.

- Home Group loans historically accounted for 50% of the portfolio and are exclusively offered to groups of 2 to 7 women who receive equal shares of the loan and make equal repayments. The loan size ranges from 200 to 600 JOD (281 to 842 USD) with an average size of 315 JOD (442 USD). The loan term varies from 13 to 15 months with an average term of 14 months. The annual nominal interest rate stands at 23% on a flat basis, yielding an average effective interest rate (EIR) of around 40%.
- Amal loans account for 30% of the April 2009 portfolio and are designed for both male and female micro-entrepreneurs developing home-based projects and small unlicensed projects. The loan size ranges from 200 to 1,200 JOD (281 to 1,684 USD) with an average size of

484 JOD (679 USD). The loan term varies from 10 to 20 months with an average term of 15 months. The annual nominal interest rate stands at 19% on a flat basis, yielding an EIR ranging from 32% to 42% with a 36% average.

- Taqadom loans were launched in April 2008, following the split of the existing Pioneer loan into two products. Taqadom loans represent 14% of the April 2009 portfolio and are designed for both male and female holders of licensed micro-businesses. The loan size ranges from 1,200 to 5,000 JOD (1,684 to 7,019 USD) with an average size of 2,500 JOD (3,509 USD). The loan term varies from 4 to 24 months with an average term of 18 months. The annual nominal interest rate stands at 17% on a flat basis, yielding an EIR close to 30% on average.
- Pioneer loans are designed to both male and female holders of licensed micro-businesses who need larger amounts than the Taqadom loans. The loan size ranges from 5,000 to 25,000 JOD (7,019 to 35,093 USD) with an average size of 5,800 JOD (8,141 USD). The loan term varies from 4 to 24 months with an average term of 18 months. Grace periods may be granted for up to six months. The annual nominal interest rate stands at 15% on a flat basis, yielding an average EIR of 22%.
- Vocational loans were launched in February 2007 and are designed to both male and female graduates from the Vocational Training Corporation for existing or under establishment projects, both licensed or unlicensed. The loan size ranges from 500 to 3,000 JOD (702 to 4,211 USD) with an average size of 1,500 JOD (2,106 USD). The loan term varies from 1 to 18 months for existing projects and up to 24 months for projects under establishment with an average term of 15 months. Grace periods are granted up to five months for start-up. The annual nominal interest rate stands at 15% on a flat basis, yielding an average EIR of around 27%.
- Seasonal loans are designed to existing clients who need additional funding during specific seasons (e.g. Ramadan, holidays). The loan size ranges from 120 to 150 JOD (168 to 211 USD) with an average size of 140 JOD (197 USD). The loan term is of 6 months. The annual nominal interest rate stands at 26% on a flat basis, yielding an average EIR of around 45%.

Collateral requirements vary according to the loan product. They include a combination of promissory notes, one or two guarantors and car mortgages for Pioneer and Taqadom loans.

Loan insurance is provided free of charge for all loan products and covers any due payments in case of death or full disability of the client.

Non-Financial services

In early 2007, Tamweelcom launched its non-financial services, which are presently of two main types:

- School Educational Grants provide educational scholarships to the children of the institution's poorest clients. As of December 2008, 1,000 grants of 16.5 JOD (23 USD) each were disbursed, equivalent to 1.7% of the net income.
- Souk Ayyadi services aim at helping the clients sell their products through occasional bazaars in different locations and two permanent showrooms in Amman and Aqaba. In 2008, 335 clients displayed their products. Permanent showrooms in Amman (Mecca Mall) and Aqaba reached 120 clients, generating a net profit of 9.4 K JOD (13 K USD). Related expenses amounted to 62 K JOD (87 K USD), equivalent to 6% of the net income.

Networks

Tamweelcom is a founding member of the Union for supporting small projects financiers, established in September 2008 and replacing the former Microfinance Association of Jordan (MAJ)¹⁴. It is also a member of Sanabel (network of MFIs of the Arab world), SIFRA (network of MFIs of the Mediterranean region), and MFN (MicroFinance Network, for leading MFIs worldwide).

Governance

Governance and Decision making is rated "a"

Decision making

Tamweelcom's decision making process is clear, efficient and participative, thus ensuring decisions are taken in the institution's best interest. Decision making is well-balanced between the management team and a skilled and well-diversified BOD. Through their regular quarterly meetings, BOD members have shown a strong commitment and proven their ability to take timely corrective actions when needed, which is also made possible thanks to relevant, reliable and swiftly available monitoring information. The overall decision-making process could still be enhanced with the follow-up on previous decisions formalized within the BOD minutes instead of separately, as well as binding written policies aiming at limiting conflicts of interest.

The latter is particularly true as Tamweelcom still holds a minority stake within NMB, one of its main competitors, with whom it shares a BOD member. BOD debates on that matter have been ongoing since 2006 without any decision being actually reached. Similarly, transformation options

¹⁴ The Union presently comprises Tamweelcom, MEMCO, NMB, MFN and Amman Cairo Bank.

have been discussed but no consensus has emerged as to the desired medium to long run status. In the event of transformation, BOD is well aware of reputation risk as donations have recently been converted into equity. It is also aware that little turnover since 2003 should be balanced with fresh technical skills and/or specific trainings.

Planning

Based on an accurate analysis of both its internal situation and its environment (market, competition), Tamweelcom has defined a relevant 5-year strategy for 2009-2013. Projects needed to carry it out are well identified and broken down into detailed action plans per department (targets, estimated cost, timeframe and staff required). As the planning process is participative, including inputs from staff as well as BOD, there is a good buy-in of strategic goals at all levels. Based on its past performance, Tamweelcom has set ambitious expansion targets on the Jordanian market: by doubling the number of branches to reach 28, it aims at growing by +30% annually to reach over 100,000 clients in 2012 and a 40 M JOD portfolio in 2013, up from less than 40,000 clients and a 9.5 M JOD portfolio as of April 2009. Though this is based on a fair evaluation of the potential market, it also implies increasing the market share from its actual 27% to 40% in terms of clients, which could be realistic but might prove difficult to achieve in regard to solid competitors with presumably ambitious plans as well¹⁵. On the short run, and due to the international financial crisis, Tamweelcom already faces delays in reaching its 2009 operational and financial objectives, with its portfolio declining by -13% as of June 2009¹⁶. It nonetheless monitors its performance regularly enough to proceed to timely revisions of the plans when needed, as it has already done in 2008 when targets were exceeded. International expansion within the MENA region is also planned¹⁷ with an expected target of 20,000 active clients by 2013. Such expansion is still under study and has not been set as the main priority in order to maintain the management's focus on the Jordanian market.

Detailed short term and long term financial projections as well as yearly budgets are done on Microfin. Several scenarios were initially run, but the strategic plan only comprises the low case one. It is complemented with variance analysis on a quarterly basis, targets adjustments being only done once a year.

¹⁵ As compared to the 2007-2011 business plan, the targets have been revised downward for 2011 (87,713 clients and 32 M JOD of portfolio in the previous plan vs. 81,408 and 24 M in the present one).

¹⁶ The first quarter has historically recorded slow growth rates, but Tamweelcom's portfolio experienced its first negative growth in 2009 (-13% as of June vs. a minimum of +7% over the past 4 years). This is essentially due to the financial crisis, which led to an increased number of defaulted clients on larger loans.

¹⁷ Foreseen to underserved markets such as Sudan, Yemen, and Syria.

Management team

Tamweelcom enjoys a skilled, experienced and polyvalent management team whose members have benefited from numerous trainings in microfinance. It has been reinforced starting 2007 with new key positions such as the Marketing and the HR Managers, and the hiring of a new Finance Manager (FM). As the IA Head position is still vacant, the FM is slightly overloaded as he is also in charge of training and providing support to the Internal Auditor. However, BOD and management are aware of this issue and plan on finishing the IA department set up by year-end. Key-person risk is efficiently mitigated thanks to collective and well-organized decision making on key issues, a participatory management style, and regular meetings (weekly and monthly) documented in minutes. Moreover, capacity building at all levels has led top managers to focus on strategic issues while being backed by a growing number of middle managers. The design of a formalized and thorough information sharing plan allows an excellent communication throughout the entire institution. Coupled with a good organization of work and a proper division of tasks, with the present exception of IA and Finance, this sound management structure fosters effective team-work and cohesiveness.

Top managers demonstrate good leadership skills. Moreover, they have proven their capacity to handle growth in the past as well as to deal with the challenges posed by the current financial crisis impact in Jordan, thus clearly demonstrating their ability to execute plans and adjust operational strategies accordingly.

Human resources management

HR are professionally administered within Tamweelcom, notably thanks to a committed HR Manager, sound procedures, and new dedicated software running since early 2009. Recruitment processes are clear and allow identifying staff with appropriate skills at all levels. Through 2007 and 2008, a thorough survey was conducted to identify staff skills and link the capabilities/needs to external training modules. Since then, regular training and evaluation help to constantly improve staff skills: identified training needs are compiled in an annual plan, which in turn is integrated to the business plan with dedicated staff and budget forecasts.

Following a salary study that benchmarked Tamweelcom with its competitors and the Jordanian market, salaries have been leveled up when needed, leading to substantial increases for all staff (+13%, +23% and +14% over 2007-2009). With bonuses also favorably comparing to competition, staff morale is very high, as evidenced by the staff satisfaction surveys. Motivation is further boosted by annual retreats, staff events and excellent communication with the direct hierarchy and HR managers, as well as top managers who conduct regular visits to the branches.

As another result of such sustained HR efforts, turnover has decreased from historically high levels (over 40% until 2006) to manageable ones (13% in 2009)¹⁸. Though the PAR of departing LOs remains slightly higher, Tamweelcom shows a good management of field staff departure, with a dedicated portfolio transfer policy in place.

■ Information

Information is rated “a”

Tamweelcom’s efficient and cost effective integrated Delta system provides all the loan-related information needed for an optimal management of its activities (e.g. outstanding portfolio, non-performing clients, PAR, loans by product, etc.). The financial and accounting information is also comprehensive, up-to-date and accurate, with financial statements available on a monthly basis along with the key financial ratios. A summary performance scorecard is automatically generated at the end of each month, while profitability analysis by branch and product is done on a regular basis. The latter is presently being refined to allow an even more precise product costing, which becomes increasingly important to cope with growth and competition.

Since inception, Tamweelcom has invested in various key computational infrastructures and software to support its growth and meet its specific needs. The MIS relies on powerful servers, which capacity has been extended over the last two years and is to be further enhanced in 2010. All branches are interconnected with the HQ, making up-to-date information easily available at all levels.

Despite a high turnover within the IT department since 2006¹⁹, the new team has a good capacity to manage the systems. With the departure of its IT Head in 2008, Tamweelcom decided to sign a maintenance and development agreement with Delta Informatics, notably in order to avoid risks related to source code access. Delta provides good vendor support and swiftly deals with the requested upgrades, despite occasional minor delays. Further IT developments are well-identified and budgeted for in the strategic plan: they notably include a feasibility study to switch to an even more scaleable integrated system, capable to handle both data entry decentralization and international expansion. Tamweelcom also plans to reinforce its IT team to keep pace with its desired growth.

Data loss is limited to forty minutes thanks to good security procedures that efficiently mitigate loss and manipulation risks. Daily back-up is done on two different devices²⁰, user rights are properly defined (e.g. restricted access, personal passwords), licensed software²¹, antivirus, and firewall protection are all in place, along with an audit trail. Tamweelcom plans to increase its storage capacity and to invest in a new software to ease the back-up process. Paper data is securely stored in an organized manner: legal documents (contracts, promissory notes, etc.) are kept at HQ in a safe room protected from fire or water damage, while clients’ files are stored in the Ashrafiyah branch.

■ Risk Management

Risk Management is rated “b”

Procedures and internal controls

As highlighted in the previous rating, Tamweelcom’s solid procedures and excellent compliance culture limit its exposure to operational risks. Although the written identification of all potential risks has not been updated since 2007²², the internal control system is appropriately designed. Procedures are well-formalized for all key departments (operations, HR, Finance, IA, etc.) and broadly disseminated to staff through dedicated manuals that are regularly updated. The basics of internal controls are in place. On the one hand, separation of duties is effective, with incompatible tasks handled by different people (e.g. loan application, data entry, approval, disbursement). On the other hand, the limitation of power is also done through a well-defined tiered approval system and ongoing controls performed by administrative officers, BMs and RMs. Performance being properly monitored at all levels, under-performance is addressed whenever needed.

The decision to move to in-house reimbursement was made as the growing number of clients translated into long waiting lines at the bank, which was about to start charging transaction fees. Related cash risk nevertheless remains limited thanks to adequate security systems in place (safes, cash insurance, Brinks security escorts, cameras in the branches, etc.). Reliability of data is ensured through adequate features of the integrated MIS as well as daily reconciliations, multiple cross-checks on paper data and data entry.

¹⁸ LO’s turnover is commonly high in the MENA region.

¹⁹ The two former IT Managers left in 2006 and 2008 and the internal developer left in 2008. The new IT Manager joined Tamweelcom in October 2008, and the two IT employees 3 and 8 months ago.

²⁰ CDs kept in a safe in the HQ and a back-up server located in the Ashrafiyah branch.

²¹ Tamweelcom is fully equipped with licensed softwares (Microsoft, Kaspersky, etc.)

²² Done by Talal Abu Ghazaleh in 2007, to whom IA was subcontracted.

Internal audit

Presently focusing on operational risks, the IA department does not yet cover all areas of risks (e.g. legal, financial, central functions). Similarly, the IA methodology mainly focuses on the different fields of operation (credit, cash handling, etc.). It is well formalized in a manual previously developed by Talal Abu Ghazaleh that has been recently updated. IA plan includes several visits to each of the branches throughout the year, to reach 1%-3% client visits and 25%-30% of the portfolio checked through files, with all LOs audited at least once. Central functions have not been covered since early 2008, although IA is supposed to carry out HQ checks by year-end. IA reports are well detailed and comprise clear prioritized recommendations that are sent to HQ and branches and followed upon. The compliance level of recommendations is adequate.

Over the past two years, Tamweelcom has taken active measures to internalize the IA function, previously subcontracted to Talal Abu Ghazaleh, but the department is still being set up as the IA Head hired in 2008 resigned after 6 months²³. Although no specific timeline or objectives have been set in the business plan, BOD and management are aware of IA's importance, and IA is expected to be fully in place by year-end, with a new Head recruited in 2010. The current sole Internal Auditor was promoted internally and has an in-depth operational experience, as well as a fair understanding of the major internal and external microfinance risks, and IA's role in mitigating them. He is under training until year-end (exam graduation), when he is expected to have gained sufficient technical skills. As he grows in his position, he is supported by the FM who has previous IA experience. In this set-up, IA presently reports to the CEO, which does not sufficiently ensure its independence. BOD and management are aware of this issue, and IA will ultimately report straight to the BOD's dedicated Audit committee.

IA is adequately supplemented by external evaluations, audits, lenders due diligence, reports to MOPIC, as well as voluntary application to local and international awards.

Activities

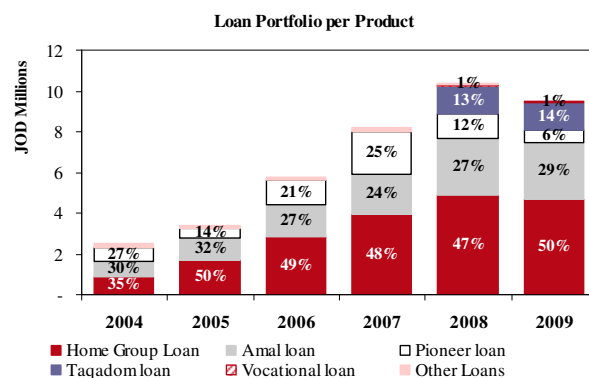
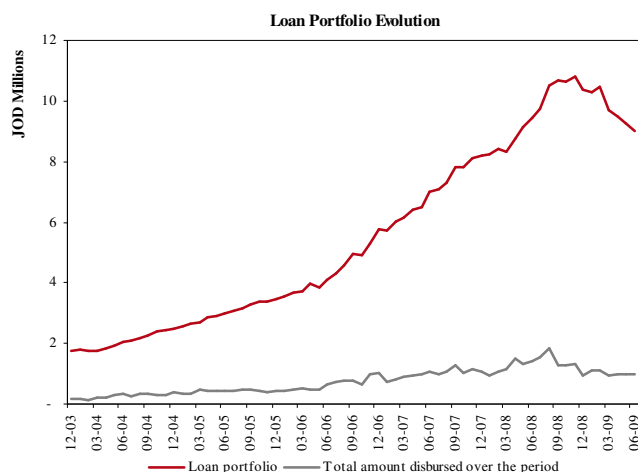
Activities: products and services is rated "a"

Evolution and composition of the portfolio

After several years of sustained growth, Tamweelcom's portfolio has been on a declining trend starting December 2008. FY08 growth (+27%) shows a significant slowdown as compared to FY07 growth (+42%), and the first half of 2009 recorded an unprecedented negative growth of -13%.

²³ Due to a better job opportunity within the Central Bank.

This is the result of a combination of factors, including: 1) the economic slowdown; 2) the decision to temporarily stop disbursing Pioneer loans, which average loan amount is higher (starting 5,000 JOD or 7,019 USD vs. an average amount disbursed of 534 JOD or 750 USD) and which PAR started increasing after the "stock crisis"²⁴; 3) following the client information sharing on the industry level, Tamweelcom's decision to reject clients who already have two loans with other MFIs; 4) the decision to avoid clients turning to MFIs following their rejection by banks.



Loan portfolio management

Tamweelcom continues to enjoy solid credit methodologies for its different products, leading to well-informed and appropriate credit decisions. For instance, a more advanced business analysis is made for Pioneer loans, especially when compared to Group loans (e.g. visits at home and at the client's business, several levels of approval for big loans, several pre- and post-disbursement visits). Following the information sharing platform on Delta, no loan is granted to a client that has two outstanding loans with other institutions, which has contributed to decreasing the cross-indebtedness of Tamweelcom's shared clients down to 13%.

²⁴ Numerous small local companies and individuals invested in dummy trading companies, which left them ruined.

Delinquency management was recently reorganized and should prove even more efficient, especially when coupled with the updated incentive scheme that focuses twice as much on repayments rather than disbursements. The delinquency unit has been dissolved, with the effective responsibility of late loans reassigned to each LO until the case is transferred to court. LOs also follow up on written off loans. Thanks to enhanced recruitment processes, sound HR management (cf. section “G”), and direct supervision, LOs have all the appropriate skills to conduct all of their duties.

Overall, Tamweelcom keeps on showing a good and close monitoring of its portfolio evolution, making sound and fast decisions whenever needed.

Credit risk

Though slightly increasing from its exceptionally low level, Tamweelcom’s credit risk remains low. PAR 30 still compares favorably with regional and international levels (0.5% as of April 09 vs. MENA at 1.9%) and stands below the internally set limit of 0.6%. Over 70% of this PAR 30 is due to the Pioneer loans, which disbursement was stopped to keep the credit risk level under control. This is in turn attributable to the international economic crisis as well as to the Jordanian “stock crisis” where clients gave their saving to fake stock exchange companies that vanished quickly after. Write-off is also slightly up from its historical level, but remains equally excellent (0.2% as of April 2009²⁵). Recovery rate has become acceptable: from 40% over 5 years, it has started to improve with the recent and efficient procedures introduced in the legal system. Rescheduling is exceptional and applied with strict procedures requiring the COO and the CEO’s approvals. Standing at 0.4% as of April 2009, it nevertheless raises the total amount at risk²⁶.

In the absence of targets or limitations per industry, portfolio concentration is not specifically managed, although it is routinely monitored through the portfolio breakdown per region and economic activity is regularly followed upon.

There are still no loans to related parties. Product launch and branch network development continue to be cautious and well-managed.

Credit risk coverage

Risk coverage is sufficient, standing at 298% of the PAR 30. A minimum reserve is not set to allow absorbing a rapid PAR increase, but the mandatory legal reserve would add an extra coverage equivalent to 1.9% of the healthy portfolio. Loans of large amounts (e.g. Taqadom and Pioneer loans)

²⁵ Policy modified in 2008 to become more standard.

²⁶ As of April 2009, 37,570 JOD or 52,737 USD of rescheduled loans and 49,297 JOD or 69,198 USD of PAR>30.

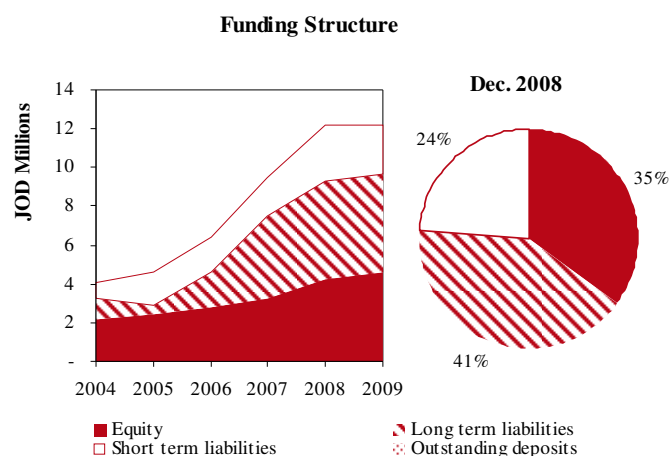
comprise specific and more solid collateral (e.g. car mortgage) complementing the existing loan loss reserve. The death and disability insurance policy, contracted to an external company, also provides an additional coverage.

Funding and liquidity

Funding and liquidity is rated “a”

Capitalization and funding strategy

Over the years, Tamweelcom has managed to build a well-balanced funding structure, with growing recourse to both short and long term commercial borrowings, essentially negotiated through local banks. Following the capital increase in 2007 and 2008, it is presently well capitalized with a CAR standing above international standards at 39% and a leverage of 1.86x as of December 2008.



Tamweelcom has developed a sound and dynamic funding strategy based on a precise identification of its funding needs for the 5 years to come (35 M JOD or 49 M USD), a well-defined ranking of the potential fund providers according to an in-house set of standards, and transparent relationships with fund providers. Tamweelcom currently benefits from improved negotiation power, thus managing to get better conditions when renewing some borrowings (lower interest rates and guarantee requirements, longer terms). Funding is secured for the coming four months (2.5 M JOD or 3.5 M USD) and additional funding is under negotiation (2 M JOD or 2.8 M USD for 2009).

Liquidity risk

Treasury functions are carried out by skilled staff of the Finance department allowing for a satisfactory liquidity management (monthly updates of the cash flow projections, daily checks on the liquidity levels, etc.). The Finance department has been reinforced since 2007 with new positions created (e.g. new Finance Manager, introduction of the Head Teller) to deal with a more complex liquidity

management deriving from the introduction of tellers within the branches.

Liquidity risk is efficiently mitigated through a policy setting a 3-month coverage of both operating expenses and funding needs²⁷, and the existence of overdraft facilities to manage unexpected cash shortages. With the slowdown, idle cash is presently at high levels, representing respectively 10.5% and 16.7% of total assets as of December 2008 and April 2009, covering virtually a full year of operating expenses. Maturity risk is also limited with assets constantly exceeding liabilities in the short term, as underlined by the current and quick ratios both standing over 100% as of April 2009. Tamweelcom would still gain from implementing a more formalized follow-up on liquidity and maturity risks, with the setting of a maximum target in order to avoid a cash excess that would reduce its profitability.

Market risk

Tamweelcom is exposed to FX risk with an open position in USD representing 15% of its tier 1 capital as of April 2009. This risk is partly mitigated by the USD/JOD peg that has been going on for the past sixteen years. As part of its new funding strategy, Tamweelcom is open to negotiation with local and international banks but has decided not to take any FX borrowings. In that regard, it has already rejected subsidized loans in USD after the hedging cost study made it less interesting.

As 16% of its debt is on a floating basis, linked to the Jordanian Central Bank 3-month certificates of deposits, Tamweelcom is also exposed to interest rate risk with an open position of 24% as of April 2009. This risk remains acceptable as, besides the rates trending downward²⁸, Tamweelcom would be able to quickly adjust its own rates if needed given its market position, good reporting, and loan maturity (14-18 months).

Similarly to liquidity and maturity risks, Tamweelcom would benefit from further formalizing follow-up and setting limits to its FX and interest rate positions, especially as limited FX exposure comes as a covenant with Citibank's loans.

■ Efficiency and Profitability

Efficiency and Profitability is rated "a"

Profitability analysis

Tamweelcom has shown a strong profitability over the years, with an ROA without donations standing high at over 5.5% since 2004 and reflecting a steady growth to reach respectively 6.2% and 9.1% in 2007 and 2008. This trend continues in 2009, with an ROA standing at 9.5% as of April 2009. ROE follows the same positive trend than ROA to reach 26.1% as of December 2008 up from 12.2% in 2006. Tamweelcom's strong financial performance has been achieved thanks to a high portfolio yield (above 30% since 2007), a moderate operating expense ratio (around 18-20%), a very low level of loan loss provision expense ratio, and despite the increase in the funding expense ratio. The portfolio yield is on an upward trend since 2007 (from 30.1% in 2007 to 38.1% as of April 2009): this is due to the portfolio decrease in the first months of 2009, coupled with interest recognition on a flat basis, which does not allow streamlining the revenues. Though this is in line with its Jordanian peers, it remains higher than best performing regional peers, whose portfolio yield was of 30.8% as of December 2007 (cf. Benchmarking below).

Despite rising competition, Tamweelcom's revenue quality remains good. The institution managed to strengthen its market position since the last rating to become the Jordanian leader in terms of number of clients (though not in terms of outstanding portfolio). Over the years, it has built its internal capacities and now relies on fair competitive advantages such as a well-known and respected brand and a diversified range of financial and non-financial products, which are constantly adapted to its target clientele. Since inception, Tamweelcom has displayed a keen sense of marketing through its focus on innovation, resulting in a well-organized product development process, based on a good understanding of clients' needs, market research, pilot testing and evaluation prior to launch in all branches. Pressure on its pricing is expected to increase as competition becomes fiercer, especially as Tamweelcom is not the cheapest provider on the market: its portfolio yield is in line with MFW, its most direct competitor, but remains higher than Al Watani and MEMCO. However, it still offers competitive services given its focus on the lower end of the market²⁹: the average loan size decreased since 2006, notably due to the declining contribution of the Pioneer and Taqadom loans to the overall portfolio.

The operating expense ratio remained relatively stable since 2004 (around 18-20%), which is in line with regional

²⁷ New liquidity management policy set by the institution in 2007 with the arrival of the new Finance Manager.

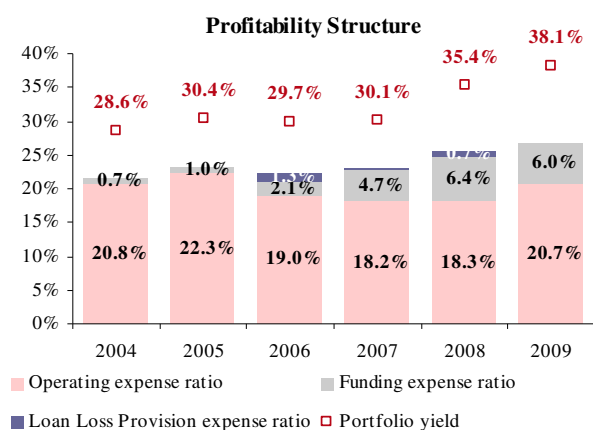
²⁸ From 7.89% to 7.64% between 2008 and 2009.

²⁹ Average loan = 370 USD vs. 3 to 4 times more for its competitors, apart from MFW.

benchmarks (at 19.5% in 2007) but higher than some key competitors such as Al Watani, MEMCO and DEF as the average disbursed loan amount is lower. Such performance has been achieved thanks to excellent staff and LO productivity, which stands at high levels as compared to international benchmarks (reaching respectively 252 and 518 clients in 2008 vs. 133 and 239 clients in 2004).

Yet, the overall cost structure is on an upward trend since 2004, in line with the increase in the funding expenses (from 0.7% in 2004 to 6.4% in 2008), which in turn reflect Tamweelcom's growing recourse to commercial borrowings. In the meantime, the loan loss provision expense ratio remains low standing below 1% (0.2% in 2007, 0.7% in 2008) reflecting Tamweelcom's low PAR.

Tamweelcom's resource optimization is on a downward trend since 2006 and is below international standards as of April 2009, with the asset deployment ratio falling from 89% in 2006 to 76.5% as of April 2009. This is mainly attributable to the overall slowdown, coupled with the implementation of the new liquidity management policy in 2007 (see section "F").

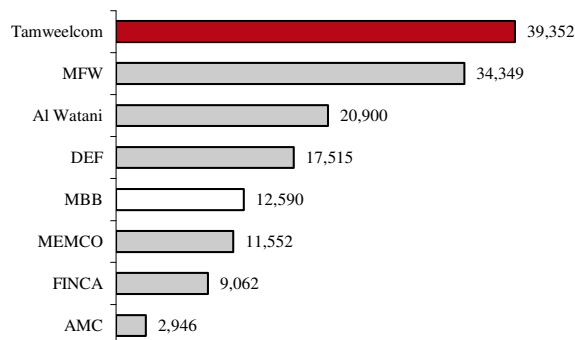


The profitability outlook for Tamweelcom is stable as the institution has demonstrated its ability to quickly adapt to the changes in the environment (rising competition, impact of the financial crisis, delinquency, etc.) and has already started taking initiatives to keep pace with its historical portfolio growth through the opening of branches in uncovered regions, further staff capacity building and focus on non-financial services and social performance management to efficiently retain existing clients. The main challenge for Tamweelcom will be to be able to maintain its portfolio at risk at its historically low level in a deteriorating economic environment and highly competitive market.

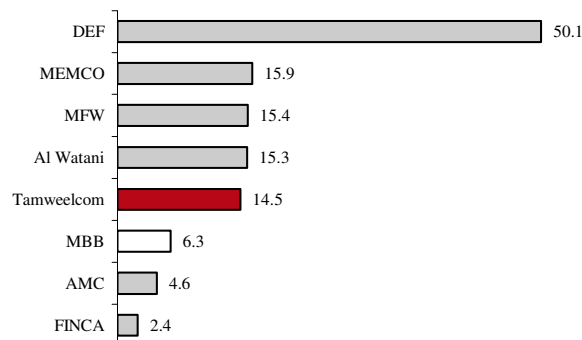
The opinions expressed within this report are valid for one year after the rating mission. Beyond one year, or in case of a major change during this period affecting the institution's performance, that change due to the institution itself or its operating environment, Planet Rating does not guarantee the validity of the opinions contained herein, and recommends that a new rating evaluation be undertaken. Planet Rating cannot be held responsible for investments/financings that are made based on this report.

Benchmarking

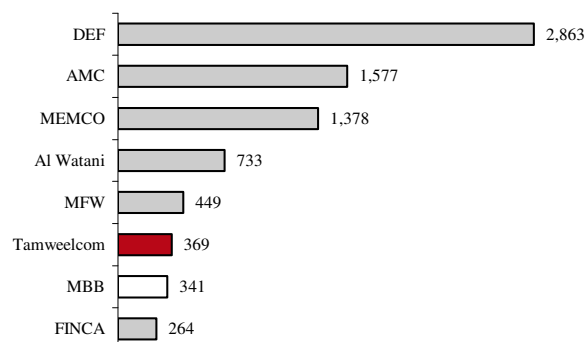
Active borrowers



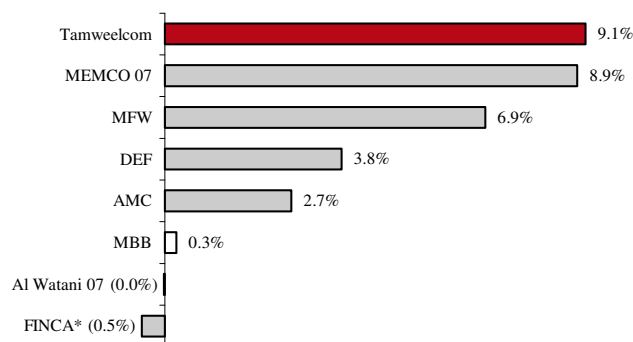
Loan portfolio (M USD)



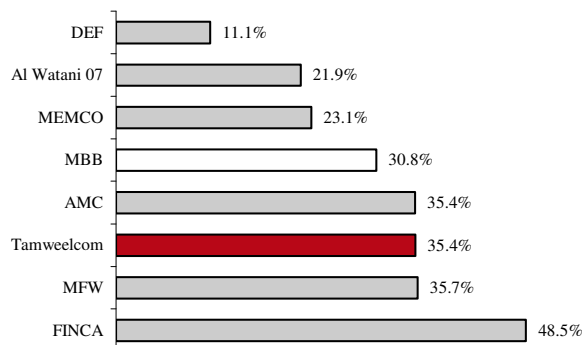
Average outstanding loan per client (USD)



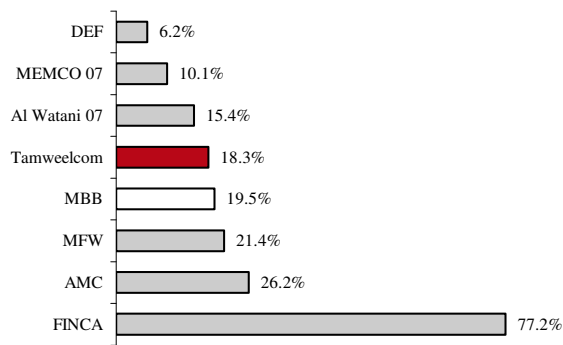
ROA



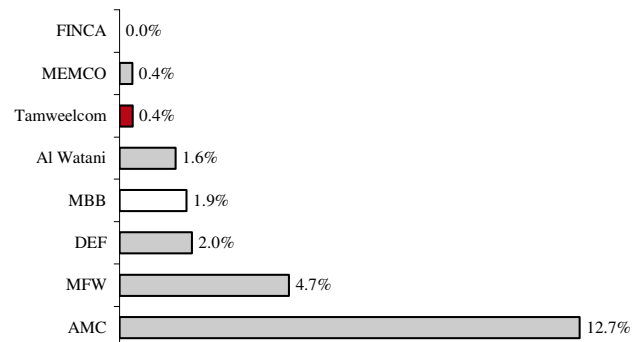
Portfolio yield



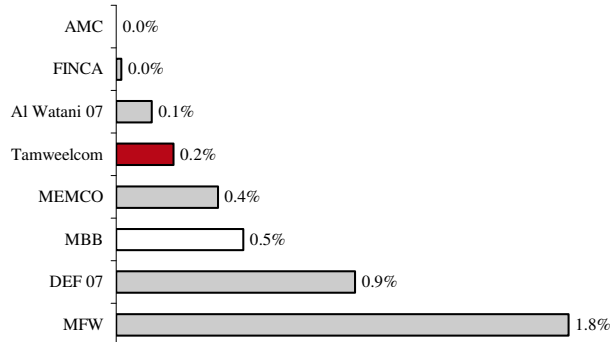
Operating expense ratio



PAR 31-365



Write-off ratio



Source: MiX, MFI, Planet Rating; data as of December 2008 unless otherwise stated; MEMCO as of September. *ROA including donations for FINCA.

Data in USD, unless otherwise stated

■ Performance indicators

Loan Portfolio	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Apr. 2009
Loan portfolio evolution						
Loan portfolio	3,495,415	4,860,989	8,094,927	11,532,964	14,537,114	13,298,306
Loan portfolio (JOD)	2,495,726	3,468,316	5,779,778	8,214,930	10,398,398	9,473,713
Growth	35.2%	39.0%	66.6%	42.1%	26.6%	(8.9%)
Active borrowers	8,352	10,665	17,729	31,412	39,352	39,339
Growth	163.5%	27.7%	66.2%	77.2%	25.3%	(0.0%)
Average outstanding loan per client	419	456	457	367	369	338
% of GDP per capita	23.4%	24.1%	22.9%	17.6%	17.2%	15.6%
Average amount disbursed per loan	609	683	718	586	620	534
% of GDP per capita	34.1%	36.1%	36.0%	28.1%	28.8%	24.6%
Portfolio quality						
Rescheduled loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%
PAR 31-365	0.2%	0.1%	0.0%	0.2%	0.4%	0.5%
PAR > 365	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Write-off ratio	0.7%	0.2%	0.1%	0.0%	0.2%	0.2%
Credit risk coverage						
Risk coverage ratio (PAR 30)	96.4%	76.1%	2,964.0%	509.8%	420.1%	297.8%
PAR 31 net of loan loss provision / Equity	0.0%	0.0%	(2.0%)	(2.5%)	(2.8%)	(2.1%)
Staff						
Total number of staff	63	78	98	120	156	175
% Credit officers	55.6%	57.7%	49.0%	52.5%	48.7%	46.9%
Turnover	93.2%	83.7%	42.0%	23.9%	23.9%	13.3%
Profitability analysis						
ROE	10.1%	10.3%	12.2%	16.4%	26.1%	26.0%
Liabilities / Equity	0.87x	0.88x	1.31x	1.89x	1.86x	1.63x
Core capital adequacy ratio	77.2%	59.5%	44.8%	37.1%	37.5%	44.0%
Total capital adequacy ratio	77.2%	60.2%	45.3%	38.0%	39.1%	45.7%
ROA	29.4%	6.9%	5.9%	6.3%	9.1%	9.5%
ROA (without donations)	5.5%	5.5%	5.8%	6.2%	9.1%	9.5%
ROA (microfinance operations)	5.5%	5.5%	5.8%	6.2%	9.1%	9.5%
Profitability structure						
Financial revenue ratio	29.8%	31.1%	29.8%	30.3%	35.8%	38.2%
Portfolio yield	28.6%	30.4%	29.7%	30.1%	35.4%	38.1%
Operating expense ratio	20.8%	22.3%	19.0%	18.2%	18.3%	20.7%
Cost per borrower	71	87	64	56	62	75
Staff productivity	133	137	181	262	252	225
Loan officer productivity	239	237	369	499	518	480
Average outstanding loan per client (USD)	419	456	457	367	369	338
Funding expense ratio	0.7%	1.0%	2.1%	4.7%	6.4%	6.0%
Cost of borrowings	1.8%	2.4%	4.9%	7.8%	9.0%	2.7%
Loan Loss Provision expense ratio	(0.1%)	(0.1%)	1.3%	0.2%	0.7%	(0.0%)
PAR 31-365	0.2%	0.1%	0.0%	0.2%	0.4%	0.5%
Write-off ratio	0.7%	0.2%	0.1%	0.0%	0.2%	0.2%
Resource optimization						
Outstanding Loan Portfolio / Assets	61.6%	75.0%	89.2%	85.7%	84.2%	76.5%
Revenue from investment as a % of financial revenues	2.0%	1.5%	0.2%	0.0%	0.8%	0.3%
Liquidity						
Liquidity / Total assets (LAR)	13.5%	12.5%	4.5%	9.1%	10.5%	16.7%
Current ratio (1 year)	453.8%	223.9%	297.1%	429.8%	396.1%	454.7%
Exchange rate 1 USD= xx JOD	0.7	0.7	0.7	0.7	0.7	0.7

■ Financial statements – JOD

Income Statement (JOD)	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Apr. 2009
Interest and fee income on loan portfolio	586,226	910,020	1,277,066	2,083,150	3,364,614	1,281,961
Interest and fee income on investments	11,884	13,612	2,343	825	28,308	4,478
Interest and other financial expenses	16,406	28,649	90,171	327,783	612,413	202,894
Net inflation adjustment expense	-	-	-	-	-	-
Net foreign exchange income (expense)	-	-	-	-	-	-
Net financial income	581,704	894,983	1,189,238	1,756,192	2,780,509	1,083,544
Fees and commissions on other financial services	-	-	-	-	-	-
Other operating income	13,523	5,797	1,333	9,417	10,903	-
Operating expenses	426,329	665,289	814,790	1,256,034	1,738,526	697,601
<i>Personnel expenses</i>	294,223	384,444	599,066	865,105	1,182,785	467,437
<i>Administrative and other expenses</i>	116,092	264,446	187,815	348,534	498,241	205,755
<i>Depreciation</i>	16,014	16,399	27,909	42,395	57,500	24,409
Non operating income (net)	-	205	88	(108)	(2,276)	-
Gross operating income	168,898	235,696	375,869	509,467	1,050,610	385,943
Net loan loss provision expense	(2,642)	(1,982)	55,809	13,494	69,770	(342)
Net operating income	171,540	237,678	320,060	495,973	980,840	386,285
Extraordinary income (net)	-	-	-	-	-	-
Net income before tax	171,540	237,678	320,060	495,973	980,840	386,285
Income Tax	-	-	-	-	-	-
Net income before donations	171,540	237,678	320,060	495,973	980,840	386,285
Donations	748,612	59,263	3,088	3,088	-	-
Net Income	920,152	296,941	323,148	499,061	980,840	386,285

Balance Sheet (JOD)	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Apr. 2009
ASSETS	4,040,714	4,621,623	6,417,207	9,471,131	12,158,516	12,192,413
Liquid assets	547,340	578,208	286,218	864,496	1,278,338	2,034,810
Net loan portfolio	2,488,588	3,466,433	5,721,980	8,112,284	10,241,929	9,326,890
<i>Gross loan portfolio</i>	2,495,726	3,468,316	5,779,778	8,214,930	10,398,398	9,473,713
<i>(Loan loss reserve)</i>	7,138	1,883	57,798	102,646	156,469	146,823
Interest receivable	-	239,884	-	-	-	-
Financial investments	727,799	200,000	200,000	200,000	207,500	207,500
Net fixed assets	56,936	93,957	141,197	180,886	238,244	408,485
Intangible assets	-	-	-	16,500	12,500	-
Other assets	220,051	43,141	67,812	96,965	180,005	214,728
LIABILITIES AND EQUITY	4,040,714	4,621,623	6,417,207	9,471,131	12,158,516	12,192,413
Liabilities	1,885,376	2,169,344	3,641,780	6,196,644	7,903,189	7,548,336
Demand deposits	-	-	-	-	-	-
Time deposits	-	-	-	-	-	-
Cash collateral	-	-	-	-	-	-
Borrowings	1,202,530	1,189,128	2,464,411	5,899,251	7,782,933	7,148,395
Subordinated debt	-	-	-	-	-	-
Other liabilities	682,846	980,216	1,177,369	297,393	120,256	399,941
Equity	2,155,338	2,452,279	2,775,427	3,274,487	4,255,327	4,644,077
Core capital	2,155,338	2,422,279	2,745,427	3,194,581	4,077,337	4,466,087
<i>Paid-in capital</i>	30,000	30,000	30,000	2,500,000	3,000,000	3,000,000
<i>Donated equity</i>	1,977,531	2,036,794	2,039,882	-	-	-
<i>Retained earnings</i>	147,807	385,485	705,545	774,487	1,255,327	1,644,077
Other equity accounts	-	-	-	-	-	-

Off Balance Sheet Accounts	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Apr. 2009
Installment checks received in advance and not yet cashed	-	27,500	162,095	352,008	512,734	-
Portfolio under management	-	-	-	-	-	-
Written-off loans under collection	-	-	-	-	-	-
Guarantees	-	-	-	-	-	-

■ Financial statements – USD

Income Statement (USD)	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Apr. 2009
Interest and fee income on loan portfolio	821,045	1,275,431	1,788,608	2,924,540	4,703,780	1,799,496
Interest and fee income on investments	16,644	19,078	3,282	1,158	39,576	6,285
Interest and other financial expenses	22,978	40,153	126,290	460,175	856,162	284,804
Net inflation adjustment expense	-	-	-	-	-	-
Net foreign exchange income (expense)	-	-	-	-	-	-
Net financial income	814,711	1,254,356	1,665,599	2,465,523	3,887,193	1,520,977
Fees and commissions on other financial services	-	-	-	-	-	-
Other operating income	18,940	8,125	1,867	13,221	15,243	-
Operating expenses	597,099	932,430	1,141,162	1,763,350	2,430,485	979,227
<i>Personnel expenses</i>	412,077	538,814	839,028	1,214,523	1,653,551	656,144
<i>Administrative and other expenses</i>	162,594	370,632	263,046	489,308	696,548	288,819
<i>Depreciation</i>	22,429	22,984	39,088	59,518	80,386	34,264
Non operating income (net)	-	287	123	(152)	(3,182)	-
Gross operating income	236,552	330,338	526,427	715,242	1,468,769	541,750
Net loan loss provision expense	(3,700)	(2,778)	78,164	18,944	97,540	(480)
Net operating income	240,252	333,116	448,263	696,298	1,371,229	542,230
Extraordinary income (net)	-	-	-	-	-	-
Net income before tax	240,252	333,116	448,263	696,298	1,371,229	542,230
Income Tax	-	-	-	-	-	-
Net income before donations	240,252	333,116	448,263	696,298	1,371,229	542,230
Donations	1,048,476	83,060	4,325	4,335	-	-
Net Income	1,288,728	416,175	452,588	700,633	1,371,229	542,230

Balance Sheet (USD)	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Apr. 2009
ASSETS	5,659,263	6,477,397	8,987,685	13,296,548	16,997,786	17,114,560
Liquid assets	766,583	810,383	400,866	1,213,668	1,787,135	2,856,274
Net loan portfolio	3,485,417	4,858,350	8,013,978	11,388,859	14,318,369	13,092,210
<i>Gross loan portfolio</i>	3,495,415	4,860,989	8,094,927	11,532,964	14,537,114	13,298,306
<i>(Loan loss reserve)</i>	9,997	2,639	80,950	144,105	218,746	206,096
Interest receivable	-	336,207	-	-	-	-
Financial investments	1,019,326	280,308	280,112	280,781	290,088	291,269
Net fixed assets	79,742	131,685	197,755	253,946	333,069	573,392
Intangible assets	-	-	-	23,164	17,475	-
Other assets	308,195	60,464	94,975	136,129	251,650	301,414
LIABILITIES AND EQUITY	5,659,263	6,477,397	8,987,685	13,296,548	16,997,786	17,114,560
Liabilities	2,640,583	3,040,426	5,100,532	8,699,486	11,048,775	10,595,643
Demand deposits	-	-	-	-	-	-
Time deposits	-	-	-	-	-	-
Cash collateral	-	-	-	-	-	-
Borrowings	1,684,216	1,666,612	3,451,556	8,281,975	10,880,656	10,034,243
Subordinated debt	-	-	-	-	-	-
Other liabilities	956,367	1,373,814	1,648,976	417,511	168,120	561,399
Equity	3,018,681	3,436,971	3,887,153	4,597,062	5,949,010	6,518,918
Core capital	3,018,681	3,394,925	3,845,136	4,484,881	5,700,178	6,269,072
<i>Paid-in capital</i>	42,017	42,046	42,017	3,509,757	4,194,044	4,211,117
<i>Donated equity</i>	2,769,651	2,854,652	2,856,978	-	-	-
<i>Retained earnings</i>	207,013	498,227	946,141	975,124	1,506,133	2,057,955
Other equity accounts	-	42,046	42,017	112,180	248,833	249,846

Off Balance Sheet Accounts	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Apr. 2009
Installment checks received in advance and not yet cashed	-	38,542	227,024	494,185	716,810	-
Portfolio under management	-	-	-	-	-	-
Written-off loans under collection	-	-	-	-	-	-
Guarantees	-	-	-	-	-	-

■ Formulas

Return on assets (ROA):	Net operating income before donations / Average assets
Return on equity (ROE):	Net operating income before donations / Average equity
Leverage:	Debt (savings + debts) / Equity (end of period)
Portfolio yield:	Portfolio revenue / Average gross outstanding portfolio
Operating expense ratio:	Operating expense / Average gross outstanding portfolio
Staff productivity:	Active borrowers / Total personnel (end of period)
Funding expense ratio:	Interest and fees paid on funding liabilities / Average gross outstanding portfolio
Cost of savings ratio:	Interest and fees paid on deposits / Average deposits
Cost of borrowings ratio:	Interest and fees paid on borrowings / Average borrowings
Loan loss provision expense ratio:	Net loan loss provision expense / Average gross outstanding portfolio
Adjustment expense ratio:	Total adjustments / Average gross outstanding portfolio
Net portfolio as a % of assets:	Net outstanding portfolio / Total assets (end of period)
Risk coverage ratio:	Loan loss reserve / Portfolio at risk (31-365 days)
Write-off ratio:	Loans written off / Average gross outstanding portfolio

■ Rating scale

Rating	Rating summary	
A++	Current institutional, operational and financial performances are optimal. There is no downside risk in the short-term. Medium and long-term plans are well-designed, execution capacity is excellent and goals are very likely to be achieved. Short and medium term risks are minimal and/or well-managed. Long-term risks are adequately monitored and anticipated. Changes in the economic, political or social environment should only minimally affect the institution's financial condition given its high resilience.	INVESTMENT GRADE
A+	Current institutional, operational and financial performances are excellent when compared to industry standards.	
A	Medium and long-term plans are well-designed, execution capacity is very good, and goals are very likely to be achieved. Short and medium term risks are minimal and/or well managed. Long-term risks are adequately monitored and anticipated. Changes in the economic, political or social environment should have a limited impact on the institution's financial condition given its ability to quickly adjust its strategies and/or take corrective actions.	
A-		
B++	Current institutional, operational and financial performances are satisfactory when compared to industry standards.	
B+	Medium and/or long-term plans are adequately designed, execution capacity is good and goals are likely to be achieved. Short and medium term risks are low and/or well managed. Areas for improvements have been identified and are being addressed. Changes in the economic, political or social environment might have an impact on the institution's financial condition that should however remain moderate.	SPECULATIVE INVESTMENT
B		
B-	Current institutional, operational and financial performances are close to industry standards. Short and medium term risks are moderate but are not fully addressed. Most areas for improvements have been identified, but medium and long term plans miss one or several critical elements, execution capacity is uneven and some goals are unlikely to be achieved. The institution is vulnerable to major changes in the economic, political or social environment.	
C++	Current institutional, operational and financial performances are below comparable industry standards. Short and medium term risks are moderate-high but are not fully addressed. Most areas for improvements have been identified, but medium and long-term plans miss one or several critical elements, execution capacity is weak and many goals are unlikely to be achieved. Most management processes and systems are in place but need to be refined or updated. The institution is vulnerable to major changes in the economic, political or social environment	TECHNICAL ASSISTANCE REQUIRED
C+		
C		
C-		
D	High risk: Important weaknesses in operational and financial areas result in high institutional vulnerability and potential risk of default. Performance is very poor in several important evaluation areas.	
E	Immediate risk of default: Existing operational and/or financial and/or strategic weaknesses create an outstanding risk of default. Performance is very poor in most evaluation areas.	