

Jordan Micro Credit Company, Jordan

Jordan Micro Credit Company (JMCC), also known as Tamweelcom, was created in 1999 by Noor Al-Hussein Foundation (NHF) and received 1.7 M USD of start-up 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 2007, JMCC was operating through a network of 11 branches in urban areas throughout Jordan, providing individual and group loans to 19,073 clients, with an outstanding loan portfolio of 8.4 M USD.

GIRAFE Rating

Rating

A-

Outlook

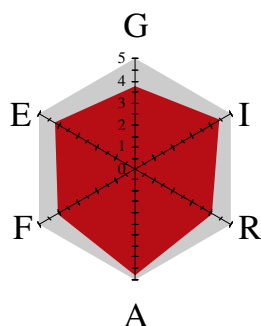
Positive

Date of the rating

March 2007

Valid until February 2008

Performance composition



Governance – Information – Risk
Activities – Funding – Efficiency

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Rating highlights

- 2006 was a breakthrough year because JMCC capable new managers helped expand the loan portfolio by 66.6% and prepare ambitious plans for the future.
- JMCC remains profitable with consistently solid returns (ROA= 5.5% in 2004, and 2005, and 5.7% in 2006) and highly capitalization (leverage of 0.9x in 2004 and 2005, and 1.4x in 2006).
- In 2006, JMCC decreased its interest rates (Portfolio Yield dropped from 30.3% to 27.6%) and streamlined its product range, increasing its efficiency (Operational Expenses/Avg. Portfolio decreased from 22.1% to 17.6%) and effectively improving its market position without sacrificing financial returns.
- JMCC maintains one of the most stringent loan approval and follow-up systems in microfinance that helps it keep impeccable portfolio quality (PAR > 30 improved from 0.1% to 0.04% in 2006).
- Human Resource management improved in 2006, decreasing turnover although a few important positions (Finance Manager, HR Manager) still remain vacant.
- The audit function still needs to be strengthened with a greater number of visits to clients.

Outlook

- JMCC is expected to maintain its high profitability, underpinned by excellent portfolio quality in the next two years.
- JMCC's market is increasingly competitive but there is still room for growth. Its growth rate, however, will likely not be as high in 2007 as it was in 2006.

Performance indicators

In USD	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006
Assets	2,388,370	3,116,624	5,772,449	6,548,061	9,266,623
Growth (%)	41.3%	30.5%	82.6%	15.1%	41.5%
Loan portfolio	1,948,590	2,600,585	3,565,323	4,884,952	8,140,532
Growth (%)	67.1%	33.5%	35.2%	39.0%	66.6%
Active borrowers	1,471	2,333	8,352	10,581	17,729
Staff	33	40	63	78	99
ROE (%)	4.3%	7.2%	10.1%	10.3%	12.2%
ROA (%)	3.3%	4.4%	5.5%	5.5%	5.7%
Liabilities / Equity	0.48x	0.79x	0.87x	0.90x	1.37x
Portfolio Yield (%)	30.9%	25.4%	27.0%	30.3%	27.6%
Operating expense ratio (%)	25.1%	20.2%	19.6%	22.2%	17.6%
PAR 31-365 (%)	1.7%	0.4%	0.1%	0.1%	0.0%
PAR > 365 (%)	0.0%	0.8%	0.1%	0.0%	0.0%
Write-off ratio (%)	0.3%	0.2%	0.6%	0.2%	0.1%

Microfinance sector

The microfinance sector in Jordan 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 supported microfinance and other services for small businesses by providing financing, technical assistance, and advocacy as well as engaging in broader economic development activities. The initial program, started in 1998 and renewed in 2002 and 2004, ended in 2006. The approved budget for the program over the years exceeded 70 million USD, with over 10 million USD allocated specifically to micro-entrepreneur support¹. USAID has launched a new program called Sustainable Achievement of Business Expansion and Quality (SABEQ), but its microfinance component solely 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 four MFIs² funded by the USAID/AMIR program all began operations in the mid-to-late 1990s. As of December 2006, these four providers were serving 50,915 clients for an outstanding portfolio of 19 M JD (26.8 M USD). According to CGAP, the four AMIR-funded and sustainability-oriented microlenders had disbursed over 110,000 loans totalling more than 45 M JD (64 M USD) as of December 31st, 2004. Other sustainability-oriented loan providers include the United Nations Relief and Works Agency (UNRWA), who works with Palestinian refugees, and the private banking sector, who has been making consumer loans increasingly accessible to those with a salary.

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. Funded by the Jordanian government, KfW and the EU, the Development and Employment Fund (DEF) was created in 1991, with a vocation of providing microfinance for poverty alleviation: it currently provides loans at rates substantially lower than other MFIs. To avoid market distortion³, the 2005 National Strategy for Microfinance⁴ 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, in 2007, it remains unclear whether it will truly stop all direct lending and act as an Apex institution. 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 institutions: their total portfolio was estimated at 64 M JD in 2001, albeit this figure includes many loans long overdue and never written off⁵.

The National Microfinance Bank (NMB), a government initiative funded by AGFUND⁶ and also known as the “Bank for the Poor”, was launched in March 2006. This institution is promoted as another “sustainable lender” offering loans ranging from 200 JD (300 USD) to 15,000 JD (21,000 USD). NMB currently serves over 10,000 clients, and plans on reaching 50,000 clients by 2010. It has stated the ambition of becoming number one, thus introducing tremendous competition on the market. When initially passed, the authorizing law for NMB also provided numerous tax exemptions, since extended to all MFIs.

MFI As of Dec. 2006	Portfolio in USD	%	Number of clients	%
DEF	37,398,564	50%	14,476	19%
MFW	8,750,259	12%	26,822	34%
JMCC	8,140,532	11%	17,729	23%
MEMCO	7,974,254	11%	5,825	7%
NMB	7,633,042	10%	9,048	12%
AMC	3,913,008	5%	2,685	3%
UNRWA (Jordan)	1,029,644	1%	1,400	2%
Total	74,839,303	100%	75,839	100%

DEF Dec. 2005, MEMCO Sept. 2006, UNRWA Feb. 2006

The total microfinance sector in Jordan was estimated at around 150,000 potential clients⁷ before the Iraqi war: since then, immigrants' influx could have raised the number of potential clients up to 250,000.

Legal and regulatory environment

Although publicly microfinance is a concept that receives government support, Jordan's regulatory environment does not explicitly recognize the industry. 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. 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

¹ 2005 figures.

² JMCC, MFW (WWB affiliate), MEMCO (CHF affiliate), and AMC.

³ DEF has not received any external funding since 2004 and claims it does not subsidize loans.

⁴ 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”.

⁵ “Microfinance/Microenterprise Assessment” April 2001, Graham Perrett.

⁶ Arab Gulf program For United Nations Development Organizations.

⁷ 2002 AMIR estimates.

MFIs. Among the current constraints enumerated in a 2003 study by AMIR program⁸, the most significant are:

- A legal structure (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 30th, 2004;
- The lack of a Credit Bureau, still waiting for official authorization although talks have been going on for years. Current efforts concentrate on creating an Information Sharing Center.

Political & economic environment

Jordan is classified as a middle-income developing country with a 2006 per capita income of 2,530 USD according to the International Monetary Fund. 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. But Jordan has benefited from 210 MEUR of financial assistance granted by the European Commission in order to moderate the negative effects of the war. International aid flow, a rise in exports, shrinking external debt, and accelerated structural reform present a favourable economic outlook in the short term.
- Jordan's economy experienced strong recovery in 2004: GDP per capita has been growing at around 9% since. 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 86 (out of 177 countries) in the UNDP 2006 Human Development Report and the population below the national poverty line is estimated at 12%.
- 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 labour force grew from 15% in 1980 to 27% in 2004, but still remains low.

Economic growth is notably due to dynamic domestic consumption and sharply higher foreign investment inflows. The country has benefited from its role as rear base to Iraq

⁸ "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.

and an influx of regional capital. In that context, most economic sectors (manufacturing, construction, transport, and communication) posted good performance. Surging oil prices in conjunction with the decline of grants from the international community caused a sharp deterioration of external accounts, however, accompanied by increased fuel subsidies that widened the fiscal deficit. Although greater fiscal discipline and particularly the elimination of fuel subsidies by March 2007 should allow Jordan to contain the public sector deficit, those measures will undermine private consumption, which has been the main economic driver.

External accounts continue to be vulnerable to a possible crisis of confidence that would make the JD/USD peg unsustainable. The country should nonetheless be able to count on international aid to avert a major crisis. By virtue of its geographic position and population mix (with mostly Palestinian origins), the political and economic scene has been very sensitive to regional geopolitical tensions. Although Jordan's political stability should not be in jeopardy, the success of Islamist parties in neighbouring countries could encourage the Islamic Action Front to organise itself politically with legislative elections scheduled in 2007.

COFACE Country Rating: B (uncertain to negative trend)

USD millions	2003	2004	2005	2006
Economic growth (%)	4.1	8.4	7.2	5.0
Inflation (%)	1.6	3.4	3.5	6.9
Public sector balance (%GDP) (*)	-12.7	-12.5	-10.7	-8.0
Exports	3,100	3,900	4,300	4,600
Imports	5,100	7,300	9,200	9,800
Trade balance	-2,000	-3,400	-5,000	-5,200
Current account balance (%GDP)	-2.2	-11.7	-24.5	-20.9
Foreign debt (%GDP)	84.1	72.0	65.7	61.1
Debt service (%Exports)	15.8	13.7	9.4	8.6
Foreign exchange reserves (import months)	8.0	5.9	4.6	4.1

Source: COFACE's Country Risk Ratings Guidebook 2006. 2005 data is estimated and 2006 forecasted. (*) Excluding grants.

Disclosure Statement: Data is provided with authorization from COFACE - a shareholder of Planet Rating.

Institutional presentation

Legal form, supervision and audit

JMCC was registered with the Ministry of Industry and Trade in 1999, as a non-profit Limited Liability Company. There are no plans to change the legal status in the short or medium terms.

As a non-profit, JMCC is not supervised. "Hawit, Fasheh and Co", Jordanian certified public accountants and JMCC's

external auditors, have certified JMCC's accounts for the last three years without any qualifications. JMCC won the CGAP Transparency Award based on its 2006 statements.

Ownership

The Noor Al-Hussein Foundation (NHF) holds 100% of the shares of the institution and appoints the Board members. JMCC is not allowed to distribute dividends to shareholders.

The board composition is notably stable and diverse: five of its six members have participated since 2003 or before. The Chairman of the Board, H.E Sharif Shaker Bin Zaid, is an experienced Jordanian businessman. The board also includes representatives from the finance and business communities, the NHF, a microfinance consultancy and a former Minister of Legal Affairs.

Donations

From 1999 to 2001, JMCC received a total of 1.2 M JD (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. In 2005, JMCC was given 52,175 JD (73,486 USD) by AMIR for marketing, 3,088 JD (4,349 USD) by DEF and 4,000 JD (5,634 USD) by a private individual.

Management team

The management team is made up of a Chief Executive Officer (CEO), Chief Operational Officer (COO), Chief Information Officer and a vacant position for Chief Financial Officer (CFO) since the CFO resigned two months ago. The CEO, CIO and COO all assumed their positions within the last two years. The COO and CEO both have experience in banking and microfinance.

Ziad Helmi Al-Refai, JMCC's CEO, assumed the position in January of 2006. From 2001 to 2006, he was the Finance & Administration Manager of MFW, one of JMCC's primary competitors. Mr. Al-Refai has participated in numerous microfinance trainings, holds an MBA in Microfinance from Bergamo University of Italy and a B.A. in accounting from the University of Jordan where he has also taken courses towards an MBA.

Organization

Each branch is composed of a Branch Manager (BM), a Branch Secretary and Loan Officers (LO). The loans files are prepared by LOs, verified by BMs, reviewed by secretaries for administrative completeness and then sent to HQ for final validation by a Regional Manager (RM) or the COO, depending on loan size. The information for all loans (approved and denied) is entered into the MIS by data entry personnel. Disbursements are made by check (drawn on JMCC bank accounts and written at headquarters) and repaid at local banks. The bank information is automatically shared with the central MIS. The MIS can then be consulted by the branches. All information in the MIS is added or modified at headquarters. Loan officers and Branch Managers can only visualize information

Market penetration

JMCC has a network of 11 branches in urban areas serving the entire Amman region and some adjacent governorates of the northwest (Zarqa, Irbid, Madaba and Salt) and the south (Aqaba) of Jordan. The branches cover the most important economic cities in Jordan.

Products and services

JMCC currently offers four loan products exclusively for business purposes. All have monthly payments.

- Group Loans are exclusively offered to joint-liability groups of 2 to 7 women and do not require collateral. Loan sizes vary between 200 and 600 JD with an average of 354 JD. The loan lengths vary from 10 to 15 months. JMCC charges a flat interest rate equivalent to an APR of 33%.
- Amal Loans are offered to women and men, ranging from 300 to 1,200 JD and averaging 400 JD. The loan term varies from 10 to 12 months. Clients must have a guarantor. JMCC charges a flat interest rate equivalent to an APR of 25%.
- Pioneer loans are offered to men and women entrepreneurs, with licensed commercial projects, and require collateral (varies depending on loan size) as well as guarantors. Loan sizes range from 1,200 to 25,000 JD, averaging 3,000 JDs. The loan term varies from 4 to 24 months. JMCC charges a flat interest rate equivalent to an APR of 22%.
- Seasonal loans are provided to women and do not require collateral. The loan amounts range from 120 to 140 JD. The term is 6 months. JMCC charges a flat interest rate equivalent to an APR of 27%.

Networks

JMCC is a member of MAJ (the Microfinance Association of Jordan), Sanabel (network of MFIs of the Arab world),

SIFRA (network of MFIs of the Mediterranean region) and Microfinance Network (network of leading MFIs worldwide).

■ Governance

Governance and Decision Making is rated “b”

Decision-making

JMCC’s governing bodies judiciously and efficiently determine the strategic direction of JMCC and have proven capable of anticipating risks and making timely decisions. The board takes decisions based on complete portfolio and performance information, provided by the management team.

JMCC’s capable and stable board helped it maintain a steady financial course through important changes at the managerial and operational levels. As a group, the board members have the diverse and necessary skills to anticipate and react to risks. Little turnover on the board has compensated for significant levels of turnover throughout all areas of JMCC.

Managing the conflict of interest stemming from JMCC’s 200,000 JD investment in its competitor, NMB, is the most important issue for the board in the short term. The shares in NMB were purchased with the expectation that there would be business complementarities and no geographical areas of overlap before the bank was established in March of 2006. However, after its opening, NMB began to compete in the same urban markets as JMCC and the board has since spent significant time debating potential solutions although there has been no final decision.

Planning

The recent participatory planning process produced a comprehensive document that clearly identifies the strategic goals and translates them into a realistic budget, financial projections and measurable targets by department. The most recent strategic plan (2007-2011) was elaborated with consultants from Grameen Foundation.

JMCC’s overarching goal to become the leading microfinance institution in Jordan, measured by outreach and profitability, is ambitious but attainable. Currently its strong social orientation complements its financial goals: JMCC’s most profitable product – Group Loans – is targeted at the poor entrepreneurs overlooked by traditional banks. It has also created a non-financial incentives system, including school grants for client’s children, a bazaar and trips for good clients that JMCC believes will pay for itself through improved client loyalty.

JMCC has broken its overarching goal into a small number of simple targets that will help it measure its performance over the following five years. Still, the plans are ambitious: 14 new branches, 85% minimum client retention, operating expense ratio of 10%, PAR > 30 of less than 2% and ROE greater than 30%. At the end of 2011, JMCC plans on reaching 87,713 clients (+400%) with a portfolio of 32,205,440 JD (+250%).

JMCC has the internal capacity and tools to reach its goals, especially if certain assumptions regarding the national microfinance sector hold true. JMCC estimates its total potential market to be 155,000 clients excluding the projected 207,735 clients that will work exclusively with other MFIs. JMCC’s estimates are based on a sampled market research, and are higher than the generally cited projections for the Jordanian sector. It is difficult to assess which estimation is the most accurate⁹, but given that JMCC is capable of adapting areas of its plan, it can still become a successful and dominant player.

Management team

The reorganization of the organizational chart in 2007 (to include a Chief Human Resources Officer) will give JMCC the management positions needed to reach its ambitious goals. Despite recently joining JMCC, its current, multi-skilled CEO and COO have already had an important positive impact on the performance and environment. The pragmatic decision making and operational capabilities of these new members have helped improve JMCC’s portfolio in 2006. The current leadership based on clarity, openness and ambition has improved the morale of JMCC’s employees and their identification with the company. However, a number of key positions still remain vacant. Management is aware of this issue and is trying to hire quickly.

Human resource management

Clear and transparent procedures are in place at JMCC. They were developed by JMCC’s internal auditors (Talal Abu Ghazaleh, cf. “R” section), and are currently being updated. Atop of the existing HR officer, JMCC plans to have an HR Manager in place by the beginning of the third quarter of 2007 in order to integrate HR management to its long term

⁹ The last comprehensive market research was conducted in 2002 under the AMIR program (see “Microfinance Sector”): it estimated the number of potential clients to 150,000. This figure could have risen given that, despite a GDP growth of 28% between 2002 and 2005, the poverty line also increased by 29% over the same period, reaching 504 JD (710 USD) in 2005 (source: MOPIC). On another side, FINCA recently estimated that only 10% of the potential market is actually being served: Planet Rating estimates such a figure would include SME’s demand.

strategy. The Administrative & Finance Manager oversees HR issues in the interim.

Thanks to its HR procedures, JMCC can now attract and maintain capable employees:

- The initial training processes have improved by increasing the exposure of new employees, especially LOs, to diverse aspects of JMCC;
- The increased investments in ongoing training are recognized and appreciated by the staff;
- The staff can clearly measure and benchmark their performance;
- Frequent internal promotions set a good example to new staff;
- The detailed employee incentive system has effectively aligned employee and company goals.

The high turnover that previously weakened JMCC's human resources was mostly brought under control by the end of 2006: the adjusted rate went down from 57% in 2003 to 33% in 2006¹⁰. High levels are usually reported within Jordanian and Arab MFIs, and are partially explained by cultural factors¹¹. JMCC's positive trend is yet to be sustained on the medium run, as the adjusted turnover already reached low rates (37% in 2004) before peaking up again (57% in 2005).

As compared to the previous rating, JMCC's HR management improved, and proved solid enough to absorb over 40 new employees per year. Considering the growth expectations until 2011 (27 new positions on average over the next five years, not including hiring to compensate turnover), a number of changes still have to be made to optimize HR at JMCC: the department still has to be formed and staffed, and some new policies and procedures still have to be documented and institutionalized. JMCC is cognizant of these challenges and is working towards their solution.

▪ Information

Information is rated "a"

MIS and equipment

Despite the departure of the MIS manager in 2006, JMCC has improved its management information systems and equipment over the last two years. The hardware is being upgraded in 2007 to keep pace with the growth of JMCC and two central servers are connected to banks and branches, allowing for up-to-date information at all levels.

¹⁰ This ratio has been computed 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 close to 100% until 2005.

¹¹ Cultural preference for office jobs, attractive salaries offered in Gulf countries, and the fact that some women quit their job after getting married.

Like other members of USAID's AMIR project, JMCC uses powerful and extensible Delta Oracle-based software. The Delta system ensures fast and efficient information processing, is user-friendly, and integrates both loan tracking and accounting systems. The software was locally developed for the MFIs supported by the AMIR program, has solid vendor technical and maintenance support, and is easily adaptable. JMCC maintains the source code for updates of the loan tracking reporting and has a contract with the provider for updates of other modules. JMCC's information department has the skills to create some additional modules as needed and respond to user demands.

There are adequate security measures, such as differentiated passwords and user rights, daily backups saved on multiple copies, appropriate storage of paper files, a backup server and log files of all changes in the database, fire-walls and anti-virus. Data input is still centralized at headquarters, decreasing the potential for errors and manipulation.

Information on activities

The information on activities is up-to-date, reliable and complete. The system has built-in reporting tools allowing BMs and LOs to properly monitor their portfolio. These reports are followed on a daily basis by the RMs, COO, and the CEO. The employees at all levels of the institution demonstrate a high level of familiarity and use of the system.

Financial and accounting information

JMCC's financial and accounting information is up-to-date, reliable and complete. Financial statements and ratio reports are produced on a monthly basis, allowing for a quick follow-up by management. The information is translated into standard and comparable ratios for performance projections and comparisons.

JMCC's financial statements have been certified without qualifications by an experienced auditor and have won the CGAP Transparency Award. The accounting department has the necessary skills. As of February 2007, loan portfolio accounting was modified to comply with international accounting standards: net loan portfolio now excludes interests perceived in advance.

▪ Risk Management

Risk Management is rated "a"

Procedures and internal controls

JMCC's robust operational procedures and their meticulous implementation help limit the operational risks. The credit procedures require visits to the businesses of all potential clients by at least two people (LO and BM), greatly

decreasing the chance of fraud. The separation of tasks and participation of multiple individuals in key processes (approvals, check signing, disbursement, payments and collection) also helps limit exposure to operational risk. Constant follow up by collection manager and the COO ensures that risk areas are quickly identified and addressed. The high level compliance with the procedures makes the well-designed policies effective.

Cash security is high at JMCC because operational personnel rarely handle cash. All loans are disbursed and paid at banks. The client is told during disbursement and reminded that LOs are not supposed to accept payments. The same message is posted prominently in the branches. In the rare circumstances where LOs accept cash, they do so only with the specific authorization of a BM and are required to give the client a numbered receipt.

Internal audit

The internal audit of headquarters remains effective but still needs to be improved at the branch level where few clients are visited.

JMCC has two different types of internal audits that cover most of its needs.

- The traditional internal audit function is subcontracted to a multinational external audit firm¹² that reports directly to the Board. The internal audit trips are roughly quarterly and include a visit to headquarters and to branches close to Amman. The auditors effectively identify and prioritize risks at the head-office level. These risks are clearly communicated to the management and board. Management quickly responds. Currently the auditors review less than 1% of the total clean portfolio files and clients. Moreover, the external audit relies mainly on the findings of the internal audit and does not provide a greater level of information regarding operational risk at the client level.
- The work of the outsourced auditor is complemented by two full-time internal controllers that check client level information and report directly to the CEO. They are tasked with reviewing loan applications sent to RMs from branches, making random phone calls to clients based on a special report from the MIS, measuring customer satisfaction and analyzing compliance with loan disbursement and repayment procedures. The controllers do not perform client visits in person.

¹² 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.

JMCC's strong internal controls and follow-up by the outsourced auditors and internal controllers mitigates most of the risk of fraud. However, JMCC's managers and board are aware that there are few physical visits to clients by individuals that report to the board and are currently working with the internal auditors to strengthen these aspects of the audit function.

■ Activities

Activities: products and services is rated "a"

Market position and strategy

Jordan's microfinance sector continues to be dominated by six key players including new entrant NMB, wholesale lender DEF and the four MFIs originally funded by the USAID/AMIR program. Nevertheless, this group presently reaches out to less than 80,000 (approximately 50% to 60%) of the total estimated clientele within the microfinance sector. Originally concentrated within different market niches, these key players have recently diversified their product range and geographical coverage to broaden their client base. Consequently, the Jordanian microfinance sector has become increasingly competitive with most MFIs discarding previous restrictions, particularly in relation to average loan size amounts and target clients. As all major players operate within the same area, cross-indebtedness is expected to have exceeded 30%, which could represent a serious industry-wide issue as long as an information sharing system is not in place. The market is also expected to become even more competitive with well-financed players such as FINCA and Cairo-Amman Bank stepping in with their technical expertise and financial muscle.

JMCC continues to benefit from its efficient loan processing, client feedback mechanisms and streamlined product design, and has recently bolstered its marketing and value-added customer relations strategies, increasing its competitive advantages over the rest of the industry. In early 2006 JMCC's managers made a critical decision to reduce its broad product range, focusing instead on a smaller number of easily understandable and readily adaptable loan products. Their decision improved JMCC's loan processing efficiency and enhanced its adaptability to market conditions. The reduction in loan products was complimented by a comprehensive marketing strategy, embedded in the planning and management of the institution. Furthermore, the institution expanded its *Tamweelcom* ("Your Finance" in Arabic) brand campaign, to boost its visibility and corporate identity within the sector and particularly among its clients. Moreover, JMCC's new "value-added services" strategy (based on non-financial incentives and rewards to customers for continued loyalty) has proved distinctively innovative and popular among clients. JMCC has recently started

exploring opportunities within new market segments (start-up finance and Islamic finance) coming in third quarter of 2007 although the ideas are yet to be tested.

Credit methodology

JMCC maintains a high level of portfolio management mechanisms including distinct appraisal, monitoring and delinquency management procedures in addition to systematically building on the skills of its loan personnel. These formalized procedures constitute part of the comprehensive credit methodology that continues to enhance the institution's high portfolio quality:

- The client selection process is thorough and based on effective analysis and evaluations by both LOs and BMs, verified by the appropriate head office staff in all cases;
- An obligatory monthly visit of each client by the respective LOs, in part to deliver the repayment coupons, guarantees a deliberate and consistent follow-up of every client;
- Delinquency management is handled systematically following precise and well understood procedures that engage the different levels of management at appropriate stages;
- LOs have a clear understanding of the various portfolio management tools and this is further enhanced by an effective and well defined incentive system;
- Recognition of JMCC as a wholly-owned NGO of the Al-Hussein Foundation (overseen by Queen Noor) creates additional sense of commitment by its clients.

Portfolio evolution

JMCC has enjoyed a period of continued and stable expansion over the last three years characterized by double digit portfolio growth. Despite a decrease in growth rates between December 2004 and 2005 (from 46% to 28%), 2006 witnessed a 66% increase after streamlining its product range. In the first quarter of 2006 JMCC scaled down to the four key products representing 98% of its portfolio, of which all products but the Group loan are offered on an individual basis.

Two products – Group Loans and Amal Loans – are by far the most important products, representing 75% of the portfolio together. After streamlining the range of products and the products themselves, Seasonal Loans and the new Couple Loans have shown strong growth since 2005. They represent 21.5% of the portfolio following brisk growth in 2006.

Portfolio diversification

JMCC actively undertakes portfolio diversification through setting of product targets by branch. The credit department undertakes in-depth analysis of the clientele and market situation before setting targets. As a result there are variations in the portfolio composition per branch that reflect type of clientele within each branch's market area and the branch's maturity. Pioneer Loans, for example, are not offered in the Aqaba branch due to the transient nature of local borrowers. Additionally, Pioneer Loans are not provided at new branches with inexperienced staff, such as Madaba.

JMCC has undertaken a carefully thought-out progressive geographical method of expansion with the present eleven branches covering the major cities and towns as well as surrounding areas. For the most part JMCC serves a predominantly urban and peri-urban clientele and does not plan to enter rural areas with smaller and often contaminated markets.

Portfolio quality and write-off

JMCC portfolio quality has remained excellent with its PAR 31 averaging just about 0.07% over the last three years (December 2004 – 2006). This figure is well below benchmarks for Jordan and the MENA region. The trend indicates continued stability in these quality indicators, even with the notable portfolio growth in 2006. The good repayment ratios meant that LOs could concentrate on originating new loans and increase productivity.

JMCC writes off loans after 180 days from the last scheduled payment. Write-offs have dropped from 0.2% to 0.05% over the last two years (December 2005 – 2006). Further, despite the existence of a repayment rescheduling policy for certain products, loan rescheduling is a rare occurrence.

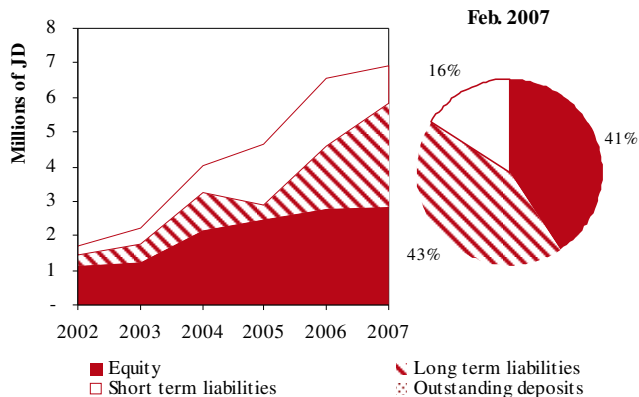
Credit risk coverage

2006 saw an immense increase in the risk coverage ratio due to adoption of the new, more stringent, loan loss provisioning policy that includes a 1% provision of the entire outstanding portfolio – well more than JMCC's PAR 31. The resulting risk coverage ratio at the end of 2006 was more than sufficient at well over 100%. Collateral (including the pledge of movable assets or other property) is used alongside guarantors as additional risk coverage for every loan except group loans. The meticulous loan approval processes ensures that these risk coverage techniques are satisfactorily implemented. Nevertheless, the vast majority of JMCC's clients tend to repay quickly, avoiding any possible scenario involving the seizure of their assets.

■ Funding and liquidity

Funding and liquidity is rated “a”

Funding structure



Capital structure and leverage

JMCC is presently well capitalized as a not-for-profit NGO, with equity comprising 41% of the institution's total funding. The institution possesses a diversified funding base which, besides equity, comprises a healthy mix of short and long term liabilities from a handful of both local and international funding partners. Over the last three years JMCC has made a consistent and successful transition to commercial borrowings, from grants and donations with long term liabilities standing at 43% of total funding as of December 2006. The institution has a low level of leverage at 1.4x, giving it room to absorb new debt financing.

ALM risks

JMCC exposure to ALM risks is low and adequately managed by a combination of skilled personnel and appropriate financial tools within the institution.

- No maturity risk: JMCC's currently active external borrowings were negotiated for periods of between 48 and 60 months. Consequently, with an average loan portfolio term standing between 12 and 16 months, there is no maturity risk.
- Limited interest rate risk: The interest rates of all of JMCC's funding liabilities from Jordanian banks can be changed when the Jordanian Central Bank prime rate changes. However, JMCC can also change the rates it charges on all of its loans under the same conditions, effectively transferring the direct risk to the client. Despite such a measure, a dramatic increase in the prime rate would still translate in an increased risk for JMCC: the potential risk remains very low, as such an increase is unlikely to occur in the short run and given the interest rate spread.
- Moderate FX risk: All the external borrowings running as of December 2006 were in local currency. However, at the time of this report, JMCC had just

concluded a 1 M USD loan agreement in hard currency with ResponsAbility Global Microfinance Fund¹³ thus increasing its FX risk. This risk is nevertheless mitigated by the JD/USD peg that has been ongoing for several years (cf. Political & economic environment).

Financing strategy

JMCC's comprehensive financing strategy is appropriately integrated into its current business plan and primarily seeks to exploit its excellent past performance and existing good relations with a number of funding institutions to further diversify its funding sources. With its capital structure comfortably balanced between equity at 41% and long term loans at 48%, JMCC also boasts a diversified mix of funding partners comprising both local and foreign financial institutions (including DEF, The Housing Bank for Trade & Finance, Jordan Investment & Finance Bank and Credit Suisse Microfinance Fund among others). Furthermore the MFI already possesses complementary, skilled and experienced personnel that are able to comprehensively project its financial needs, manage potential funder relations and ably negotiate appropriate funding terms (rate, repayment period and currency) to meet the its requirements. This function will be reinforced with the hiring of the Finance Manager.

Liquidity management

The institution has adopted simple liquidity management procedures based on projections made with the Microfin tool and ratio updates based on the SEEP Framework tool. The latter enables management to perform cash flow / liquidity projections and identify shortfalls or excesses based on performance reports. Over 2006, JMCC had a monthly average of 325 K JD in cash and cash equivalents, equal to approximately 5% of total assets. Together with monthly disbursement and repayment forecasts embedded within the business plan and closely monitored by management, the institution is able to efficiently manage liquidity.

■ Efficiency and Profitability

Efficiency and Profitability is rated “a”

Profitability analysis

JMCC continues to be a profitable institution with key indicators (ROE and ROA) showing stable trends with a

¹³ This loan was granted based on a PlaNet Finance Investment Advisors & Managers (PFIAM) recommendation. PFIAM and Planet Rating are two distinct legal entities, operating in a strictly independent manner. Planet Rating does not disclose to PFIAM any information that is not publicly available to all other investors or fund providers. Planet Rating's internal Rating Committee is fully independent, private, and confidential.

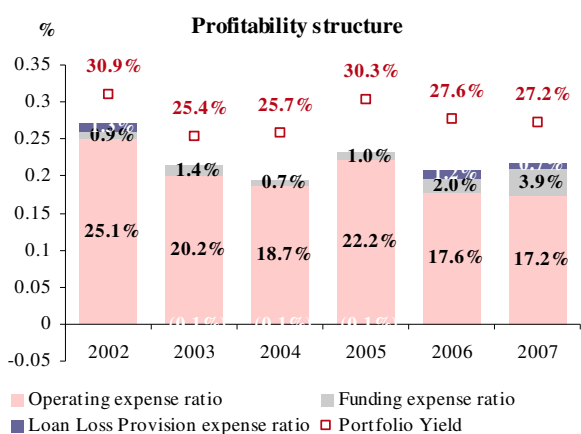
slight increase over the last year. With ROE and ROA standing at 12.2% and 5.7% respectively as of December 2006, JMCC’s profitability comfortably exceeds the average levels of its peers in the MENA region (ROE and ROA at 6.8% and 2.8% respectively).

The portfolio yield remained reasonably stable over the last three years and at 27.6% as of December 2006. When compared to the average APR of the institution’s predominant products (Group, Amal and Pioneer) at 21%, it reveals an efficiently managed and good quality loan portfolio. This is further substantiated for by the consistently low loan loss provisioning expense that stood at 1.2% (including the 1% for the total portfolio outstanding).

In the last two years, productivity gains and portfolio growth were accompanied by effective cost controls as evidenced in JMCC’s operating expense ratio that has been brought below 17.6%, which is significantly lower than the regional benchmark level of 21.7%. With an increasingly commercially-inclined funding structure, JMCC’s funding expense ratio has tripled since December 2004 and is expected to continue growing past the 2.0% figure of December 2006 in keeping with the shifting capital structure.

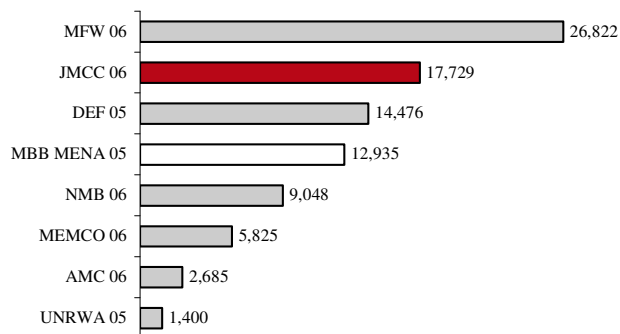
Based on the above trends, JMCC’s profitability outlook is positive as the institution is expected to sustain its current interest rates, maintain low provisioning expenses and offset the new growth expenses from non-financial services by controlling staff costs, especially at headquarters, and increasing portfolio growth and loan officer productivity.

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.

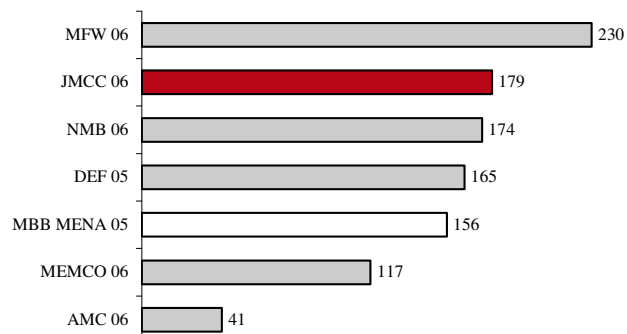


Benchmarking

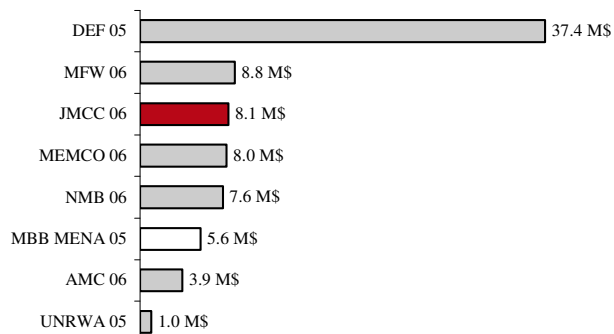
Number of active borrowers



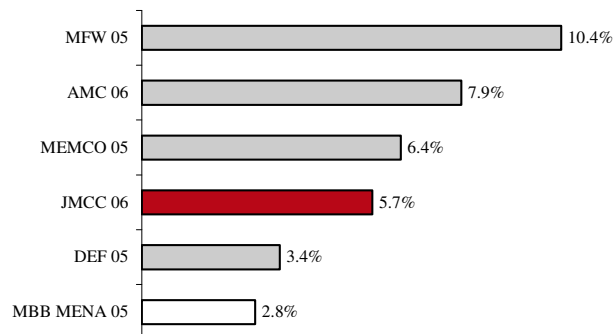
Staff productivity



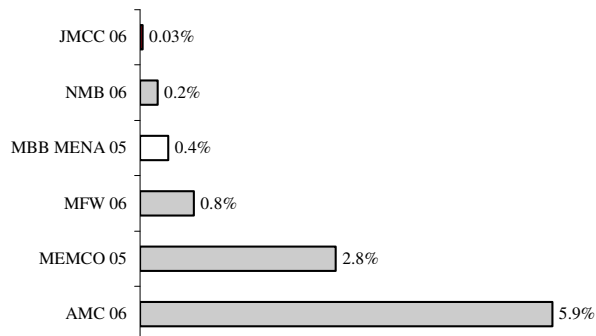
Gross Portfolio



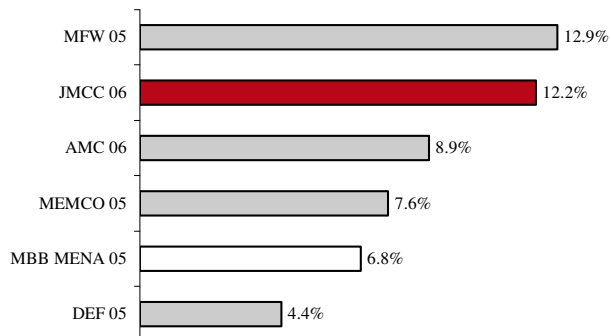
ROA



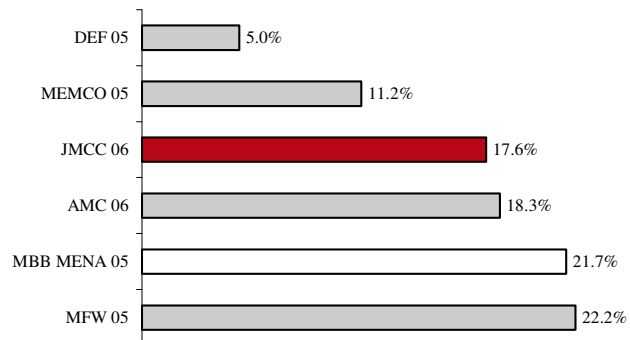
PAR > 30 days



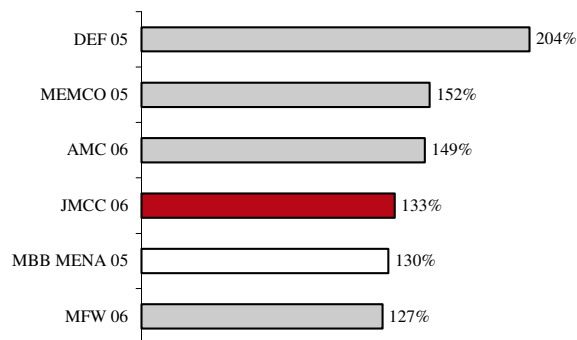
ROE



Operating expense ratio



Operational sustainability

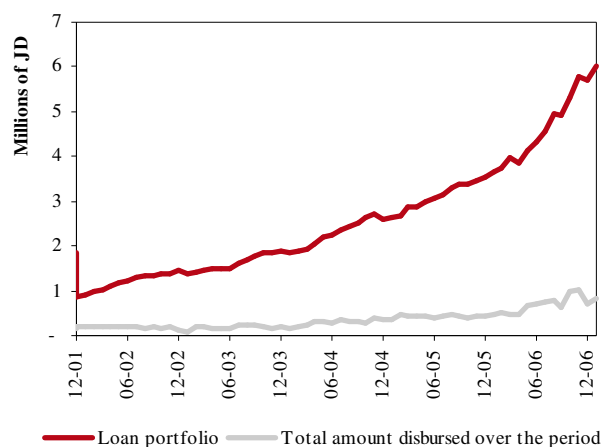


■ Performance indicators

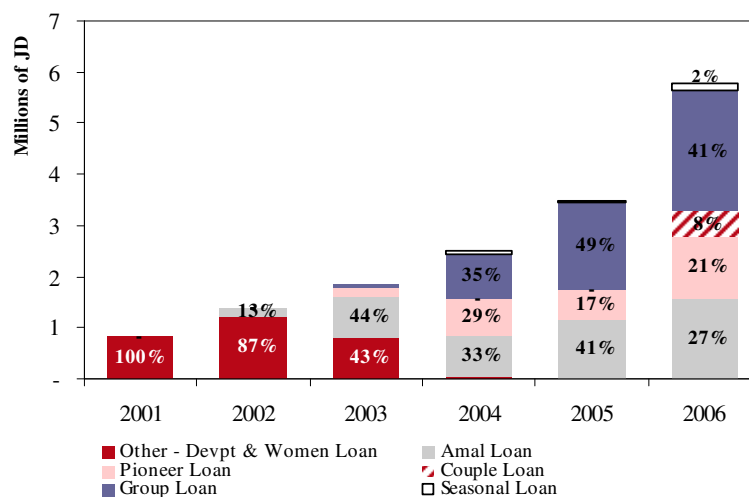
Data in USD, unless otherwise stated

LOAN PORTFOLIO	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006
Loan portfolio	1,948,590	2,600,585	3,871,181	4,884,952	8,140,532
Loan portfolio (JD)	1,383,499	1,846,415	2,709,827	3,468,316	5,779,778
Evolution	67.1%	33.5%	46.8%	28.0%	66.6%
Active borrowers	1,471	2,333	8,352	10,581	17,729
Evolution	12.5%	58.6%	258.0%	26.7%	67.6%
Average outstanding loan per client	1,325	1,115	464	462	459
% of GDP per capita	70.2%	56.9%	19.8%	20.0%	18.1%
Average amount disbursed per loan	2,039	1,470	621	686	722
% of GDP per capita	108.0%	75.1%	28.8%	29.6%	28.4%
Rescheduled loans	0.0%	0.0%	0.0%	0.0%	0.0%
PAR 31-365	1.7%	0.4%	0.1%	0.1%	0.03%
PAR > 365	0.0%	0.8%	0.1%	0.00%	0.01%
Write-off ratio	0.3%	0.2%	0.6%	0.2%	0.1%
Risk coverage ratio	119.5%	104.1%	113.5%	79.5%	2,964.6%
PAR 31 net of loan loss provision / Equity	(0.4%)	(0.1%)	(0.0%)	0.0%	(2.0%)
STAFF	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006
Total number of staff	33	40	63	78	99
% Credit officers	60.6%	60.0%	55.6%	37.2%	47.5%
Turnover	26%	104%	93%	84%	42%
Adjusted turnover	15%	57%	37%	57%	33%
PROFITABILITY ANALYSIS	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006
ROE	4.3%	7.2%	10.1%	10.3%	12.2%
Liabilities / Equity	0.48x	0.79x	0.87x	0.90x	1.37x
ROA	3.3%	4.4%	5.5%	5.5%	5.7%
Portfolio Yield	30.9%	25.4%	25.7%	30.3%	27.6%
Operating expense ratio	25.1%	20.2%	19.6%	22.2%	17.6%
Cost per borrower	189	140	51	63	46
Staff productivity	45	58	133	136	179
Loan officer productivity	74	97	239	365	377
Average outstanding loan per client (USD)	1,325	1,115	464	462	459
Funding expense ratio	0.9%	1.4%	0.7%	1.0%	2.0%
Cost of liabilities	6.0%	2.6%	1.8%	2.4%	4.9%
Loan Loss Provision expense ratio	1.3%	(0.1%)	(0.1%)	(0.1%)	1.2%
Outstanding Loan Portfolio / Assets	80.0%	82.4%	61.6%	74.6%	87.0%
Revenue from investment as a % of financial revenues	1.4%	1.6%	1.9%	1.5%	0.2%
Liquidity / Total assets (LAR)	13.7%	14.1%	13.5%	12.4%	4.4%

Evolution of outstanding loan portfolio



Outstanding loan portfolio per product



JMCC Income Statement	Note	JD				USD				Evolution			
		Dec. 2004	Dec. 2005	Dec. 2006	Feb. 2007	Dec. 2004	Dec. 2005	Dec. 2006	Feb. 2007	04/03	05/04	06/05	07/06
Financial Revenue (a)		611,633	929,429	1,280,742	265,977	873,761	1,309,055	1,803,862	374,615	41.6%	52.0%	37.8%	(79.2%)
Financial Revenue from Loan Portfolio		586,226	910,020	1,277,066	265,977	837,466	1,281,718	1,798,685	374,615	43.0%	55.2%	40.3%	(79.2%)
Interest on Loan Portfolio		539,341	862,843	1,252,602	261,029	770,487	1,215,272	1,764,228	367,646	43.0%	60.0%	45.2%	(79.2%)
Fees and Commissions on Loan Portfolio		46,885	47,177	24,464	4,355	66,979	66,446	34,456	6,134	44.0%	0.6%	(48.1%)	(82.2%)
Penalty Revenue on Loan Portfolio		-	-	-	593	-	-	-	835	-	-	-	-
Financial Revenue from Investments		11,884	13,612	2,343	-	16,977	19,172	3,300	-	76.3%	14.5%	(82.8%)	(100.0%)
Other Operating Revenue		13,523	5,797	1,333	-	19,319	8,165	1,877	-	(12.7%)	(57.1%)	(77.0%)	(100.0%)
Financial Expense (b)		16,406	28,649	90,171	37,918	23,437	40,351	127,001	53,406	(28.0%)	74.6%	214.7%	(57.9%)
Interest paid on borrowings		15,374	28,402	90,171	37,918	21,963	40,003	127,001	53,406	46.1%	84.7%	217.5%	(57.9%)
Interest paid on deposits		838	-	-	-	1,197	-	-	-	(41.8%)	(100.0%)	-	-
Net Inflation Adjustment Expense		-	-	-	-	-	-	-	-	-	-	-	-
Other Financial Expenses		194	247	-	-	277	348	-	-	(98.2%)	27.3%	(100.0%)	-
Financial income [c=a-b]		595,227	900,780	1,190,571	228,059	850,324	1,268,704	1,676,861	321,210	45.4%	51.3%	32.2%	(80.8%)
Net Loan Loss provision expense (d)		(2,641)	(1,982)	55,809	6,582	(3,773)	(2,792)	78,604	9,270	0	(25.0%)	(2,915.8%)	(88.2%)
Loan loss provision expense and write-off		(1,611)	733	58,325	6,582	(2,301)	1,032	82,148	9,270	(20.5%)	(145.5%)	7,857.0%	(88.7%)
Recovery from Loans written off		1,030	2,715	2,516	-	1,471	3,824	3,544	-	243.3%	163.6%	(7.3%)	(100.0%)
Operating expense (e)		426,328	665,289	814,790	168,489	609,040	937,027	1,147,592	237,308	0	56.1%	22.5%	(79.3%)
Personnel Expense (includes fringe)		294,223	384,444	599,066	124,772	420,319	541,470	843,755	175,735	37.9%	30.7%	55.8%	(79.2%)
Administrative Expense (non-staff operating expenses)		132,105	280,845	215,724	43,717	188,721	395,556	303,837	61,573	17.2%	112.6%	(23.2%)	(79.7%)
Depreciation and amortization		19,421	20,899	27,909	6,104	27,744	29,435	39,308	8,597	27.2%	7.6%	33.5%	(78.1%)
Consulting fees		11,663	18,194	16,086	1,239	16,661	25,625	22,656	1,745	(10.6%)	56.0%	(11.6%)	(92.3%)
Rental costs		58,382	70,190	64,034	12,833	83,403	98,859	90,189	18,075	48.9%	20.2%	(8.8%)	(80.0%)
Others		42,639	171,562	107,695	23,541	60,913	241,637	151,683	33,156	(5.7%)	302.4%	(37.2%)	(78.1%)
Net Operating Income Before Taxes and Donations [f=c-d-e]		171,540	237,473	319,972	52,988	245,057	334,469	450,665	74,631	100.7%	38.4%	34.7%	(83.4%)
Income Taxes (g)		-	-	-	-	-	-	-	-	-	-	-	-
Net Operating Income Before Donations [h=f-g]		171,540	237,473	319,972	52,988	245,057	334,469	450,665	74,631	100.7%	38.4%	34.7%	(83.4%)
Non Operating Revenue (i)		-	2,191	223	-	-	3,086	314	-	-	-	(89.8%)	(100.0%)
Non Operating Expense (including related taxes) (j)		-	1,986	135	-	-	2,797	190	-	-	-	(93.2%)	(100.0%)
Net Income Before Donations [k=h+i-j]		171,540	237,678	320,060	52,988	245,057	334,758	450,789	74,631	100.7%	38.6%	34.7%	(83.4%)
Donations (l)		748,612	59,263	3,088	-	1,069,446	83,469	4,349	-	32,434%	(92.1%)	(94.8%)	(100.0%)
Net Income (after Taxes and Donations) [m=k+l]		920,152	296,941	323,148	52,988	1,314,503	418,227	455,138	74,631	948.3%	(67.7%)	8.8%	(83.6%)

JMCC Balance sheet	Notes	JD					USD					Evolution			
		Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Feb. 2007	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Feb. 2007	04/03	05/04	06/05	07/06
ASSETS		2,212,803	4,040,714	4,649,123	6,579,302	6,904,592	3,116,624	5,772,449	6,548,061	9,266,623	9,724,777	82.6%	15.1%	41.5%	4.9%
Short Term Assets		1,684,399	3,552,549	3,913,326	5,634,563	6,543,837	2,372,393	5,075,070	5,511,727	7,936,004	9,216,672	110.9%	10.2%	44.0%	16.1%
Cash and Due from Banks		311,382	547,340	578,208	286,218	512,038	438,566	781,914	814,377	403,124	721,180	75.8%	5.6%	(50.5%)	78.9%
Short Term Investments		15,090	727,799	-	-	-	21,254	1,039,713	-	-	-	4,723.1%	(100.0%)	-	-
Short Term Net Loan Portfolio		1,344,265	2,271,460	3,024,593	5,118,438	5,949,685	1,893,331	3,244,943	4,259,990	7,209,068	8,379,838	69.0%	33.2%	69.2%	16.2%
Short Term Gross Loan Portfolio		1,366,610	2,278,598	3,026,476	5,176,236	5,949,685	1,924,803	3,255,140	4,262,642	7,290,473	8,379,838	66.7%	32.8%	71.0%	14.9%
(Loan Loss Reserve)		22,345	7,138	1,883	57,798	-	31,472	10,197	2,652	81,406	-	(68.1%)	(73.6%)	2,969.5%	(100.0%)
Interest Receivable		-	-	239,884	-	-	-	-	337,865	-	-	-	-	(100.0%)	-
On loan portfolio		-	-	239,884	-	-	-	-	337,865	-	-	-	-	(100.0%)	-
On investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable and other assets		13,662	5,950	70,641	229,907	82,114	19,242	8,500	99,494	323,813	115,654	(56.4%)	1,087.2%	225.5%	(64.3%)
Long term assets		528,404	488,165	735,797	944,739	360,755	744,231	697,379	1,036,334	1,330,618	508,106	(7.6%)	50.7%	28.4%	(61.8%)
Long Term Net Investments		-	-	200,000	200,000	200,000	-	-	281,690	281,690	281,690	-	-	0.0%	0.0%
Long Term Gross Loan Portfolio		479,805	431,229	441,840	603,542	-	675,782	616,041	622,310	850,059	-	(10.1%)	2.5%	36.6%	(100.0%)
Net Fixed Assets		48,599	56,936	93,957	141,197	160,755	68,449	81,337	132,334	198,869	226,415	17.2%	65.0%	50.3%	13.9%
Other Long Term Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIABILITIES AND EQUITY		2,212,803	4,040,714	4,649,123	6,579,302	6,904,592	3,116,624	5,772,449	6,548,061	9,266,623	9,724,777	82.6%	15.1%	41.5%	4.9%
Liabilities		977,617	1,885,376	2,196,845	3,803,876	4,076,225	1,376,925	2,693,394	3,094,148	5,357,572	5,741,162	92.9%	16.5%	73.2%	7.2%
Short term liabilities		444,420	782,846	1,763,184	1,979,832	1,089,081	625,944	1,118,351	2,483,358	2,788,496	1,533,917	76.2%	125.2%	12.3%	(45.0%)
Demand Deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Compulsory Deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short Term Time Deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short Term Borrowings		-	100,000	755,468	664,321	-	-	142,857	1,064,039	935,663	-	-	655.5%	(12.1%)	(100.0%)
Interest payable		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable and Other		444,420	682,846	1,007,716	1,315,511	1,089,081	625,944	975,494	1,419,318	1,852,832	1,533,917	53.6%	47.6%	30.5%	(17.2%)
Short Term Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term liabilities		533,197	1,102,530	433,661	1,824,044	2,987,144	750,982	1,575,043	610,790	2,569,076	4,207,245	106.8%	(60.7%)	320.6%	63.8%
Long Term Time Deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long Term Borrowings		533,197	1,102,530	433,661	1,800,091	2,987,144	750,982	1,575,043	610,790	2,535,339	4,207,245	106.8%	(60.7%)	315.1%	65.9%
Other Long Term Liabilities		-	-	-	23,953	-	-	-	-	33,737	-	-	-	-	(100.0%)
Equity		1,235,186	2,155,338	2,452,278	2,775,426	2,828,367	1,739,699	3,079,054	3,453,913	3,909,051	3,983,615	74.5%	13.8%	13.2%	1.9%
Paid-In Capital		30,000	30,000	30,000	30,000	30,000	42,254	42,857	42,254	42,254	42,254	0.0%	0.0%	0.0%	0.0%
Donated equity		1,228,919	1,977,531	1,977,531	1,977,531	-	1,730,872	2,825,044	2,785,255	2,785,255	-	60.9%	0.0%	0.0%	(100.0%)
Retained earnings without donations and reserves		(23,733)	147,807	414,747	737,895	2,768,367	(33,427)	211,153	584,151	1,039,289	3,899,108	(722.8%)	180.6%	77.9%	275.2%
Current year		85,478	171,540	237,678	320,060	52,988	120,392	245,057	334,758	450,789	74,631	100.7%	38.6%	34.7%	(83.4%)
Other equity accounts		-	-	30,000	30,000	30,000	-	-	42,254	42,254	42,254	-	-	0.0%	0.0%

■ Formulas

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

■ Rating scale

Rating	Definition
A+	Excellent
A	The institution excels in the evaluation area and is a model for the sector. There is a long-term vision for continual improvement. There are no risks in the short and medium term for operations. Long-term risks are well managed and monitored.
A-	
B+	Good
B	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-	
C+	Minimum required
C	Procedures are functional but with certain failings. There are minor risks in the medium term for operations.
C-	
D	Insufficient
	Procedures are in place, but with failings, and certain problems are only partially addressed. There are medium-term risks for operations.
E	Immediate risk of default or very insufficient
	There are immediate or underlying risks for operations or an unacceptable under performance.