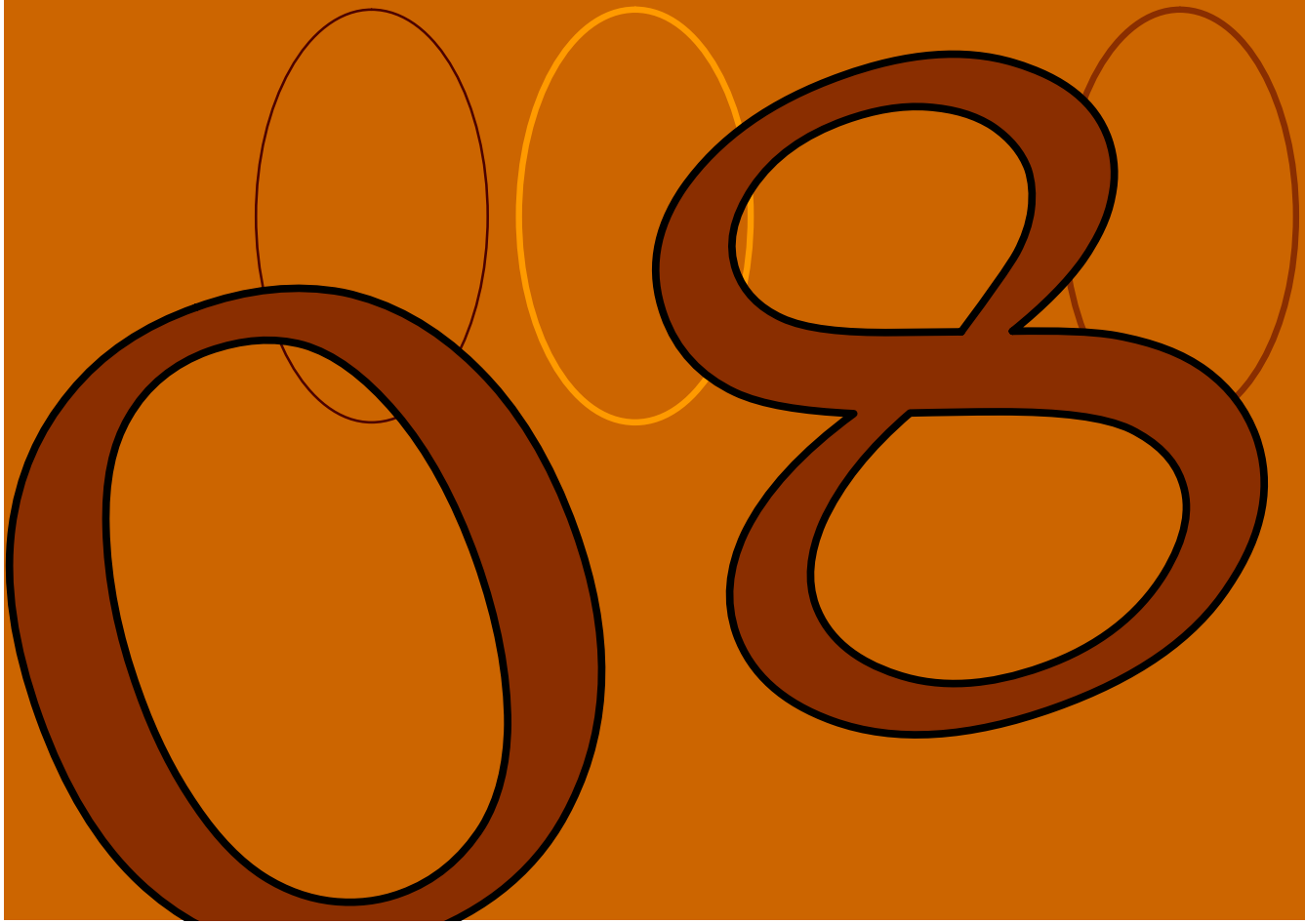


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Annual
Report





Team Work Is the Key Success for **FATEN**

Board of Directors

- Nibras Bssieso – Chairwoman
- Hiyam Qa'aqour-Deputy
- Nae'la Ayeshi – Secretary
- Dr. Sameer Abuzunaid – Treasurer
- Sadeq Asa'ad – Member
- Sufyan Bargouthy – Member
- Nabil Tarazi - Member
- Mohammad Al-Saqa - Member
- Dr. Naser Abdel Kareem

Senior Management

- Anwar Al-Jayyousi – Managing Director
- Fawz Abuhijleh – Operations Manager
- Fares Abdel Nour - Finance & Admin Manager
- Ina'am Zaqout - South Regional Manager
- Suha Shakfshir - North Regional Manager
- Muna Alalamy - Gaza Regional Manager

A letter from Chairwoman

Dear Distinguished stakeholders,

FATEN has continued its growth and achievements on various levels, recording a net increase in value of outstanding portfolio by 78% to reach \$11,737,178, while at the same time maintaining exceptional efficiency in managing its portfolio that has 2.72% as portfolio at risk more than 30 days late. This came as a result of the relentless efforts exerted by FATEN's employees in a climate of severe competition and operational challenges.

In parallel with the positive results registered in 2008, FATEN managed to increase the number of its general assembly to forty one members and paid fully the paid in capital to \$10,000 as requested by the Palestinian Companies Law.

The year 2008 witnessed FATEN's expanded presence with the opening of Qalqilia branch; it has two employees with an outstanding portfolio of \$1,072,341 and number of active clients 353 with 0% portfolio at risk.

In 2009, FATEN will conduct a workshop to renew its strategic plan for the next three years in order to review its work and to plan for the future, transfer to the new BISAN Enterprise System and modernize its fixed assets. This will be done to improve services to clients and achieve higher growth rates than those achieved in 2008.

FATEN works to strengthen its competitive position and enhance its place and to continue play a leading roll in the micro finance industry in Palestine, through investing in its human resources, systems and increase its working capital through commercial loans.

Finally, I would like to extend my gratitude to all new shareholders who joined our general assembly; I appreciate their confidence in our institution and would like to assure them that we will do our utmost to continue on the path of progress. My thanks also go to my colleagues, the board members, FATEN's management team and staff for their relentless effort and devotion.

Nebrass Bssieso
FATEN Board Chairwoman

A Word from the Managing Director

Palestine for Credit & Development (FATEN); a non for profit company was established nine years ago with the ultimate aim of helping to alleviate poverty and unemployment and to contribute in the effort of family empowerment and community development in Palestine.

We, at FATEN, considering the financial services we provide as a vital and indispensable element in improving the living standards of entrepreneurs with low income.

This year, with the help of our board of directors, we managed to increase our general assembly number to forty one members and paid fully the paid in capital to \$10,000 as requested by the Palestinian Companies Law.

The year 2008 witnessed FATEN's expanded presence with the opening of Qalqilia branch. FATEN also successfully increased its client base, which stands now at around 4,955 active clients, of which 95% are women, and with an outstanding financial portfolio of around \$11,737,178. This has made FATEN the number one Palestinian MFI in terms of the number of clients, branches and the diversity of services it provides.

At the same time, FATEN continues to maintain exceptional efficiency in managing its loans portfolio. The portfolio at risk more than 30 days late was 2.72% of total loans as of December 31, 2008.

To talk about FATEN success and achievements would be never ending. Our team members have dedicated themselves, in their various positions, to the service of the poor entrepreneurs, both in quality and quantity. They have places these entrepreneurs at the top of their priority list, providing them with the best solutions and practices in line with highest of international standards.

I can only express my utmost thanks and appreciation to the members of our team who have been the engine behind FATEN's success and accomplishments. I am confident that we will continue to move forward on both the local and international levels.

I would also like to extend FATEN's appreciation to our board of directors and partners who have contributed enormously to making our services available to entrepreneurs throughout our beloved country.

Anwar Jayousi
Managing Director

Institutional Profile

Palestine for Credit & Development “FATEN” is an independent Palestinian not for profit corporation, fully dedicated to providing micro-finance services. It emerged out of a micro-finance program managed by Save the Children US (SCF). FATEN spun off from Save the Children during March 1999, and became fully responsible for the management of the whole program.

Mission

Palestine for Credit & Development "FATEN" is a pioneering national non for profit corporation. FATEN provides a variety of high quality and sustainable financial services, for low income and economically active small scale enterprises and micro entrepreneurs, especially women. This is achieved through high caliber staff and advanced infrastructure that contributes to family empowerment and community development in Palestine.

Vision

The FATEN Vision is to be the main point of call for micro finance in Palestine.

Strategic objectives

1. To penetrate the market and reach 10,000 active clients
2. To seek excellence in service provision
3. To achieve financial sustainability
4. To strengthen internal structure and governance
5. To promote local, regional and international relations
6. To ensure preparedness for proactive crisis management

Products

FATEN has two types of lending Group & Individual Loans

Group loans: are for clients who can't provide any kind of guarantor or collateral so, to overcome this obstacle through replacing it by group guarantee, since FATEN believes that “collateral will never be a deal breaker for good clients” group loans are only for existing business or start up.

Individual Loans: are loans with more tangible collateral or guarantor, these loans target both business loans and personal loans; business loans include Family and Murabaha, while personal loans include personal use loan, computer loan, health treatment loan, Education loan, Housing.

(1) Group Guaranteed Lending (GGL); the GGL methodology is based on group lending program. Each group consists of a minimum of three members with loans starting at 200-3,000 (USD) for a period of 6-18 months.

Indicator	2007	2008	1995-2008
# of loans disbursed	747	521	71,375
\$ disbursed	402,288.7	646,664	30,989,678
Active loans	1487	791	-
OSP ¹ (\$)	674,872	529,386	-

(2) Family Loans; this product targets entrepreneurs who have small businesses and their business size requires more than the GGL product offers, and at the same time they can provide a more solid guarantee than the previous category. The loan size ranges between 1,000 and 15,000 USD, for loan duration up to 48 months. .

Indicator	2007	2008	2004-2008
# of loans disbursed	393	591	2,123
\$ disbursed	1,410,496	3,178,595	10,563,617
Active loans	1,146	1,134	-
OSP (\$)	2,526,313.8	3,472,714	-

(3) Home Improvement Loan; this product particularly targets Palestinians living in villages and refugee camps, to help them to improve their place of living. The loan size varies between 1,000 and 15,000 USD for up to 48 months.

Indicator	2007	2008	2005-2008
# of loans disbursed	82	416	1,181
\$ disbursed	328,498.7	1,988,700	6,459,789
Active loans	462	800	
OSP(\$)	2,232,456	2,696,644	

(4) Personal, Health treatment, PC. Education, Start up Loan; this loan is given to individuals for personal use such as purchasing a personal computer, paying school fees, for health treatment, in addition for start up business (Testing phase since FATEN is in the process of developing new start up loans targeting youth). The loan size varies between 100 and 3,000 USD, with duration of up to 24 months.

¹ OSP stands for outstanding portfolio end of the period.

Indicator	2007	2008	2005-2008
# of loans disbursed	277	1809	2510
\$ disbursed	246,850	3,047,993	3,682,363
Active loans	277	1808	
OSP (\$)	209,203.3	2,204,626	

(5) Staff/ NGO Loans; this loan is given to FATEN staff and other NGO staff and features competitive administration fees. These loans are 100% guaranteed by staff pensions and severance.

Indicator	2007	2008	2000-2008
# of loans disbursed	33	40	134
\$ disbursed	133,151	264,744	2,129,101
Active loans	73	59	-
OSP (\$)	193,961	253,466	-

(6) Islamic Financing; this is not a product but a method of lending according to Islamic principle (Numbers below are not included in the above products).

Islamic Financing include several lending tools; Muzara'a, Musana'a, Leasing, Sharing, Mdarabah, Salam, and Murabaha, currently FATEN only apply Murabaha and looking forward applying other tools in the near future taking into consideration what is applicable according to law and FATEN systems.

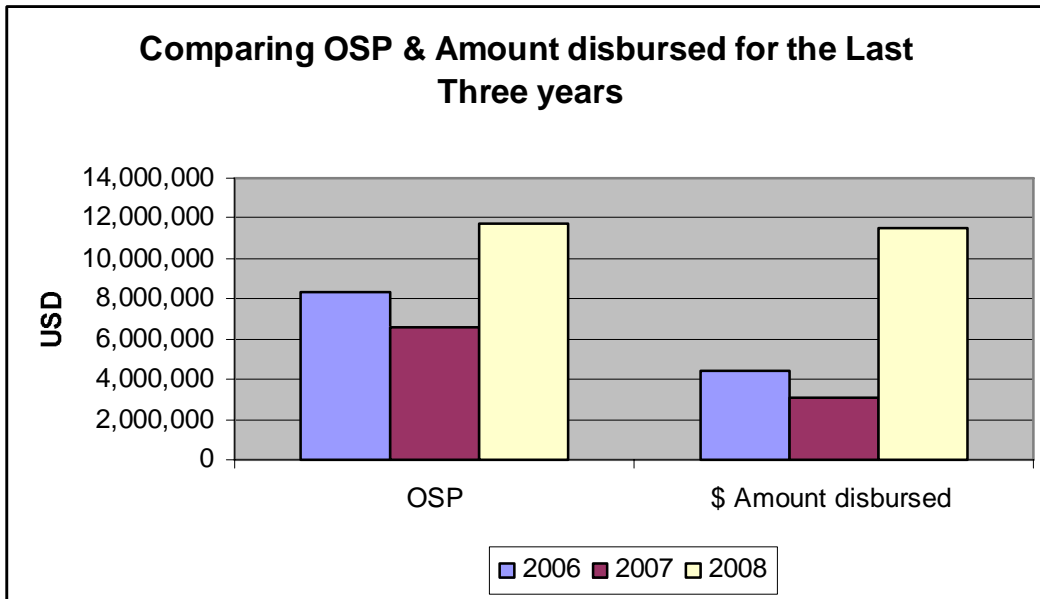
Islamic financing tools are only applied to business loans and home improvement.

Indicator	2007	2008	2005-2008
# of loans disbursed	62	275	448
\$ disbursed	238,452	2,385,391	3,758,876
Active loans	137	363	
OSP (\$)	765,841	2,580,138	

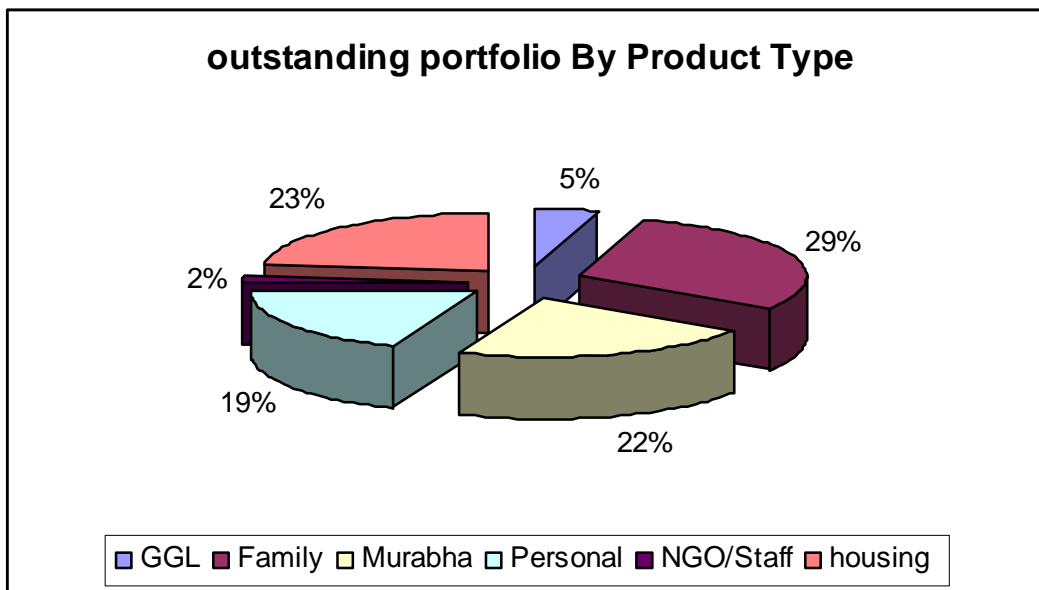
FATEN performance indicators are as follows:

Indicator	2007	2008	1995-2008
# of loans disbursed	1452	3922	77,771
\$ disbursed	3,038,135	11,512,092	57,583,424
Active loans	3771	4955	
OSP (\$)	6,605,043	11,737,176	
% women	97%	96%	
Avg. outstanding loan size	\$1751	\$2369 ²	740

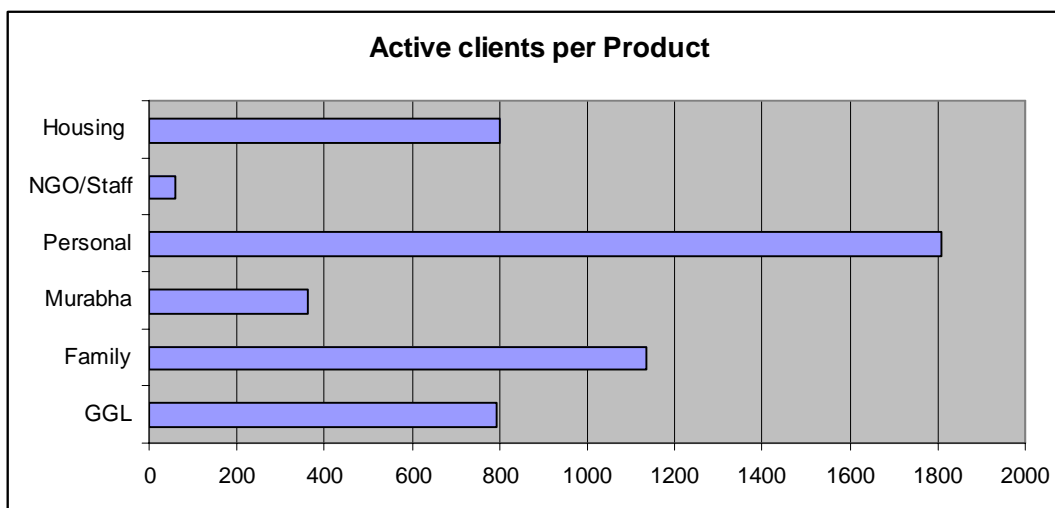
² FATEN actual average outstanding loans is less since the OSP include interest for some products as FATEN is using discounted interest method .



The above chart shows clearly that FATEN during 2008 disbursed approximately 370% compared to loan amounts disbursed during 2007 and ultimately this increased the outstanding portfolio by 77%. This increase came as a result of the comparatively stable economic situation where government employee salary problem was solved and there was a huge demand from the market as commercial banks was very risk averse to issue new loans.



In the above chart FATEN loans for business activities exceed 56% of the total outstanding portfolio.



In the above chart the Personal loan which includes personal use, Health treatment, Pc and start up loans has a good percentage of FATEN clients, while still most of FATEN clients are in the Business loans segment.

Portfolio Quality

FY 2008 continue to witness good portfolio quality where the Portfolio at Risk remains within best practice standards and this excellent portfolio quality was as a result of the good screening policy FATEN applied for new loans where more attention was paid for loan selection criteria and product type, but as always unexpected events due to occupation may occur any moment, where again in late December Israeli Army attacked Gaza using deadly weapon against civilians were many of FATEN clients, and staff were affected, this savage operation against Gaza affected FATEN portfolio quality specially in early 2009.

Month	PAR ³
	>30 day late
January	6.31%
February	5.91%
March	5.32%
April	4.88%
May	3.83%
June	3.05%
July	3.06%
August	2.93%
September	2.42%
October	3.41%
November	2.9%
December	2.72%

³ PAR stands for Portfolio at Risk

Operational & Financial Sustainability

FATEN is working hard to achieve financial and operational sustainability especially that there is plans to start receiving commercial loan as demand is getting larger while FATEN may face liquidity problems but not in the near future.

The main reason behind the decline in operational and financial sustainability is Gaza region where FATEN continue its policy to keep the staff there despite low efficiency and productivity where the case load in Gaza region equals less than one third its counterpart regions in the West Bank in additions to this portfolio quality there is also less which requires from FATEN to hedge for this risk by taking 100% loan loss reserve.

Month	2007		2008	
	OPS	FS	OPS	FS
Jan	89%	71%	90%	78%
Feb	90%	73%	82%	71%
March	92%	76%	88%	78%
April	87%	72%	73%	65%
May	93%	77%	75%	67%
June	100%	82%	75%	67%
July	99%	82%	77%	68%
Aug	96%	81%	80%	71%
Sep	98%	84%	87%	76%
Oct	84%	72%	86%	73%
Nov	96%	82%	88%	76%
Dec	81%	73%	88%	77%



Fund Raising

FATEN continue its efforts looking for fundraising opportunities, but as known currently donors only provide technical assistance and in many limited areas they provide deficit coverage but no more loan capital, during FY 2008 FATEN received two grants from DEEP and SMART, also FATEN received a loan from DEEP to use for loan capital applied according to Islamic financing tools.

Public Relations & Networking

FATEN is an active member in several networks, locally and internationally, including the Palestinian micro finance network, SANABEL, Mix Market, and Save the Children US, in order to gain and exchange experience with similar micro finance institutions. FATEN was also represented in several international and local meetings and conferences held around the world to eliminate poverty.

Staff Development & Training

During FY 2008 several training sessions were conducted by Palestinian microfinance network and more than 30 staff members participated, also training on Islamic financing tools were conducted, in addition to this FATEN held its annual general meeting for all staff to discuss lessons learned, obstacles facing staff, and steps be taken to address current challenges.

Outreach & Geographical Presence

During FY 2008 FATEN opened its twelfth Branch in Qalqilia city, this branch will serve Qalqila district; in addition to the city it consist of 32 villages and refugee camps and serves around 100,000 inhabitants. By adding this branch FATEN has currently 4 branches in North West Bank; Nablus, Tulkarem, Qalqilia, Jenin. Three Branches in South West Bank; Ramallah, Hebron and Bethlehem, in addition to five branches in Gaza; Gaza City, Khanyounis, Dier Al-Balah, Jabalia and Rafah.

General Assembly and Board of Directors

FATEN witnessed big achievement during FY 2008 by increasing its general assembly from 11 members to 41 members, this expansion and diversity in qualification will enrich FATEN and make it stronger since this will have value added. Also FATEN conducted its election for the Board of Director in November were Mrs. Nibras Bsaiso was elected as Chairwomen.

Success Story -Jihad Essa Qumsieh

She is a Palestinian women from Biet Sahour next to Bethlehem, she is married with four children, since twenty five years she started her business of selling vegetables and fruits, she used to have very small kiosk, now and after receiving more than fifteen loans from FATEN starting with 250USD she has a shop to sell the vegetables in the down town in addition to having three green houses, her husband currently helping her in running the business and she plan to send her children to college.



FATEN 2009

FY 2009 is a very busy year and challenging at the same time,

- FATEN intends to reach financial sustainability by end of the coming years.
- Start getting commercial loans; a lot of discussion is going with local and international bank and association for a loan or guarantee fund.
- Develop its Strategic Plan for the coming three years 2009-2012.
- Sign Partnership agreement with KIVA and LFP
- Develop new product for youth start up business.
- Review FATEN product costing and Risk management.
- Conduct Field visit for Board Members to Georgia.
- Obtain new integrated MIS/FIS from Bisan after finalizing the testing phase.

