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GIRAFE JMCC, Jordan May 2005

Rating

A+	
A	**Good**
A-	Procedures are well developed, effective, and incorporate a long-term perspective. Some improvements could be made. Long-term risks are identified in the strategic plan.
B+	
B	
B-	
C+	
C	
C-	
D	
E	

Trend

Positive	Positive trend on performance indicators; no major risks identified
Stable	
Uncertain	
Negative	

Performance indicators
(K USD, *unless otherwise stated)*

	Dec. 2002	Dec. 2003	Dec. 2004
ACTIVITY			
Total number of staff	33	40	70
Total assets	2,388	3,117	5,772
(K JOD)	1,696	2,213	4,041
Loan portfolio	1,949	2,601	3,871
Active borrowers	1,471	2,333	8,352
APR	--	--	35.3%
PAR 31-365	1.7%	0.4%	0.1%
PAR > 365	0.0%	0.8%	0.1%
Write-off ratio	0.3%	0.2%	0.6%
Risk coverage ratio	119.5%	104.1%	113.5%
PERFORMANCE			
ROE	4.3%	7.2%	10.1%
Liabilities / Equity	47.8%	79.1%	87.5%
ROA	3.8%	5.3%	6.7%
Operational self-sufficiency	115.8%	124.7%	139.0%
Financial self-sufficiency	105.4%	101.3%	110.8%
Portfolio Yield	35.4%	33.6%	35.6%
Operating expense ratio	28,8%	26,8%	25,9%
Staff productivity	45	58	119
Funding expense ratio	1.0%	1.9%	1.0%
GROWTH			
Loan portfolio growth	67.1%	33.5%	46.8%
Assets growth	41.3%	30.5%	82.6%
Exchange rate 1 USD = xx JOD	**0.7**	**0.7**	**0.7**

- **Description of the institution**

JMCC was created in 1999 by Noor Al-Hussein Foundation (NHF) and received 1.7 M USD of funding from USAID/AMIR program. It is registered with the Ministry of Industry and Trade as a non-profit Limited Liability Company (LLC). As of March 2005, JMCC was operating through a network of eight branches, providing individual and group loans to close to 10,000 clients, with an outstanding loan portfolio of 4.1 M USD.

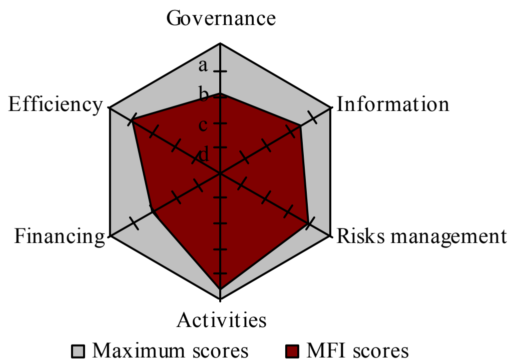
- **Rating summary**

JMCC has been assigned a global rating of B+. This rating is based on JMCC's excellent operating and financial performance during the past three years during which it gained market and client shares in a competitive market. JMCC performed well in many reviewed areas with an efficient MIS system, solid internal controls, proven portfolio management systems and outstanding portfolio quality. The institution will however need to improve its strategic planning process and reinforce certain technical skills (product design, financial analysis, liquidity management, financial projections, operational planning) in order to manage growth and increasing complexity of the operations and of the financing structure.

This grade has been given with a Positive trend given the facts that JMCC has a clear focus on maintaining financial self-sufficiency and has proven to be a market responsive organization with the ability to capture new clients, which limit the risks related to the potential launch of the new "Bank of the Poor".

- **Financing needs**

JMCC will need additional funding at the end of 2005 or beginning of 2006; financing needs amount to 500 K JOD (700 K USD) for 2006 based on current projections; updated and refined projections should be available by Q4 2005. Planet Rating believes that JMCC is a well organized and profitable institution with solid operations and a proven track record to support commercial rate debt.



▪ Microfinance sector

Both market oriented and subsidized credit providers characterize the microfinance sector in Jordan. The four MFIs[1] funded by the USAID/AMIR program (see program description below) all began operations in the mid-to-late 1990s. As of March 2005, these four providers were serving 24,668 clients for an outstanding portfolio of 11 million JOD (15.7 M USD). The UNRWA also works in Jordan with Palestinian refugees. The private banking sector has been increasingly making accessible consumer loans to those with a salary.

Subsidized local providers include the Development and Employment Fund (DEF), funded by the Jordanian government, KfW and the EU with a vocation of providing microfinance for poverty alleviation, as well as the National Assistance Fund (NAF) 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. The portfolio for these institutions was estimated to be 64 million JOD in 2001, albeit this figure includes many loans long overdue and never written off[2].

The creation of the National Bank for Financing Small Projects, a government initiative supported by AGFUND[3] also known as the "Bank for the Poor", is underway. Although the products and pricing have not yet been defined for this program and this institution is promoted as another "sustainable lender". Many microfinance actors are concerned about the potential impact of this institution on the supply of microcredit if it chooses to provide subsidized credit. When initially passed, the authorizing law for the bank also provided numerous tax exemptions and advantages not given to other MFIs. Since March 30, 2004 the government decided to extend tax exemption status to all MFIs, but MFIs are still facing difficulties every time they need to use such exemptions.

USAID has played a leading role in supporting the sustainable microfinance environment in Jordan, having created the Achievement of Market-Friendly Initiatives and Results (AMIR) program managed by Chemonics International. This multi-faceted program supported microfinance and other services for small businesses by providing financing, technical assistance, and advocacy as well as engaged in broader economic development activities. The initial program, started in 1998 and renewed in 2002, ended in 2004. The approved budget for the program over the years totaled 70 million USD, with approximately 10 million USD allocated specifically to micro-entrepreneur support. 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 in Jordan for agricultural loans.

Legal and regulatory environment

Although publicly microfinance is a concept that receives government support, Jordan's regulatory environment does not explicitly recognize the microfinance sector. This lack of formal recognition, along with other sector-specific issues, leads to policy constraints within which local MFIs must operate, notably the inability to collect savings. USAID/AMIR along with other actors (notably the new CGAP technical hub currently being established in Jordan) are working to address these issues and are helping the Jordanian government to finalize a Microfinance Strategy that is expected to provide a better legal environment for MFIs. Among the current constraints enumerated in a local study, the most significant are:[4]

- A legal structure, non-profit limited liability company, that is not specific to lending activities;
- An ambiguous sales tax regime until official tax exemption has been extended to all MFIs on March 30, 2004 via the authorizing law for the National Bank for Financing Small Projects. The potential for retroactive liabilities for MFIs remains to be clarified;
- An enforcement of claims that could be stronger; and
- The lack of a Credit Bureau. Since the study, the law necessary to authorize the licensing of companies that could act as a Credit Bureau has passed and the Central Bank is expected to allow licensing in the coming months.

▪ Political and economic environment

- Jordan is classified as a middle-income developing country with 2004 per capita income of 1,980 USD. Lacking significant natural resources, Jordan relies primarily on human capital for development.
- The war in Iraq has had a significant negative impact on Jordan's economy, as Iraq has been the second most important trade partner for Jordan. Jordan, along with Egypt, has benefited from financial assistance of 210

[1]JMCC, MFW (WWB affiliate), MEMCO (CHF affiliate), Al-Ahli (owned by the Jordan National Bank).

[2] "Microfinance/Microenterprise Assessment" April 2001. Graham Perrett.

[3] Arab Gulf program For United Nations Development Organizations

[4] "MFI Policy Constraint Review: Final Report" June 2003. AMIR program funded by U.S. Agency for International Development, Deliverable for MEI Component Task No. 319.1 Contract No. 278-C-00-02-00210-00.

million EUR granted by the European Commission in order to moderate the negative effects of the war in Iraq. International aid flows, a rise in exports, shrinking external debt, and accelerated structural reform present a favorable economic outlook in the short term.

- Jordan's economy experienced strong recovery in 2004. GDP grew at 6.7%, double that of the growth rate in 2003 and stronger than every year since the early 1990s (average 4.8% in 1990-2001). GDP per capita, however, increased only slightly from 1,806 USD in 2003 to 1,980 USD in 2004, has seen little change over the past decade. (GDP per capita averaged 1,990 USD, 1980-85)
- From the early 1970s to 2004, Jordan's population grew from about 1.8 million to 5.0 million. The official unemployment rate remains fairly high at 12%, (around 25% unofficial) and given a labor force that is growing at 4% a year, new job creation is imperative. The country ranks 90 (out of 175 countries) in the UNDP 2004 Human Development Report and the population below the national poverty line is estimated at 13%.
- Despite advances in women's development through improvements in education and public health services, female empowerment and inclusion remain a challenge. Women's participation in the formal labor force grew from 15% in 1980 to 24% in 1999, but still remains low.

	Dec. 2002	Dec. 2003	Dec. 2004
GNI per cap. (USD)	1,808	1,868	1,980
Inflation	1.8%	3.5%	3.4%
Coface rating			B
S & P			BB

Source: Inflation data from World Data Indicators, World Bank

Institutional presentation

Legal form, ownership and supervision

JMCC was registered with the Ministry of Industry and Trade in 1999, as a non-profit Limited Liability Company. By internal laws, JMCC is not allowed to distribute dividends to shareholders. Noor Al-Hussein Foundation holds 100% of the shares of the institution and appoints the Board members.

Audit

"Talal Abu-Ghazaleh and Co." has been the external auditor until 2001, when JMCC chose to switch to "Hawit, Fasheh and Co", Jordanian Certified Public Accountants. The financial statements have always been certified without qualification.

Networks

JMCC is a member of Sanabel (network of MFIs of the Arab world) and SIFRA (network of MFIs of the Mediterranean region).

Donations

From 1999 to 2001, JMCC received a total of 1.2 M JOD (1.7 M USD) in grant funding from the USAID-funded AMIR program. In 2001, USAID granted each of the four MFIs 1,050,000 USD in cash collateral through the Wholesale Funding Facility (WFF) in order to provide 100% collateral for loans with Citibank Jordan. JMCC used this facility between 2002 and November 2003 to borrow commercial funds. In June 2004, having reached the performance criteria set by USAID late 2003, JMCC was given the right to withdraw the cash collateral and use it for direct funding. As the microfinance component of the USAID-funded AMIR Program terminated in 2004, this can be expected to be the last significant donation from USAID.

Market penetration

JMCC has a network of 8 branches, that serve the entire Amman area and some adjacent governorates of the northwestern part of Jordan (Zarqa, Irbid, and Salt).

Organization

Each branch is composed of a Branch Manager, a deputy[5], a Branch Secretary and Loan Officers (LO). The loans files prepared by LOs, verified by Branch Managers and reviewed by secretaries for the administrative part, are then sent to HQ for final validation. Loans are disbursed by checks and repaid at the banks.

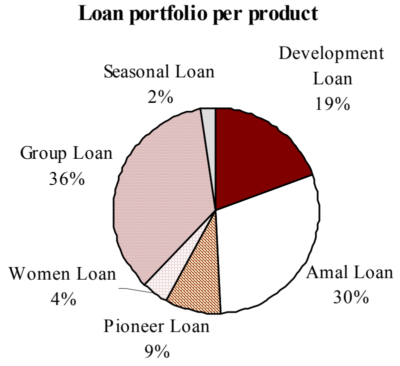
Products and services

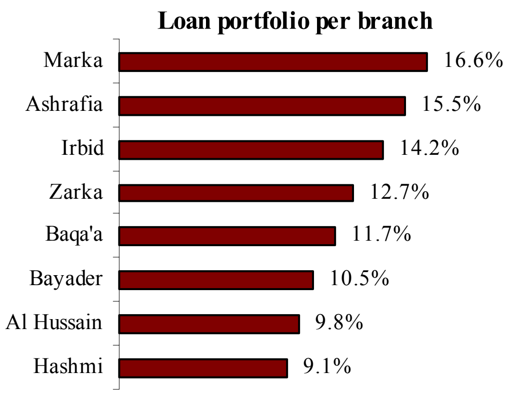
A detailed description of products is provided in appendix

JMCC product range has been significantly modified since its inception. In 1999, the institution started serving micro-enterprises with loans ranging from 200 to 500 JOD, then decided to serve upper micro-enterprises with productive loans ranging from 700 to 7,200 JOD. The MFI shifted its focus again in 2002, and started providing credit to smaller micro-enterprises and notably women-led activities, via individual or group loans. JMCC currently offers six loan products, with amounts from 140 to 15,000 JOD (200 to 21,000 USD), terms from one to 36 months and monthly repayments. The nominal interest rate varies from 12% to

[5] The deputy is usually a senior loan officer with a very good track record in the institution. He is responsible for assisting the Branch Manager and acting in his place in case of absence.

34% and the APR from 25.6% to 86.7% with a weighed average of 35% for the total portfolio.





▪ Governance

Governance and Decision Making is rated **« b »**

Decision-making
The Board sets the general strategic orientations: sustainability over 100%, branch network to cover the whole of Jordan, target low-end of the market, goal to gradually reduce interest rates. Its opinion is required for a limited set of major decisions (budget, loans of high amount, management team appointments) and the Executive Director (ED) is given a broad delegation of power for the drafting of the operational plans including definition of products and branch openings which ensure an efficient decision-making process.

The Board, that has been renewed in 2003, is composed of high profile members with an interesting mix of skills (bank, NGO, lawyer, former ministries, and a royal family member). They show a good level of involvement despite their high responsibilities and the quarterly meetings have a good level of attendance. The Board is well informed of the overall performance and main issues facing the institution thanks to regular updates sent either by mail or e-mail.

Planning
JMCC has a well defined strategy of going down market and serving women in order to reduce the credit risk, be true to the original social mission, reach a wider demand and increase the potential for economies of scale. This important change with former strategy (focus on SME) has proven relevant so far. The current strategic plan (2003-2007) clearly defines the main axes in terms of product strategy and branch openings and identifies the need to gradually decentralize operations. It however does not specifically address the issue of very high staff turnover *(cf. Human Resource Management section below).*

The operational targets included in this plan have been reached and even surpassed in terms of portfolio outstanding, but the dramatic change in average loan size and number of clients had not been anticipated and the operational targets (number of clients) are thus outdated. In 2004, the financial performances (e.g. portfolio yield, operational self-sufficiency) are somewhat in line with the financial projections. Financial and operational plans will need to be updated to be real roadmaps for the institution and to be presented to potential funders.

JMCC has an operational budget that is validated by the Board and followed on a monthly basis.

Management team
The organizational chart includes all necessary positions for an institution of this size with a good definition of tasks and duties[6]. JMCC's middle managers are competent operationally with their respective departments although none having yet the global view, command and presence of the ED and there is room for more collective work on strategic decisions in order to develop cross-functional skills.

- The ED has been with JMCC since 1999. He has been Operations and Credit Manager before taking on his current position in 2001. He has a finance education background and attended a significant amount of microfinance specific trainings. He plays a key role in the definition of the strategy and orientations of the institution.
- The heads of Administration and of Finance Departments have been with the institution since 2001 and have gradually grown to their current positions.
- The Credit Manager has also been with JMCC since 2001 and was formerly its MIS Manager. He has been promoted to his current position since the beginning of 2005 and is currently being coached by the ED so that he can take full ownership of his new responsibilities.

[6]At the time of the mission, the "acting" Credit Manager was temporarily cumulating MIS and Operations Management positions and powers which did not allow for a healthy segregation of duties.

- The new MIS Manager has been the database administrator at JMCC for six months which gave him the time to be trained on the specificities of the MIS.

All management staff have received a significant amount of trainings thanks to AMIR technical assistance program, but will need to reinforce certain technical skills (product design, financial analysis, liquidity management, financial projections, operational planning) in order to manage the growth and the increased complexity of the institution's operations and capital structure.

The Management team meets with Branch Managers on a monthly basis to discuss operational issues which gives all team members a good understanding and exchange of information on the operations.

Human Resource Management
Human Resources (HR) tasks (recruitment, training, evaluation) are organized by a personnel committee that includes all the members of the management team and adequately replaces the HR Manager that JMCC does not yet need given its current size. The personnel administration is professionally taken care of by the Administration Department with clear procedures.

HR procedures greatly foster efficiency:

- Staff performance is regularly assessed (monthly for LOs via the bonus system, annually for all staff).
- Trainee LOs are adequately introduced to the procedures and techniques via a coaching by senior LOs and are hired as full-time staff only if their performance during that probation and training period have been satisfactory.
- Training needs are identified during the annual evaluations. These are however not compiled to create an annual training plan and the institution rather takes advantage of proposed trainings without being really proactive in this field.

The institution however failed so far to address the problem of its high turnover (57% in 2003, 37% in 2004[7]) that can only partially be explained by cultural factors[8]. The effect of some JMCC policies on staff motivation could be problematic:

- The frequent changes in the bonus system might make it difficult for LOs to forecast their benefits for the month to come or to build a strategy to maximize their bonus[9];
- Amounts deducted from salary in some cases of procedure violation are quite important when compared to the sanctioned actions and to the salaries.

	Dec. 2002	Dec. 2003	Dec. 2004
Total number of staff	33	40	70
Total number of staff (trainees excluded)	32	35	58
% Loan officers	56%	50%	49%
Turnover (trainees excluded)	15%	57%	37%

Information

Information and equipment is rated **« b »**

Description of the MIS	
Equipment	▪ Good level of equipment at HQ and in the branches (recent computers in sufficient number); paper forms are clear and well designed; ▪ VPN connection between HQ and the branches that allows for instant access to data.
Software	▪ Integrated system (Loan tracking, accounting and payroll) developed by Delta Informatics.
Data production process	▪ Centralized data entry for portfolio and accounting; information on repayments drawn from bank statements that can be accessed instantly via the Internet. ▪ Daily and monthly reconciliations with bank statements and portfolio data. ▪ Financial statements prepared each month with calculation of accruals, provisions, and depreciation; ▪ MIS can constantly provide updated Portfolio reports for all management team.

Management Information System (MIS) and Equipment
JMCC has good security measures: passwords are needed to sign in and define user rights; daily back-ups for the loan tracking and accounting systems are saved on two copies; paper documents are appropriately stored.

The integrated MIS developed for the four MFIs participating in the AMIR program, ensures an efficient processing of information and eases field staff work with a clear interface, real-time data available for all users (including branch staff) and efficient automation of loan documentation production (contracts, checks, guarantees). The efficiency of Jordanian banks information systems helps JMCC in this processing since information on client repayments made in the banks are instantly available via Internet and can thus be entered in JMCC MIS on the same day. Some features could however be improved:

- The system proves to be slow when it comes to information retrieval and report production which is due

[7] This ratio is computed in order to cancel the effect of JMCC hiring new staff as trainee, then dismissing the trainees to hire them again as permanent staff. The raw ratio was 100% in 2003 and 135% in 2004.

[8] It is common in the Arab world that MFIs struggle to keep their field staff. All six MFIs rated by Planet Rating in Egypt (ABA, DBACD, SBACD, ASBA) and Jordan (MFW, JMCC) have relatively high turnover rates. Three had turnover rates reaching 20-30% and the three other had turnover rates ranging from 6 to 14%. The reasons commonly offered for these rates are the very attractive salaries offered by firms in Gulf countries, the cultural preference for office jobs and the fact that some women quit their job after getting married.

[9] Parameters in the bonus system have changed on average three times a year for the past three years.

to the current server capacity; replacement of the server was planned for May 2005.
- Some important loan parameters can be changed by data entry staff (interest, duration) which requires a layer of manual checks by the accounting department.

The MIS Manager, formerly database administrator, has the necessary skills and rights to perform hardware maintenance, as well as some software developments. This provides JMCC with sufficient flexibility to improve the MIS and adapt it to the changing needs of the institution:
- Initiatives have been taken to put online the loan validation process in order to accompany the decentralization process.
- Modules have been created to alleviate the administrative burden (attendance sheet, cash payments follow up, etc.).
- The current Oracle database can handle future growth of the portfolio, especially after the installation of the new server.

Information on activities
Portfolio information is accurate and up-to-date as the MIS produces all the reports and documents needed to manage the portfolio and monitor LO performance with a link to bonus calculation. Portfolio performance is thoroughly discussed during monthly meetings that gather all Branch Managers with the management team. All relevant staff has an immediate access to up-to-date information.

The MIS is however not used to its full potential to produce reports by branch or by product that could help analyze in more detail the portfolio performance.

JMCC has access to overall market data in large part through the USAID/AMIR program, which funded several market studies, the latest in 2002. The MFI has done its own market assessment in 2004 and has a good estimate of client preferences in terms of installment amounts and loan duration.

Financial and accounting information
The monthly financial statements provide accurate and up-to-date information: the accounting process is very well organized and the centralized information production process includes all relevant checks (with bank statements, credit committee decisions, portfolio information) to ensure the reliability of data; manual checks are even performed on the consistency of portfolio and accounting data that is normally already ensured by the integration of both systems.

The MIS produces standard performance reports including classic ratios and comparison with budgets, that are refined and verified by the Finance Manager to produce the reports required by the current donors (AMIR, NHF, DEF). The analysis of the performance could however be more systematic and formalized and more sophistication would also be needed in the analysis of performance by product or by branch, given the range of products and its variety in terms of costs and yields.

▪ Risk

Risk Management is rated **« a »**

Procedures and internal controls
Good and efficient procedures are in place, known by all staff and have been compiled in manuals with the help of external consultants:
- The procedures, that include a healthy separation of tasks, cross-checks and limitations of authority, are enforced by a tight hierarchical control, reinforced by cuts on salaries in case of procedures violations.
- The efficient information system allows for systematic control of performances.
- The frequent rotation of field staff[10] limits the risks of fraud.
- Cash handling is very limited (disbursements are made by checks; clients go to banks for repayments) and procedures have been put in place to efficiently limit the risks related to the relatively rare cases of cash payments.

As the institution grows, it will be important to review regularly the trade-off between control and efficiency to make sure that all controls are necessary to ensure a reasonable level of control as well as a good efficiency of the structure.

Internal audit
JMCC chose not to create an internal audit department but to subcontract the related tasks to an external audit firm[11] that reports directly to the Board. This provides JMCC with an efficient and independent verification of the application of the procedures as consultants use a proven audit methodology, are very knowledgeable about financial institutions risks and dedicate a sufficient amount of time to the institution (the time allocated to JMCC can be evaluated to be one full-time staff)[12].

The auditors started work in September 2004 and are still refining their work procedures. Their initial focus has been

[10] LO or branch manager rarely stay more than one year in the same branch.

[11] Talal Abu-Ghazaleh is a renowned professional services firm with a presence in most countries of the Arab world. One of the executives of this firm is a board member at JMCC. The firm has been appointed through a transparent call for proposal.

[12] The consultant that is specifically dedicated to JMCC spends two to three days per week in the institution; he might be assisted by other consultants for some field visits.

on the financial audit and is being gradually shifted to more branch visits and fields checks, according to the work plan. The methodology for these field audits is not yet stabilized as auditors need time to fully identify microfinance specific (field related) risks: field visits already include interesting checks but need to be more systematic, done according to a preset plan and be more documented. The auditors' skills and independence positioning vis-a-vis management, will allow to develop a real audit of the HQ functions.

The auditors' bi-monthly reports include a summary of their key findings as well as recommendations for procedure improvements. They are sent to the ED for comments and to the Board of Directors. Board members will need to put in place a follow-up on proposed improvements.

▪ Activities

Activities: products and services is rated **« a »**

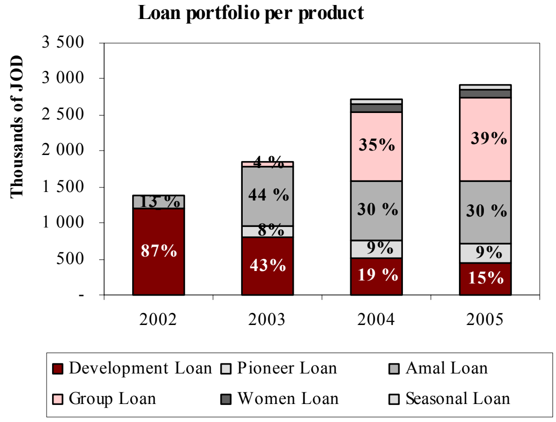
Marketing and competition
Although in the past the four USAID/AMIR participating MFIs served relatively different market segments based on either geography or target group, they are adopting strategies that put them in more direct competition with each other. JMCC's market presence was from 2000 to 2002 focused exclusively on SME clients but since 2002 has been aggressively expanding to include low-income women entrepreneurs, a market segment that was formerly essentially served by MFW. MFW in turn started in 2004 to diversify its target clientele and serve male clients.

In this context, JMCC efficient loan processing procedures and wide product range represent a significant competitive advantage for the institution. The institution has also shown its flexibility to design loan product that meet either SME or lower-end clients preferences. JMCC has chosen to be highly reactive to client and LO feedback, with very frequent changes[13] in the loans conditions (amount, duration and interest rate) that are usually implemented directly in the entire network without first testing on a limited scale. Even though this has not proven to be a problem so far, these fast changing schemes do not allow JMCC to measure the impact or effectiveness of each of the new configuration nor quantify the costs additional efforts/resources from MIS, accounting and LOs.

Credit methodology
JMCC has an appropriate lending methodology which is illustrated by the excellent quality of the portfolio:

- Borrowers selection process is adequate. It is mainly based on reputation and evaluation of the household conditions for small loan amounts and includes an assessment of the business sustainability in the case of large individual loans. The latter is performed via interesting proxies (relationship with suppliers, number of clients in the shop, business growth).
- Procedures guarantee a very thorough follow-up, with at least one visit per client per month (coupons necessary to repay at the bank tellers are distributed to clients each month just before the repayment date).
- The follow-up on delinquent clients is immediate, efficient and eased by the real time data availability.

Loan officers generally have the necessary skills to manage the current product mix at JMCC. Due to the expansion and staff turnover, 60% of the loan officers have been in the institution for less than a year[14], which means higher training costs and slows the build-up of overall team expertise.



USD , unless otherwise stated	Dec. 2002	Dec. 2003	Dec. 2004	Mar. 2005
Loan portfolio	1,948,590	2,600,585	3,871,181	4,127,111
Loan portfolio (JOD)	1,383,499	1,846,415	2,709,827	2,930,249
Evolution	67.1%	33.5%	46.8%	8.1%
Average outstanding loan	1,617,649	2,204,765	3,133,391	3,951,849
Number of active borrowers	1,471	2,333	8,352	9,646
Evolution	12.5%	58.6%	258.0%	15.5%
Average outstand. loan /client	1,325	1,115	464	428
% of GDP per capita	73.3%	59.7%	23.4%	21.6%
Average amount disbursed	2,039	1,470	621	653
% of GDP per capita	112.8%	78.7%	31.4%	33%
PAR 31-365	1.7%	0.4%	0.1%	0.0%
PAR > 365	0.0%	0.8%	0.1%	0.1%
Write-off ratio	0.3%	0.2%	0.6%	0.0%

Evolution and composition of the loan portfolio
JMCC portfolio experienced a comfortable growth over the period (+67% in 2002, +36% in 2003, +46% in 2004) that has been driven by product diversification. All indicators illustrate the strategic shift towards the lower-end of the market initiated in 2002 with the launch of the Amal loan and confirmed in 2003 with the launch of Group loan and Woman loan: over the period (2002 to March 2005) total

[13] Eight times in the past two years for the Amal Loan.

[14] As of June 2005, 40% of staff had been with JMCC for less than six month and 60% for less than a year.

loan outstanding doubled, with an average loan outstanding per client divided by more than three and a number of clients multiplied by seven:

- Amal loan (individual loan of small amount on relatively long term) has developed rapidly through 2003 and now seems to have reached a stable level at approx. 800 K JOD in loan outstanding. It represents 30% of loan outstanding in March 2005.
- Group loan has been launched in September 2003 and has grown very rapidly to represent 39% of the loan portfolio as of March 2005.
- In the mean time, SME loans experienced a decrease in both relative and absolute terms (outstanding portfolio decreasing from 800 K JOD and 87% of the total in 2002 to 720 K JOD and 25% in March 2005). The parameters of the bonus system have been changed during this period to divert LO efforts from SME loans.

Quality of the portfolio

The current PAR31-365 of 0.1% and write-off ratio of 0.6% are far below the threshold of best practices accepted ratios and have followed a downward trend over the past three years due to the development of loans of smaller amounts. The whole of PAR31-365 and most of the write-off are concentrated in the Development Loan product (SME loan) whose indicators nevertheless remain very good: PAR of 0.3% in Dec. 2004 and write-off of 0.6%.

JMCC policy authorizes the postponing of repayments upon client request but this has only been used in exceptional cases and does not affect the quality of follow up.

Portfolio diversification

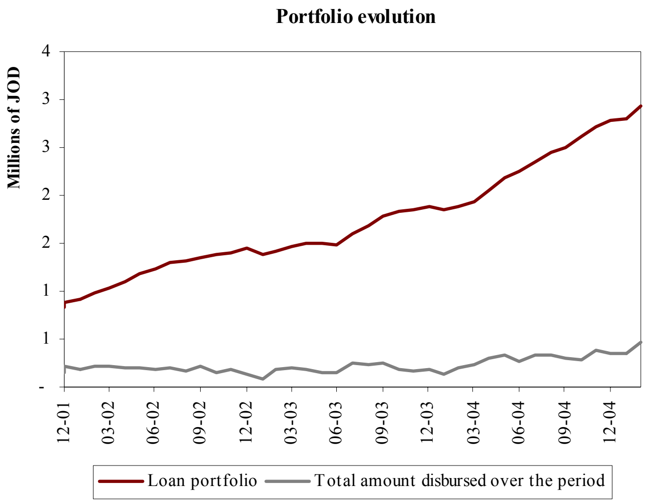
JMCC has not defined specific portfolio diversification policies or operational projections by product type. However it has defined targets with regards to the geographical distribution.

Area

The current portfolio is concentrated in the middle and northern parts of Jordan where approx. 80% of the population is concentrated. The institution refrained so far from going into remote rural and agricultural areas that experience harder economic and cultural conditions for MFIs. It is nevertheless planned to gradually develop activities in those areas.

Clients

The trend has been towards a reduction of the average loan per client (less than 500 USD per client in 2004) which spreads the credit risk over more and more clients. The maximum risk that can be taken on one person is with the Pioneer loan (7,200 JOD to 15,000 JOD) which currently represents 9% of the loan portfolio, each of this product's clients representing maximum 0.4% of the portfolio.



Credit risk coverage

Credit risk is adequately covered by provisions, with a risk coverage ratio consistently over 100%. The MFI shifted in 2003 from the practice of provisioning for 2% of the total loan portfolio, to a provisioning method based on the amount of the PAR.

A 0.5 to 2 JOD fee is also collected on each loan to feed the cooperative fund used to repay installments of client facing extreme difficulties (death, incapacity). This fund has however not been utilized so far.

All clients have to sign guarantee checks for the full loan amount and specific guarantees are required for each loan product, the type of guarantees being adapted to the specific target clientele and to the level of risk: group loans only require group solidarity, whereas individual loans require one or more guarantors[15], the number of guarantors varying according to their income and the loan amount. These guarantees are mostly used as dissuasive tool, since they are not easily enforceable. NHF also prefers JMCC to refrain as much as possible from filing cases against delinquent clients in order not to tarnish its image as an institution owned by Queen Noor. Some cases have however been filed in court when social pressure did not work.

	Dec. 2002	Dec. 2003	Dec. 2004
Risk coverage ratio	119.5%	104.1%	113.5%
PAR 31 net of loan loss provision / Equity	(0.4%)	(0.1%)	(0.0%)

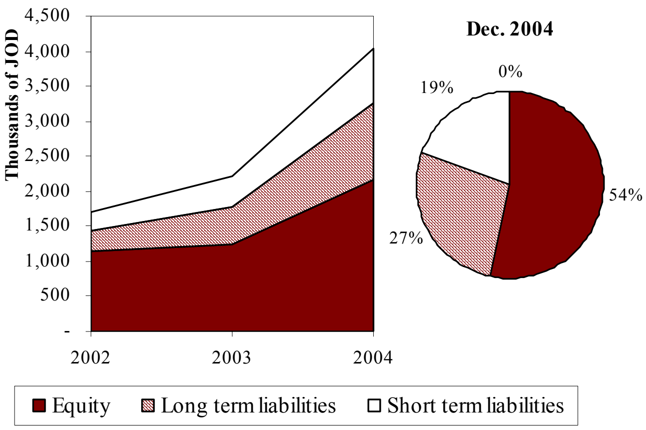
[15] Except for Woman loans for which no collaterals are required.

▪ Financing and liquidity

Financing and liquidity is rated « b »

Details on the funding sources are provided in appendix.

Funding structure



	Dec. 2002	Dec. 2003	Dec. 2004
Liabilities / Equity	47.8%	79.1%	87.5%

JMCC growth has so far been financed predominantly by equity or soft loans:

- The owners have contributed in total 30 K JOD in share capital.
- USAID/AMIR program has donated a total of 1,2 M JOD (1.7 M USD) for loan capital, fixed assets and operating subsidies between 1999 and 2004. The program is now terminated and will not provide additional grant funding.
- In 2002, JMCC used the WFF provided by USAID *(see presentation of the institution)* to guarantee a one-year commercial loan of 120,000 JOD, bearing a 7.25% interest rate. In June 2004, having reached the performance criteria set by USAID, JMCC has been given the right to withdraw this 1M USD WFF and use it for direct funding.
- The European Commission, Ministry of Planning and Development and Employment Fund (DEF) have provided soft loans for specific purposes (launch of Amal loan, Pioneer loan) with terms between 36 and 48 months and subsidized interest rates, for a total amount of 1.6 M JOD. These loans have been channeled through DEF.
- Positive retained earnings have accumulated since 2001 and have surpassed in 2004 the negative retained earnings of the first years of operations. They represent 4% of funding sources in 2004.

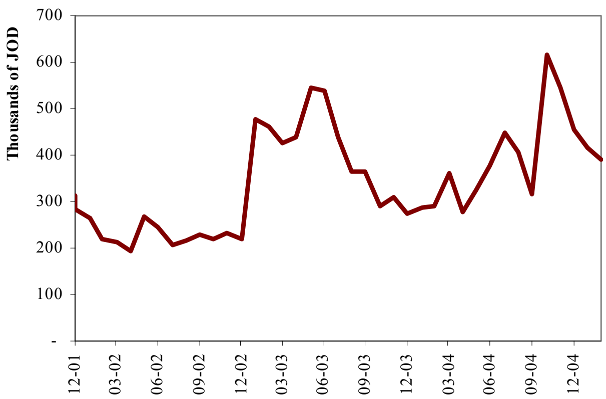
Financing Strategy

The current business plan well anticipated the need to diversify the sources of funding after the end of AMIR and DEF support. Despite important changes in the plan assumptions, the loan portfolio, expenses and revenues grew at the set pace and the plan adequately defined the timeline for loan negotiation. Contacts have already been taken for several months with potential funders in order to secure the resources needed by the end of 2005, once the 1 M USD (700 K JOD) of the WFF will have been fully used. JMCC does not have former experience in loan negotiations[16]. But will be able to leverage the extensive business and banking experience of Board Members in order to help with the first transactions.

Given the current funding structure that is 84% long-term and 100% in local currency, the institution does not face any risks of mismatch between its assets and liability structure.

Liquidity Management

Evolution of cash balance



JMCC has developed policies adapted to situations of excess liquidity that occurred in the past years (investment of in term deposits[17]), and has the necessary procedures to ensure that loans are only disbursed when the necessary liquidity is available. More sophisticated procedures will soon be needed when the institution accesses commercial sources of funding:

- Cash projections for several months are not formalized nor performed on a regular basis although all the necessary input data exist in the institution (budget, repayment forecasts, disbursements plans) which makes it difficult to take the optimal decisions in terms of liquidity management (maximal investment of current resources in the portfolio or adaptation of LOs targets to available funds).
- The current loan procedures, by which the fixed monthly disbursements dates occur a few days before the monthly fixed repayments dates do not optimize the use of liquidity.

[16] Except for the loan with Citibank in 2002.

[17] Given the amount of available cash upon WFF disbursement in September 2004, it has been invested in a nine-months term deposit that has matured in May 2005.

Efficiency and profitability

Efficiency and Profitability is rated « **a** »

Important note

In order to simplify its communication with clients, JMCC indicates that interests on loans are deducted upfront, repayments being considered to be 100% principal[18]. The accounting procedures follow the same scheme and register the interest "collected" upfront as a liability ("prepaid interest") and feed them into the income statement as actual repayments are collected. This has the effect of overestimating the loan outstanding and assets as well as the liabilities. It thus underestimates all ratios for which the numerator is the average outstanding loan portfolio or average assets[19].

In order to compare JMCC performance to that of other MFIs we have computed our ratio on corrected average loan portfolio and average assets[20]. Audited financial statements in appendix however show the original numbers and raw ratios can be found in appendix.

	Dec. 2002	Dec. 2003	Dec. 2004
ROE	4.3%	7.2%	10.1%
Liabilities / Equity	47.8%	79.1%	87.5%
ROA	3.8%	5.3%	6.7%
Profit generation			
Operational self-sufficiency	115.8%	124.7%	139.0%
Portfolio Yield	35.4%	33.6%	35.6%
Operating expense ratio	28.8%	26.8%	25.9%
Staff productivity	41	49	116
Loan officer productivity	74	97	239
Average outstanding loan per client (USD)	1,325	1,115	464
Funding expense ratio	1.0%	1.9%	1.0%
Cost of liabilities	6.0%	2.6%	1.8%
Loan Loss Provision expense ratio	1.5%	(0.2%)	(0.2%)
PAR 31-365	1.7%	0.4%	0.1%
Write-off ratio	0.3%	0.2%	0.6%
Asset management			
Outstanding Loan Portfolio / Assets	76.3%	78.2%	60.4%
Non-portfolio income as a % of financial revenues	1.4%	1.6%	1.9%

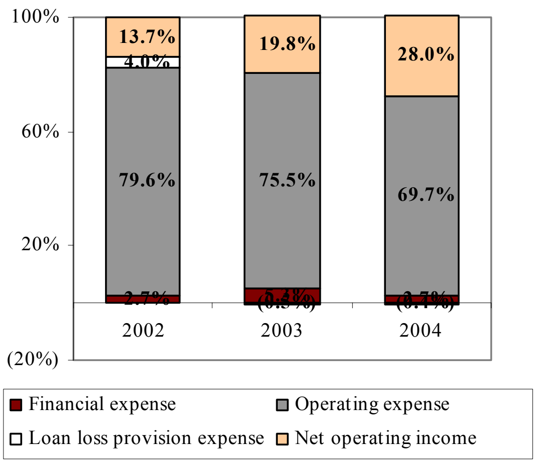
Overview of the profitability

JMCC has achieved operational sustainability since 2001, and this ratio constantly increased thus far, reaching a strong 139% in 2004. The ROA followed the same trend and grew from 3.8% in 2002 to 6.7% in 2004.

Portfolio yield and effective interest rate

Portfolio yield has been stable for the past three years at around 35%, despite the development of several loan products with a wide range of APRs (from 25.6% for Pioneer loan to 87% for 200 JOD Woman loan). The three most common loans (Development, Group and Amal) however have similar APRs at 38%, 35.8% and 29% respectively. This actual yield is somewhat in line with our estimation of the theoretical yield that is difficult to compute given the fact that JMCC often changes its loan conditions that impact APRs.

Cost structure in % of financial income



Operating expense ratio

Operating expense ratio has been slightly decreasing over the past three years (from 27,3% in 2002 to 25,9% in 2004) as the result of the following antagonist trends:

- The growth of outstanding portfolio (multiplied by two on the given period) allowed for economies of scale;
- The sharp decrease in average loan outstanding per client (divided by three over the period) put an upward pressure on the operating expense ratio; and
- The development of group loans naturally induced an increase in LO and staff productivity, that used to be very low (below 100 active clients per LO). The average caseload of 240 clients per loan officer now places JMCC in the classic range of MFI performances.

Funding expense ratio

JMCC having operated mainly on grants or subsidized funding, this ratio remains low over the period at around 1% to 2%.

Loan loss provision expense ratio

The loan loss provision expense is very low which is consistent with the excellent portfolio quality. The provisioning of 2% of the healthy portfolio until 2002 results in a rate of 1.4% in 2002, and negative ratios after this date since the reserve has been decreased to only cover for a portion of the PAR.

[18] For a 1,440 JOD loan bearing a 25% flat interest rate (360 JOD interest), JMCC will indicate that the loan amount is 1,800 JOD, on which 360 JOD (20% interest rate) is deducted upfront, the client cashing the 1,440 JOD.

[19] Portfolio yield, operating expense ratio, funding expense ratio, loan loss provision expense ratio, and adjusted version of these ratios. ROA, AROA.

[20] We deducted the average « prepaid interest » from the average loan portfolio or average assets.

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.

Asset management

JMCC shows a good but not optimal investment of the available resources in the portfolio with an average loan portfolio / assets ratio of 80%-85% over the period. Part of the 13% to 15% of assets that are kept in cash could have been invested to maximise the institution's profit. The very low asset utilization level of Dec 2004 (60%) is due to the fact that JMCC just received 1 M USD from USAID that could not be disbursed instantly. This amount has adequately been invested in short term deposits. JMCC has indeed regularly invested the excess liquidity received from donors in term investments which provided the MFI with an additional source of income that accounts for 1% to 2% of the financial revenue over the period.

Adjusted performance

Details concerning the specific adjustments are included in the annexes

Adjustments for cost of funds, inflation and in-kind donations have a significant impact on JMCC performance since the institution received, since inception and until 2004, a solid support in terms of funding resources and technical assistance: most funds for on-lending either bear 0% or subsidized interest rate (4%), trainings, capacity building, and MIS development were all entirely or partially subsidized. The adjustments for cost of funds and inflation account for the most important part of the adjustments (resp. 37% and 50%).

	Dec. 2002	Dec. 2003	Dec. 2004
Adjustment expense ratio	3.1%	6.6%	6.8%
AROE	1.6%	0.5%	3.5%
AROA	1.4%	0.3%	2.3%
Financial self-sufficiency	105.4%	101.3%	110.8%

Profitability outlook

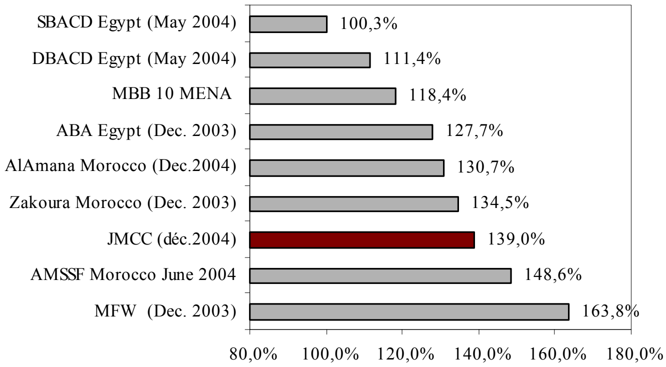
Profitability is not expected to rise in the coming years:

- Cost of funds is expected to increase from 2006 onward since portfolio growth will have to be financed with commercial funding after the termination of the USAID program in Jordan.
- Portfolio yield is expected to remain stable. A recent modification of loan conditions resulted in an important increase of the interest rate on Group loans (from 35.8% to 46%), but the yield is not expected to further increase since the Board is willing to stabilize or reduce interest rates now that a sufficient operational sustainability has been reached.
- A continued decrease of the average loan per client might make it difficult for JMCC to further lower its operating expense ratio, all the more that the development of a wider network of branches, covering the southern part of Jordan is likely to increase communication costs. The cost of training and capacity building will also be incurred by the institution since technical assistance has been stopped.

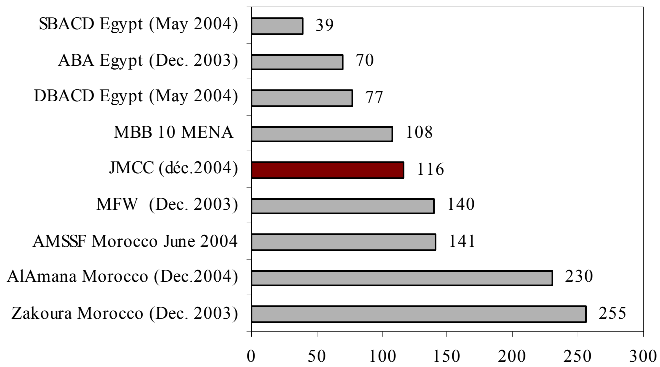
▪ Benchmarking

MBB classification	
Area	MENA
MBB peer group	Al Majmoua (Lebanon), ABA (Egypt), Al Amana (Morocco), FATEN (Palestine), MFW (Jordan)
Maturity	Young (6 years of operations)
Scale	Medium (portfolio outstanding: 4.1 M USD)
Outreach	Small to Medium (~ 10 000 borrowers)
Target clientele	Broad (average outstanding loan: 23% of GNI per cap.)

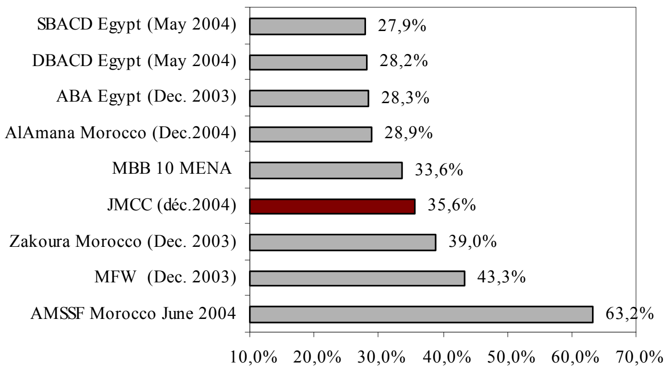
Operational self-sufficiency



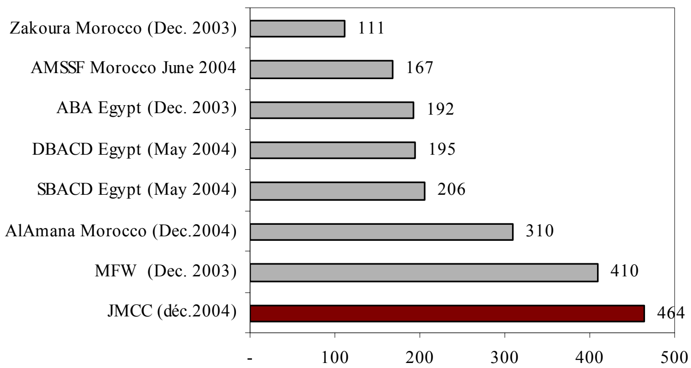
Staff productivity



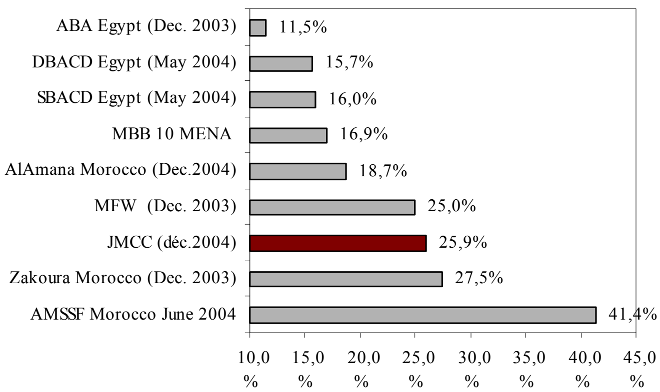
Portfolio Yield



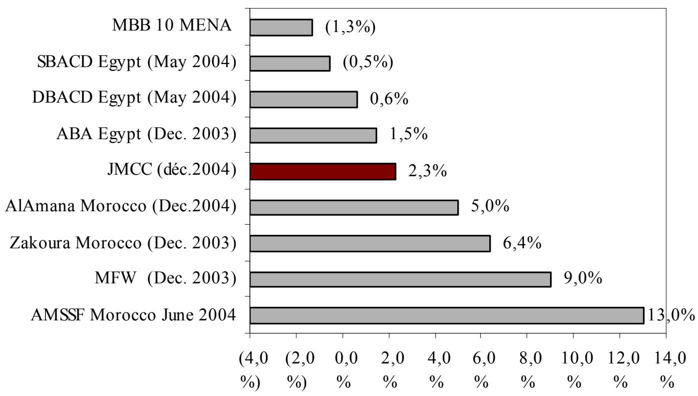
Average outstanding loan per client (USD)



Operating expense ratio



AROA



▪ Appendices

Formulas and ratios

- Personnel productivity: Active borrowers / Total personnel (end of period)
- Loan officer productivity: Active borrowers / Total Loan Officers (end of period)
- Return on assets ROA: Net operating income before donations / Average assets
- Adjusted return on assets: AROA: Adjusted net operating income before donations / Average assets
- Return on equity: ROE: Net operating income before donations / Average equity
- Adjusted return on equity: AROE: Adjusted net operating income before donations / Average equity
- Leverage: Debt (savings + debts) / equity (end of period)
- Portfolio yield: Portfolio revenue / 13-month average gross outstanding portfolio
- Operating expense ratio: Operating expense / 13-month average gross outstanding portfolio
- Funding expense ratio: Interest and fees paid on funding liabilities / 13-month average gross outstanding portfolio
- Cost of funds ratio: Interest and fees paid on funding liabilities / Average funding liabilities (deposits + borrowings)
- Loan loss expense ratio: Net loan loss expense / 13-month average gross outstanding portfolio
- Adjustment expense ratio: Total adjustments / 13-month average gross outstanding portfolio
- Net portfolio as a % of assets: Net outstanding portfolio / total assets (end of period)
- Operational self-sufficiency: Revenue from operations / (Financial expense + Loan loss expense + Operating expense)
- Financial self-sufficiency: Revenue from operations / (Financial expense + Loan loss expense + Operating expense + Adjustments)
- Risk coverage ratio: Loan loss reserves / Portfolio at risk (31-365 days)
- Write-off ratio: Loans written off / 13-month average gross outstanding portfolio

Notes to the financial statements

General notes to financial statements per CGAP Disclosure Guidelines

0 The MFI partially follows the CGAP disclosure guidelines.

1 The Financial Statements include a balance sheet, income statement, and accompanying notes.

2 The financial statements provided include 3 years of data, that have all been audited.

3 JMCC only offers microfinance services.

4 Portfolio reporting

4.1 Loan loss provision expense: expenses related to actual or anticipated loan losses are shown separately from other expenses in the income statement ("loan loss expense").

4.2 The loan loss reserve is shown as a negative asset in the balance sheet. It is calculated each month by the finance manager according to the methodology described in the table.

Provisioning methodology		
Provision	The provision is computed based on the aging portfolio report with the following % :	
	Less than 30 days past due	10,0%
	31 – 60 days past due	25,0%
	61 – 90 days past due	50,0%
	91 – 180 days	75,0%
	181 – 365 days	100,0%
Write-off	Late loans are written-off 180 days after their final due date.	

4.3 Loans are written off each month from the loan loss reserve and the loans outstanding.

4.4 The following table reconciles these movements:

	Dec. 2002	**Dec. 2003**	**Dec. 2004**
Loan loss reserve, January 1st	16 557	27 670	22 345
+ Loan loss provision expense for the year	14 301	2 745	2 174
- Provision reversal	-	4 771	3 785
- Loans written off during the year	3 188	3 300	13 595
Loan loss reserve, December 31st	**27 670**	**22 344**	**7 139**

4.5 Accrual vs. Cash accounting: the MFI accrues interests.

5 Portfolio quality

5.1 Indicators: Portfolio quality and the calculations of such are displayed in the tables in Section A and the calculations are based on standard portfolio at risk calculation of: (outstanding loan principal for loans in arrears over X days)/(total portfolio outstanding).

5.2 Renegotiation of loans: the MFI does not reschedule loans.

5.3 Insider loans: the MFI does allow employees to borrow funds. These amounts total 915 JOD in 2004. Loans to employees are formalized in a contract between the MFI and the employee that state the amount granted and repayment schedule. Loans repayments are automatically withdrawn from salary. This amount is not a material percent of the outstanding portfolio.

6 Donations

6.1 Revenue from donations is shown separately from income generated by operations in the income statement.

6.2 Donations since inception

Donor	Amount (JOD)
AMIR Program	1 970 018
Development and Employment Fund	6 161
PARQ - Research Agency	2 124
Mr. Ali Abdel Sattar- Qatari Artist	4 000

6.3 Donations accounting methodology: All grants are recorded in the income statement.

6.4 In-kind donations: Please refer to the Appendix on Adjustments for details on in-kind donations that Planet Rating has identified.

6.5 Cumulative amount of all prior period donations: see table above

7 Details of liabilities

7.1 All loans are listed in a table at the end of the report

7.2 Deposits: The MFI is not allowed to collect savings

8 Other significant Accounting Policies

8.1 Accrual or deferral income/expense accounting: the MFI accrues interests on loans

8.2 Depreciation of fixed assets: The depreciation of fixed assets on a flat basis using the following schedule: PC, Printers, Copiers (25%); Office equipment (15%); Office furniture (10%); Safe (2.5%)

8.3 Inflation accounting: none

8.4 Currency mismatch: please refer to the F area for more information on potential mismatch.

8.5 Accounting treatment of unrealized gains or losses due to foreign currency fluctuations: none.

Specific notes to the financial statements

Balance sheet

1. Prepaid expenses, refundable deposits, deferred expenses
2. Accounts receivable, employees advances, employees loans
3. Shares of the DEF EU loan that are to be reimbursed during the year to come
4. Accounts payable, revenues received in advance, allowance for vacations, accrued expenses

Income statement

5. Penalties and fees grouped together
6. Credit interest
7. Other revenues plus receivables from bad debits
8. Bank charges

9. Loss from sale of assets, previous year expenses (2003)
10. Salaries, social security, transportation, health insurance, allowance for vacations
11. Amortization / depreciation and loan loss provision expense for employee loans
12. Legal and auditors fees
13. Training, marketing, insurance, others, travel expenses, communication, computer upgrade
14. Training income plus employees penalties

Adjustments

Data in JOD	Dec. 2002	Dec. 2003	Dec. 2004
Adjustment for the cost of funds = (a*b)-c	**645**	**16,007**	**41,037**
Average amount of borrowings (a)	141,544	408,143	867,864
Shadow price of borrowings (b)	6.5%	6.5%	6.5%
Interest expense on borrowings (c)	8,555	10,522	15,374
Adjustment for inflation = (d-e)*f	**19,016**	**39,824**	**55,845**
Avg. Equity (d)	1,120,535	1,191,297	1,695,262
Average fixed assets (e)	64,107	53,459	52,768
Inflation rate (f)	1.8%	3.5%	3.4%
Adjustment for in-kind donations	**10,200**	**4,400**	**6,914**
Staff and technical assistance			
Other	10,200	4,400	6,914
Adjustments for provisions	**-**	**19,826**	**7,899**
Loan losses	-	19,826	7,899
Other risks			
Other adjustments			
Total adjustments	**29,861**	**80,058**	**111,695**
Net income before donations	47,799	85,478	171,540
Adjusted net income before donations	17,938	5,420	59,845
Adjusted net income before donations (USD)	**25,265**	**7,634**	**85,493**

Board members

Name	Position on Board	Current position	Date elected to Board
H.E Sharif Shaker Bin Zaid	Chairman	Businessman and a Royal Family Member	2003
Mr. Amer Salti	Deputy Chairman	Advisor of the General Manager of Bank of Jordan	1999
Mrs. Hana Shahin	Member	Executive Director of Noor Al-Hussein Foundation	2001
H.E Rateb Wazani	Member	former Minister of Legal Affairs	2001
Mr.Emad Ayyoub	Member	Executive Director of Cybera Internet Company	2003
H.E Sharif Zu`bi	Member	Minister of Industry and Trade	2003
Mr. Mustafa Naser Eddin	Member	Executive Director of Tala Abu Ghazaleh	2003

Ratios computed on average loan portfolio and average assets without corrections

Ratios computed without the adjustment made by Planet Rating to eliminate the overestimation of loan portfolio outstanding induced by JMCC accounting procedures. See E section.

Profitability analysis	Dec. 2002	Dec. 2003	Dec. 2004
ROE	4.3%	7.2%	10.1%
Liabilities / Equity	47.8%	79.1%	87.5%
ROA	3.3%	4.4%	5.5%
Profit generation			
Operational self-sufficiency	115.8%	124.7%	139.0%
Portfolio Yield	29.8%	26.2%	26.7%
Operating expense ratio	24.2%	20.8%	19.4%
Staff productivity	45	58	119
Loan officer productivity	74	97	239
Average outstanding loan per client (USD)	1,325	1,115	464
Funding expense ratio	0.8%	1.5%	0.7%
Cost of liabilities	6.0%	2.6%	1.8%
Loan Loss Provision expense ratio	1.2%	(0.1%)	(0.1%)
PAR 31-365	1.7%	0.4%	0.1%
Write-off ratio	0.3%	0.2%	0.6%
Asset management			
Outstanding Loan Portfolio / Assets	80.0%	82.4%	66.9%
Non-portfolio income as a % of financial revenues	1.4%	1.6%	1.9%
Adjusted ratios			
Adjustment expense ratio	2.6%	5.1%	5.1%
AROE	1.6%	0.5%	3.5%
AROA	1.2%	0.3%	1.9%
Financial self-sufficiency	105.4%	101.3%	110.8%
Adjusted operating expense ratio	25.1%	21.1%	19.8%
Adjusted funding expense ratio	2.5%	5.0%	5.2%
Adjusted loan loss provision expense ratio	1.2%	1.1%	0.2%

JMCC Balance sheet	Notes	JOD Dec. 2002	Dec. 2003	Dec. 2004	USD Dec. 2002	Dec. 2003	Dec. 2004	Evolution 2003/2002	2004/2003
ASSETS		**1,695,743**	**2,212,803**	**4,040,714**	**2,388,370**	**3,116,624**	**5,772,449**	**30.5%**	**82.6%**
Short Term Assets		**1,435,065**	**1,684,399**	**3,552,549**	**2,021,218**	**2,372,393**	**5,075,070**	**17.4%**	**110.9%**
Cash and Due from Banks		231,567	311,382	547,340	326,151	438,566	781,914	34.5%	75.8%
Short Term Investments	1	27,607	15,090	727,799	38,883	21,254	1,039,713	(45.3%)	4,723.1%
Short Term Net Loan Portfolio		1,153,470	1,344,265	2,271,460	1,624,606	1,893,331	3,244,943	16.5%	69.0%
Short Term Gross Loan Portfolio		1,181,140	1,366,610	2,278,598	1,663,577	1,924,803	3,255,140	15.7%	66.7%
(Loan Loss Reserve)		27,670	22,345	7,138	38,972	31,472	10,197	(19.2%)	(68.1%)
Interest Receivable		-	-	-	-	-	-	-	-
On loan portfolio		-	-	-	-	-	-	-	-
On investments		-	-	-	-	-	-	-	-
Accounts receivable and other assets	2	22,421	13,662	5,950	31,579	19,242	8,500	(39.1%)	(56.4%)
Long term assets		**260,678**	**528,404**	**488,165**	**367,152**	**744,231**	**697,379**	**102.7%**	**(7.6%)**
Long Term Net Investments		-	-	-	-	-	-	-	-
Long Term Gross Loan Portfolio		202,359	479,805	431,229	285,013	675,782	616,041	137.1%	(10.1%)
Net Fixed Assets		58,319	48,599	56,936	82,139	68,449	81,337	(16.7%)	17.2%
Other Long Term Assets		-	-	-	-	-	-	-	-
LIABILITIES AND EQUITY		**1,695,743**	**2,212,803**	**4,040,714**	**2,388,370**	**3,116,624**	**5,772,449**	**30.5%**	**82.6%**
Liabilities		**548,336**	**977,617**	**1,885,376**	**772,304**	**1,376,925**	**2,693,394**	**78.3%**	**92.9%**
Short term liabilities		265,248	444,420	782,846	373,589	625,944	1,118,351	67.5%	76.2%
Demand Deposits		-	-	-	-	-	-	-	-
Compulsory Deposits		-	-	-	-	-	-	-	-
Short Term Time Deposits		-	-	-	-	-	-	-	-
Short Term Borrowings	3	-	-	100,000	-	-	142,857	-	-
Interest payable		-	-	-	-	-	-	-	-
Accounts Payable and Other Short Term Liabilities	4	265,248	444,420	682,846	373,589	625,944	975,494	67.5%	53.6%
Long term liabilities		283,088	533,197	1,102,530	398,715	750,982	1,575,043	88.4%	106.8%
Long Term Time Deposits		-	-	-	-	-	-	-	-
Long Term Borrowings		283,088	533,197	1,102,530	398,715	750,982	1,575,043	88.4%	106.8%
Other Long Term Liabilities		-	-	-	-	-	-	-	-
Equity		**1,147,407**	**1,235,186**	**2,155,338**	**1,616,066**	**1,739,699**	**3,079,054**	**7.7%**	**74.5%**
Paid-In Capital		30,000	30,000	30,000	42,254	42,254	42,857	0.0%	0.0%
Donated equity		1,226,618	1,228,919	1,977,531	1,727,631	1,730,872	2,825,044	0.2%	60.9%
Retained earnings without donations and reserves		(109,211)	(23,733)	147,807	(153,818)	(33,427)	211,153	(78.3%)	(722.8%)
Current year		47,799	85,478	171,540	67,323	120,392	245,057	78.8%	100.7%
Other equity accounts					-	-	-	-	-

JMCC		JOD						Evolution	
Income Statement	**Notes**	**Dec. 2002**	**Dec. 2003**	**Dec. 2004**	**Dec. 2002**	**Dec. 2003**	**Dec. 2004**	**2003/2002**	**2004/2003**
Financial Revenue (a)		**349,472**	**432,041**	**611,633**	**492,214**	**608,508**	**873,761**	**23.6%**	**41.6%**
Financial Revenue from Loan Portfolio		341,882	409,811	586,226	481,524	577,199	837,466	19.9%	43.0%
Interest on Loan Portfolio		311,134	377,253	539,341	438,217	531,342	770,487	21.3%	43.0%
Fees and Commissions on Loan Portfolio	1	30,748	32,558	46,885	43,307	45,856	66,979	5.9%	44.0%
Penalty Revenue on Loan Portfolio		-	-	-	-	-	-	-	-
Financial Revenue from Investments	2	4,819	6,741	11,884	6,787	9,494	16,977	39.9%	76.3%
Other Operating Revenue	3	2,771	15,489	13,523	3,903	21,815	19,319	459.0%	(12.7%)
Financial Expense (b)		**9,587**	**22,775**	**16,406**	**13,503**	**32,077**	**23,437**	**137.6%**	**(28.0%)**
Interest paid on borrowings		8,555	10,522	15,374	12,049	14,820	21,963	23.0%	46.1%
Interest paid on deposits	4	732	1,440	838	1,031	2,028	1,197	96.7%	(41.8%)
Net Inflation Adjustment Expense		-	-	-					
Other Financial Expenses	5	300	10,813	194	423	15,230	277	3,504.3%	(98.2%)
Financial income [c=a-b]		**339,885**	**409,266**	**595,227**	**478,711**	**576,431**	**850,324**	**20.4%**	**45.4%**
Net Loan Loss provision expense (d)		**14,011**	**(2,326)**	**(2,641)**	**19,734**	**(3,276)**	**(3,773)**	**(116.6%)**	**13.5%**
Loan loss provision expense and write-off		14,301	(2,026)	(1,611)	20,142	(2,854)	(2,301)	(114.2%)	(20.5%)
Recovery from Loans written off		290	300	1,030	408	423	1,471	3.4%	243.3%
Operating expense (e)		**278,075**	**326,114**	**426,328**	**391,655**	**459,315**	**609,040**	**17.3%**	**30.7%**
Personnel Expense (includes fringe)	6	198,910	213,384	294,223	280,155	300,541	420,319	7.3%	37.9%
Administrative Expense (non-staff operating expenses)		79,165	112,730	132,105	111,500	158,775	188,721	42.4%	17.2%
Depreciation and amortization	7	16,135	15,264	19,421	22,725	21,499	27,744	(5.4%)	27.2%
Consulting fees	8	11,522	13,041	11,663	16,228	18,368	16,661	13.2%	(10.6%)
Rents/utilities/equipment/office supplies		32,824	39,204	58,382	46,231	55,217	83,403	19.4%	48.9%
Others	9	18,684	45,221	42,639	26,315	63,692	60,913	142.0%	(5.7%)
Net Operating Income Before Taxes and Donations [f=c-d-e]		**47,799**	**85,478**	**171,540**	**67,323**	**120,392**	**245,057**	**78.8%**	**100.7%**
Income Taxes (g)					-	-	-	-	-
Net Operating Income Before Donations [h=f-g]		**47,799**	**85,478**	**171,540**	**67,323**	**120,392**	**245,057**	**78.8%**	**100.7%**
Non Operating Revenue (i)	10	-	-	-				-	-
Non Operating Expense (including related taxes) (j)		-	-	-	-	-	-	-	-
Net Income Before Donations [k=h+i-j]		**47,799**	**85,478**	**171,540**	**67,323**	**120,392**	**245,057**	**78.8%**	**100.7%**
Donations (l)		-	2,301	748,612	-	3,241	1,069,446	-	32,434 %
Net Income (after Taxes and Donations) [m=k+l]		**47,799**	**87,779**	**920,152**	**67,323**	**123,632**	**1,314,503**	**83.6%**	**948.3%**

Description of loan products

Name of the product	Existing Businesses Loans	Amal Loan	Pioneer Loan	Women Loans	Group Loan	Seasonal Loans
Authorize loan size (minimum and maximum)	JD 1200 - JD 7200	JD 400 - JD 900	JD 7200 - JD 15000	JD 140 - JD 200	JD 600 - JD 1800	JD 120 - JD 240
Nominal annualized interest rate	1.25 % Monthly, flat	flat	1% Monthly, flat	19 % - 28% on the period of the loan, flat	20 %, flat	24% per year, flat
Average disbursed loan size	JD 2160	JD 681	JD 10995	JD 143	JD 1326	JD 209
Authorized loan length (minimum and maximum)	1 - 24 Installments	20 Installments	1 - 30 Installments	07 - 10 Installments	15 Installments	12 Months
Average loan length	17 Months	20 Months	17 Months	07 Months	12 Months	12 Months
Grace period	2 Months	4 Months	6 Months (Not applied)	0	0	0
Collateral requirements and other conditions	Co-signers, in few cases title on car	Co-signers	Co-signers, in few cases title on car	No collaterals	Solidarity Group Guarantee	No collaterals
Repayment Schedule (ex. weekly, monthly)	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Fees and penalties	fees (JD 10), Daily penalty (JD 5)	fees (JD 6), Daily penalty (JD 5)	fees (JD 10 + 1% total amount), Daily penalty (JD 5)	fees (JD 1 - JD 4), Daily penalty (JD 5)	fees (JD 1 per Member), Daily penalty (JD 2 per Member)	fees (JD 1), Daily penalty (JD 5)
APR	38.6%	27.9%	25.6%	73% to 87% depending on the duration	35.8% (46.6% since May 2005)	55%

Financing sources

Borrowings						**Dec. 2004**
Loan provider	**Disbursement date**	**Interest rate**	**Duration**	**Initial amount (JOD)**	**Initial amount (USD)**	**Outstanding amount (JOD)**
Development and Employment Fund (DEF)	Feb 2002	4.0%	36 months plus 4 months grace period	266,450	375,282	1,238
European Community- via DEF	Feb 2003	0.0%	48 months and 24 months grace period	400,000	563,380	400,000
Ministry of Planning- via DEF	Oct. 2003 to Oct. 2004	4.0%	36 months / 6 month grace period	933,910	1,315,366	801,293
CitiBank	Jun 2002	7.3%	12 months	120,000	169,014	-
TOTAL						1,202,530

Organizational chart