

PROVIDING TRANSPARENT

Financial services to micro and small enterprises and low-income households in Iraq

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ANNUAL REPORT
2009



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General Manager's Message

Dear readers:

On behalf of the Al-Thiqa team I am pleased to present our second Annual Report. Last year was marked by the financial crisis in most of the world, however the microfinance industry in Iraq remained strong, and Al-Thiqa made tremendous progress, increased its visibility and received recognition from donors and partners alike.

In 2009 Al-Thiqa continued building upon the successes of previous years and made further improvements to its operations. We faced increased competition from private banks, the Iraqi government, foreign aid programs and other microfinance institutions, but thanks to our improved staff capacity and strong systems, we achieved a remarkable 63 percent growth in the number of clients and 56 percent growth in outstanding portfolio, while maintaining a portfolio at risk of less than 1 percent.

With financial and technical support from the U.S. Agency for International Development (USAID), we launched solidarity group loans in order to provide financing to clients who lack traditional collateral and introduced more flexible terms on our business and agricultural loans. We further expanded our portfolio of agricultural loans, which increased more than fivefold compared to its 2008 level. Our efforts paid off: Our 2009 client satisfaction survey indicated that 95 percent of our clients were satisfied with our products and services.

After closing our Baghdad office almost two years ago due to the security situation, we reopened it in 2009 to provide loans to small businesses and low-income households. We also returned, after a three-year absence, to Ninewa province, where we provide loans mainly to farmers and internally displaced persons.



In 2009 Al-Thiqa was named Microfinance Institution of the Year by the USAID Provincial Economic Growth Program (Tijara) and received a four-diamond award for financial transparency reporting from the Microfinance Information Exchange (MIX). We supported the microfinance industry's initiative to increase transparency in social performance reporting and became one of the first institutions to publicly disclose our activities related to social performance.

As a result, we received a silver award from the MIX.

We created partnerships in order to reach out to new clients and markets. We entered into an agreement with KIVA, a U.S. NGO that connects lenders and entrepreneurs working through field partners. In 2009 through KIVA we raised \$73,700 to refinance 29 small loans. We managed to make further improvements to our management information system and this helped to increase the efficiency of our operations.

We accomplished a lot and yet there is more to be done. There are more Iraqi businesses, farmers and low-income households in need of finance to grow their businesses and improve their quality of life. We will need your support in order to reach more of them in 2010 and beyond.

I would like to express my sincerest and warmest thanks to all Al-Thiqa clients, employees and directors, and to ACDI/VOCA, USAID/Tijara and other donors and partners for your support. It is because of your contributions that Al-Thiqa achieved these outstanding results. I want to wish everyone a successful 2010. And, as always, I welcome your thoughts and suggestions.



Abbas Saedy
General Manager

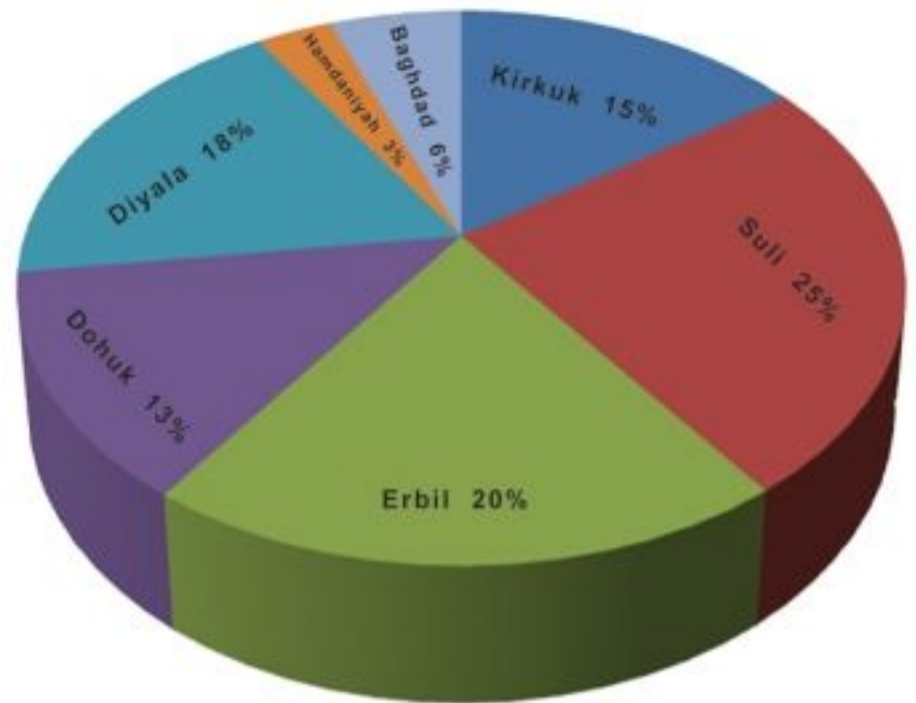
Thanks



Al-Thiqa at a Glance

Who We Are

Al-Thiqa meaning Trust in Arabic is an independent not-for-profit Iraqi Non-governmental Organization (NGO) engaged in lending to micro, small and medium size enterprises and general population in northern and central Iraq. Founded in 2004 by ACDI/VOCA, a US NGO and registered with the Iraq's NGO Assistance Office, Al-Thiqa has been an independent organization from its very start. Today Al-Thiqa is the largest Iraqi NGO engaged in lending activities. Since its inception and through the end of 2009 Al-Thiqa disbursed 38,556 loans totaling over \$102 million including 6,685 loans to women. As of December 2009, Al-Thiqa is operationally self-sufficient and is financially sustainable.



2009 Clients Geographic Breakdown

Our Mission

Our mission is to participate in rebuilding Iraq's economy by providing transparent financial services to micro and small enterprises and low-income households in Iraq.

Our Core Values

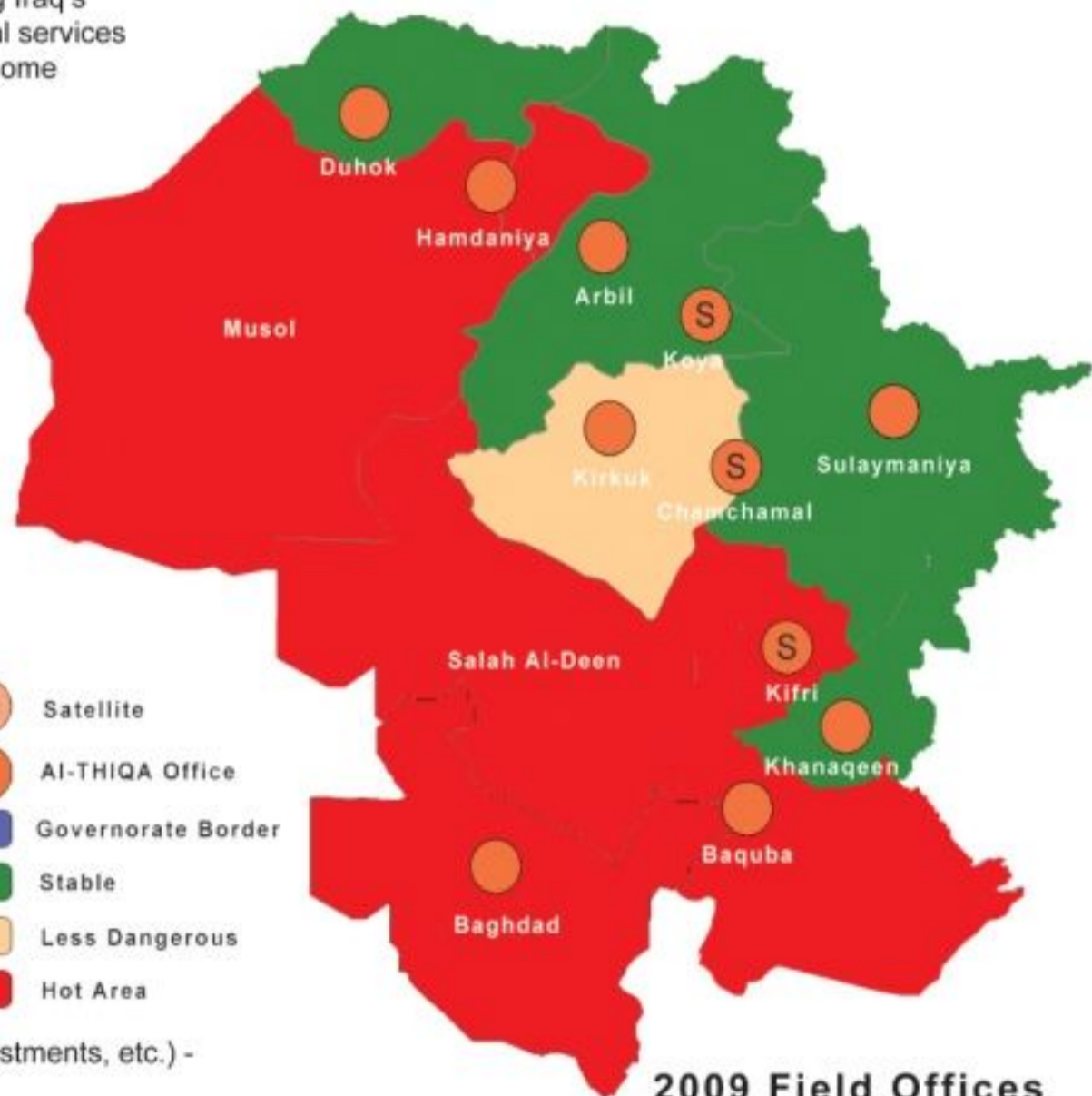
- We aim to meet our customers' needs.
- Our most important resource is our staff and we operate to attract, develop and retain only qualified and committed team members.
- We operate Al-Thiqa as a profitable organization in order to be self-sustainable and to expand our financial services.

We operate Al-Thiqa in a transparent and professional manner consistent with our mission and vision.

What We Do

We provide loans to businesses, farmers, homeowners and general population in urban and rural areas in Northern and Central Iraq. Al-Thiqa offers the following individual and group loans:

- SME loan (for working capital, small investments, etc.) - for established and new businesses
- Taxi loan (parts and maintenance)
- Agricultural loan (crop production, animal husbandry, and food processing)
- Housing loan (renovation and improvements)
- Islamic loan



2009 Field Offices

Where We Work

Al-Thiqa is headquartered in Kirkuk and has eight branches and three satellite offices in seven governorates of central and northern Iraq including Kirkuk, Erbil, Dahuk, Sulaymaniyah, Diyala, Ninewa and Baghdad.



Our Product Highlights

Al-Thiqa's principal loan products are loans for SMEs, agriculture, taxi and housing for exiting and start-up businesses, ranging from \$500 to \$25,000 and offered for 3 to 18 months. Loans are individual and solidarity-type group, conventional and Islamic.

1. SME loans—regular

This loan provides working capital for seasonal purchases and inventory. It can be used for business expansion and growth. The clients are required to be business owners with a minimum of one year experience and existence. The terms for the first loans are 12 months and for repeat loans up to 18 months.

2. SME loans—start-up

This loan is offered for the same purpose as a regular SME loan. The difference is that the borrower does not have to have been in business for at least one year but should a) have some experience in the economic activity that is proposed in the loan application, b) have received a sufficient amount of training or c) have had a paid-off loan from Al-Thiqa

3. SME loans—short term

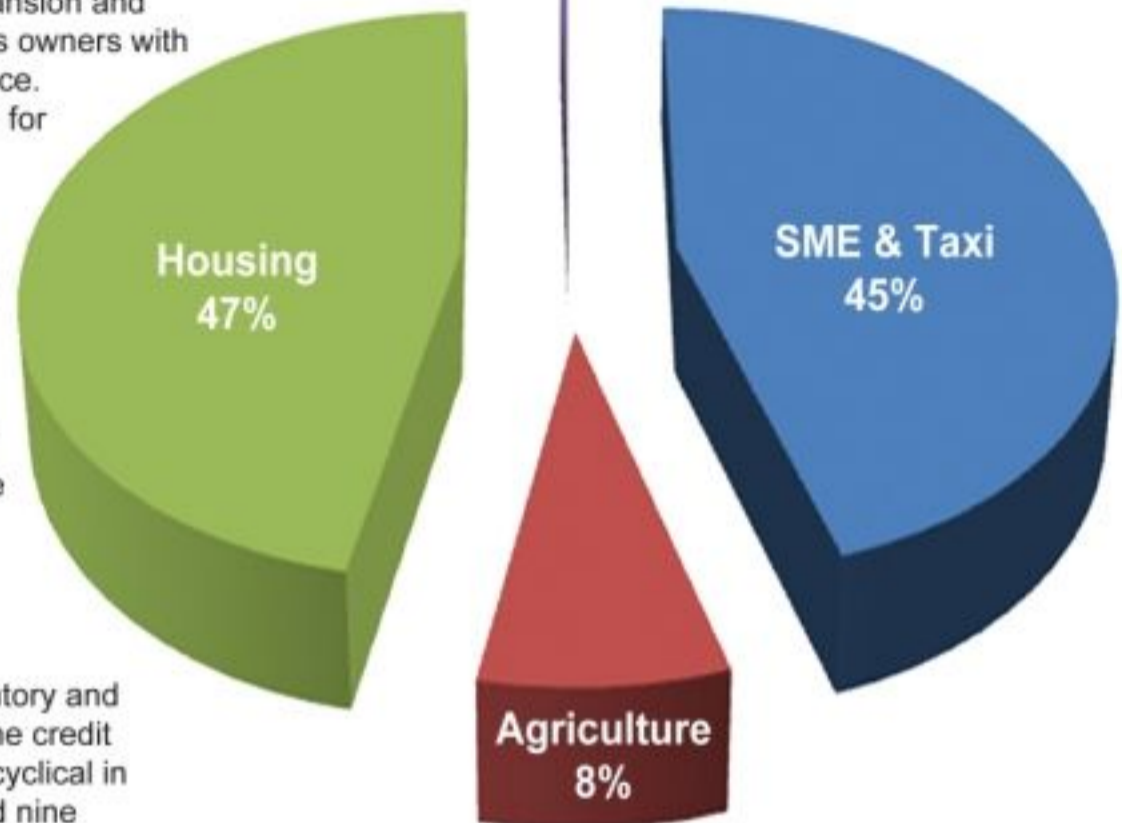
This loan is for businesses with quicker inventory and sales turnover needing short-term financing. The credit needs may be transaction based, seasonal or cyclical in nature. The loan can be taken for three, six and nine months.

4. Taxi loans

This loan is to finance taxi operators in the governorate in which they work and to finance those who work between governorates. The borrower must hold a public transportation license.



Staff
0%



2009 Portfolio Breakdown by Product

5. Agriculture loans

This loan is for crop production, livestock breeding or fattening and related operations, processing and trade. The purpose of this loan is to fund cash flow and capital expenditures. Offered for 12 months for first time borrowers and up to 18 months for repeat borrowers

6. Home improvement loans

This product is to fund home improvements and expansion projects for those with low incomes. It is not for new construction. Offered for 12 months for first time borrowers and up to 18 months for repeat borrowers.

7. Islamic loans (Murabahah)

This product is used to finance the purchase of various assets with an agreed-upon mark-up in compliance with Shariah law.

8. Solidarity group loans

This product is offered to groups of 3 to 8 business owners to finance working capital and purchase of small equipment for 3 to 12 months. This product does not require physical collateral and instead the group members guarantee each other.

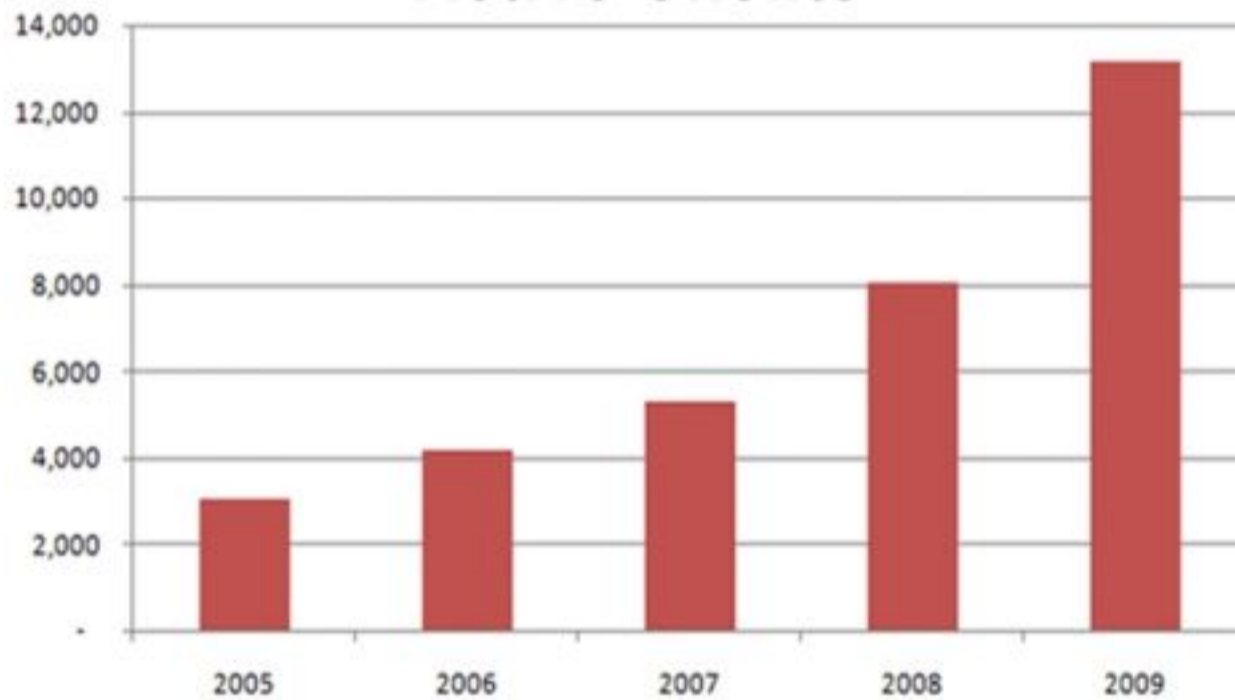


Our Growth

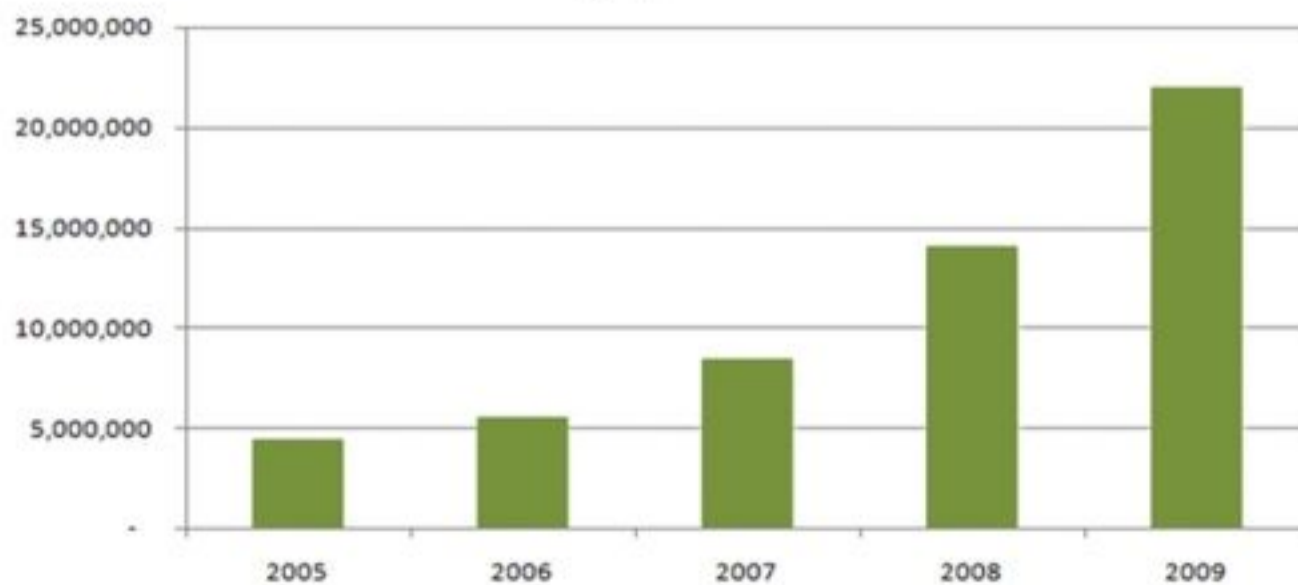
2006-2009 Al-Thiqa Key Indicators

	2006	2007	2008	2009
Number Of Clients	4,202	5,268	8,055	13,472
Outstanding Portfolio	\$5,519,906.00	\$8,341,706.00	\$14,052,344.00	\$21,911,871
Portfolio at Risk > 30 days	11.20%	0.43%	0.04%	0.11%
Operational Self-Sufficiency	88%	115%	240%	292%
Cumulative Number of Loans Disbursed	10,397	16,280	24,746	38,556
Cumulative Amount Disbursed	\$23,903,496	\$38,706,860	\$62,894,108	\$102,668,924
Number Of Staff	142	99	110	130

Active Clients



Outstanding portfolio in USD



Our Successes

Ambassador Rice Visited Al-Thiqa Beneficiary in Iraq



In October 2009 U.S. Ambassador to the United Nations Susan Rice and acting U.S. Ambassador to Iraq Robert Ford visited a kebab restaurant owned and run by an Al-Thiqa borrower while on their trip to Erbil, Iraq. The borrower had taken two loans from AL-Thiqa to expand his business, which also includes a pizzeria next door.

Al-Thiqa General Manager Abbas Saedy hosted the officials and gave them a brief introduction to Al-Thiqa, which at that time had 2,400 active clients in Erbil.

The restaurant owner explained to the delegation that when he applied for his first loan from Al-Thiqa, he only had a small pizzeria. He used the proceeds from his two loans to turn an adjacent room into the kebab restaurant. Shortly before the visit he was approved for his third loan to make further business improvements.

Erbil is the second-largest branch of Al-Thiqa.

About 20 percent of active clients are women who are engaged in various entrepreneurial activities, including hair salons, sewing enterprises and day care centers.

The visitors praised Al-Thiqa on its work in Kurdistan and said that they wanted to see more development of its kind in other areas.

Al-Thiqa Receives CGAP Social Performance Reporting Award



CGAP recognized Al-Thiqa as a silver awardee of its first Social Performance Reporting Award. The award singles out MFIs and networks that excel at reporting on changes in microfinance clients' poverty levels, consumer protection policies and other social indicators. Social reporting allows the donors, investors and other stakeholders to see how well the MFI is doing in pursuing its mission.

Al-Thiqa became one of the first microfinance institutions in Iraq to report on its social performance. As a leader in the microfinance community in Iraq Al-Thiqa encourages other MFIs for follow its example and report on their social performance.



New Partnerships

KIVA Helps AL-THIQA Extend Small Loans In Iraq

In 2009 AL-Thiqa became the second **KIVA** partner in Iraq, helping to extend the MFI's small loans to Iraqi entrepreneurs through **KIVA's** unique person-to-person micro-lending website, www.kiva.org

In 2009 Al Thiqa raised through **KIVA** \$73,700 to refinance 29 small loans. The loans, which ranged from \$1,800 to \$3,000 each, helped finance various business activities including purchasing an oven for a bakery, computers and cell phones for an electronics store, sewing machine for a tailor's shop, inventory and small equipment for a mechanic's shop and supplies for a small manufacturer of windows and doors. These loans got financed by 67 to 106 investors each, some contributing as little as \$25, the minimum loan size on **KIVA's** site!

KIVA is the world's first person-to-person micro-lending website, empowering individuals to lend to unique entrepreneurs around the globe. To do so, **KIVA** partners with existing microfinance institutions.



Board of Directors

Chairperson

Dr. Nabil Al Ethari

Director, Negotiation and Strategic Sciences Organization

Member

Muhamad Karim

Chairman of Kurdistan Economist Forum

Member

Ardemis Owghanis

Senior Program Manager
USAID Tijara Provincial Economic Growth Program

Member

Hawrre Ranjder

National Program Officer - Inter SOS Iraq Mission

Member

Suzan Aref

Director, Women Empowerment Organization



Our Success Story

My name is Mohammad¹. Years back when I started my business I owned a little computer service bureau equipped with only one computer, which I used for typing, printing and designing simple documents. It was in a rural area in Kirkuk governorate called Dakuk, which had suffered from neglect during the former regime and lacked many basic services. I had always dreamed of changing this little bureau to an Internet café, but two things stood in my way: lack of financing and the disapproval of local authorities.

I kept this little dream in my heart until after the collapse of Saddam's regime, when the situation in Iraq completely changed. Not only did government obstacles to my plan disappear, but also new technologies became available and affordable to ordinary people like me.

However, I still faced the second problem, finances.

I could not even find a partner who wanted to go in with me to fund the café.

My good fortune led me to a friend who told me about an NGO named Al-Thiqa ("Trust" in Arabic) that was funding small projects. He told me that with a loan from Al-Thiqa he'd been able to replace his old taxicab with a new one.

I decided to visit this organization and submit a loan request. I felt welcomed and encouraged to put forth my humble project. I went over my qualifications and business plan. I was surprised with their supportive attitude, not to mention their easy procedures, and I eagerly completed the required documents. Then I was even more surprised when a few days later Al-Thiqa gave me the loan.



Enabling me to convert the small bureau to an Internet café made my dream come true. Now I have many computers to help meet expanding local needs, and I have begun to serve my neighbors, friends and family by improving their computer and internet skills through periodic trainings.

Recently I bought a new networking system to provide

houses in my area with Internet service from 8:00 p.m. until ~8 a.m., with a monthly payment of \$25 for a single line.

I have managed to generate enough income from my project to easily make my loan payments, and I can apply the remaining proceeds to improve my family's life.

I'm truly grateful to Al-Thiqa and its staff for their impressive efforts to serve their customers.



1. The name of the client is changed to protect the client's identity.



Statement of Financial Position as of December 31, 2009
2009 un-audited, 2008 and 2007 audited by Grant Thornton

	US Dollars 2009	US Dollars 2008	US Dollars 2007
ASSETS			
Cash and Bank Current Accounts	4,045,961	3,205,849	1,063,889
Short-Term Investments/Interest bearing deposits			
Gross Loans Outstanding	21,911,871	14,052,344	8,341,706
(Loan Loss Reserve)	(483,882)	(295,840)	(451,178)
Net Loans Outstanding	21,427,989	13,756,504	7,890,528
Other Current Assets	65,161	66,608	8,631
Total Current Assets	25,539,112	17,028,960	8,963,048
Long-Term Investments	-	-	-
Fixed Assets, Net	150,345	161,098	155,982
TOTAL ASSETS	25,689,457	17,190,058	9,119,030
LIABILITIES AND NET WORTH			
LIABILITIES			
Client Savings and Time Deposits	-	-	-
Other Deposits (Short-term Liabilities)	-	-	-
Short-term Borrowings (Commercial Rate)	-	-	-
Total Current Liabilities	-	-	-
Long-term Debt (Commercial Rate)	-	-	-
Long-term Debt (Subsidized Rate)	39,880	-	-
Deferred Income	-	37,000	-
Loan to finance SME por	11,508,623	11,488,623	7,107,048
Other Liabilities	1,818	1,711	2,218
TOTAL LIABILITIES	11,550,321	11,527,334	7,109,176
NET WORTH/EQUITY			
Paid-In Equity (Shareholders)	-	-	-
Donated Equity (Loan Fund) - Current	4,094,000	900,000	-
Donated Equity (Cumulative Grants for Operations) - Current	155,285	58,326	-
Donated Equity (Loan Fund) - Prior	900,000	-	-
Donated Equity (Cumulative Grants for Operations) - Prior	2,671,708	2,613,382	-
Retained Net Profit/(Loss) - Prior Years	2,091,835	603,528	691,839
Net Profit/(Loss) - Current Period	4,226,308	2,694,544	1,318,015
Total Net Worth/Equity	14,139,136	5,662,725	2,009,854
TOTAL LIABILITIES AND NET WORTH	25,689,457	17,190,058	9,119,030

Income Statement for the Year Ended December 31, 2009
2009 un-audited, 2008 and 2007 audited by Grant Thornton

	US Dollars 2009	US Dollars 2008	US Dollars 2007
FINANCIAL INCOME			
Service Fees	6,073,967	3,690,782	2,258,248
Application Fees	146,600	88,590	42,477
Penalty Fees	201,273	115,285	57,352
Interest on Deposits	-	-	-
Other Income	-	-	-
Total Financial Income	6,421,840	3,894,657	2,358,077
FINANCIAL EXPENSES			
Interest on Debt	-	-	-
Interest Paid on Deposits	-	-	-
Total Financial Costs	-	-	-
Gross Financial Margin	6,421,840	3,894,657	2,358,077
(Provision for loan losses)	(57,723)	425,599	487,140
Net Financial Margin	6,364,117	4,320,256	1,870,937
OPERATING EXPENSES			
Personnel Expense	1,287,240	886,450	743,762
Other Administrative Expenses	779,657	664,168	599,824
Depreciation Expense	72,098	56,593	66,937
Total Operating Expenses	2,138,995	1,607,211	1,410,523
Net Income from Operations	4,225,122	2,713,045	460,414
Gain on Sale of Fixed Assets	-	-	11,263
Non opr. Income	1,187	1,093	21,194
Net Income before donation	4,226,308	2,714,138.09	470,345
Grants for Operating Expenses	155,285	58,326	847,670
Grants for Loan Capital	4,094,000	900,000	-
Net Income- Profit/Loss	8,475,593	3,672,464	1,318,015

Al-Thiqa Expansion

Duhok Address

Hai Nawrouz , in front of Dewaly Agha Palace
Duhok, Iraq
Office Phone: 062 762 7359
Mobile no.: 0750 423 0655

Arbil Address

Arbil - Escan district 60 street - in front of MAXI MALL
Phone Office +964(0) 66 2531290
Mobil Office+964(0)7504777425

Koya Address

Koya - Baiz aga Near of Talabany mosque
Mobile: +964 750 122 5950

Hamdaniyah Address

Hamdaniyah, main road to the General Market
Mobile no.: 0770 914 4426

Suliymanyah Address

Hai - Ashti in front of Rangeen high school for girls - Hiwa Building
Phone No.+964(0) 53 3125097
Cell Phone No. +964 (0) 770 2186709

Kirkuk & HQ address

House 250/87 Part 39, New Sector 90, Hai-al-Thubat, Al-Wajha-al-Khamisa, Behind Mansour Mosque, Kirkuk, Iraq
Phone: +964 50 419963
Mobile: +964 770 1305483

Kanaqeen Address

House 431/15 k Ramadan quarter, in front of Kanaqeen preparatory school. Diyala, Iraq.
Phone :+964 532228160

Kifri Address

Hai Nawroz – Zana building Diyala, Iraq.
Phone :0770145 2639

Chamchamal Address

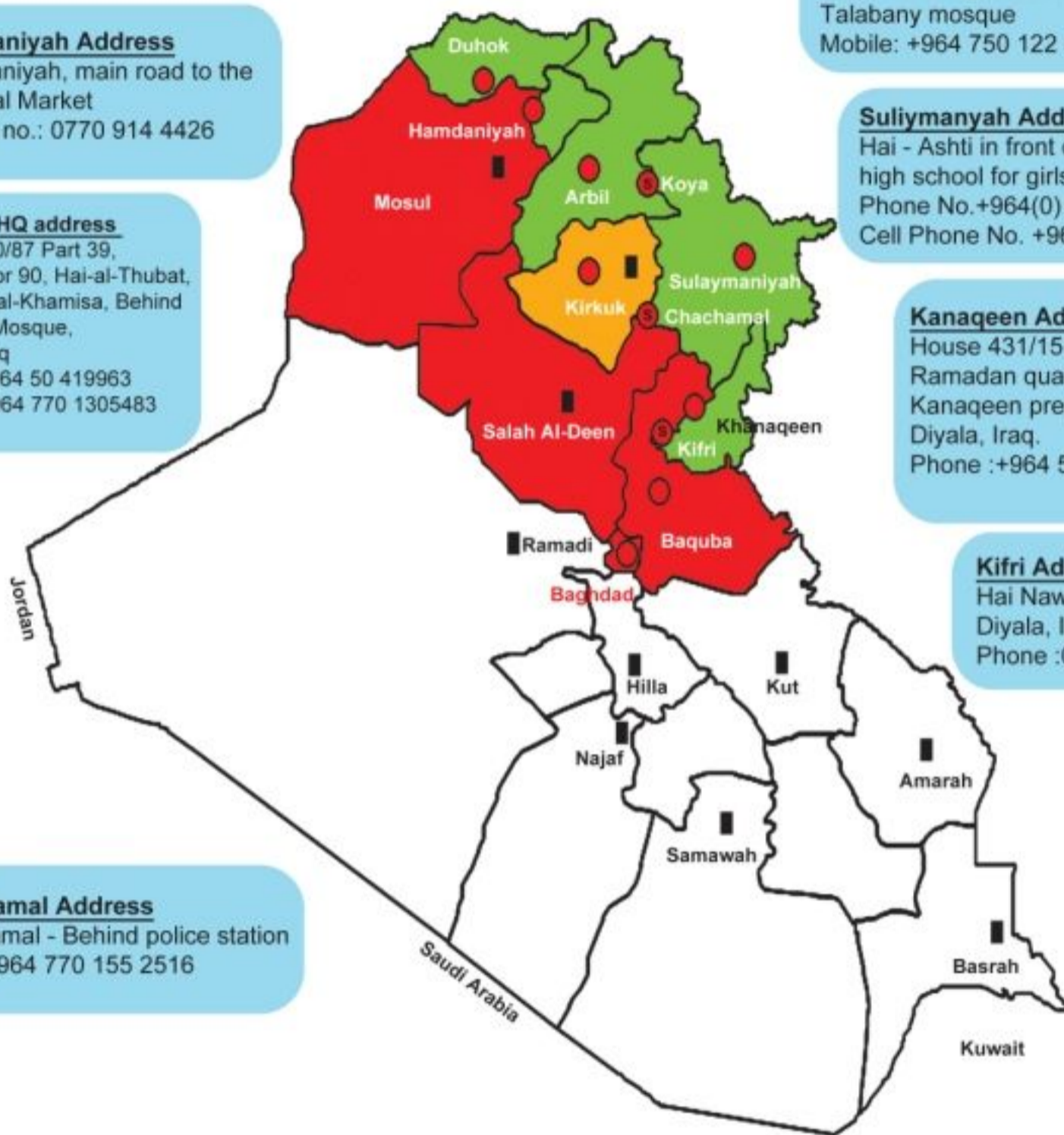
Chamchamal - Behind police station
Mobile: +964 770 155 2516

Baghdad Address

House 16 Part 68 , New Sector 904 , Hai-Al-Wahda , Near Al -wathiq Square ,Baghdad ,Iraq
Phone : + 964 01 7171738
Mobile : + 964 7901 600032
Mobile : + 964 7901 646828

Baquba Address

AL- Hadad Building 830/1. Al- Awqaf Street, in front of Ministry of Religious Endowments. Diyala, Iraq.
Mobile +964 7902462422



- Al-Thiqa Office
- Governorate Centers
- Governorate Border
- Stable
- Less Dangerous
- Hot



Partnerships

Since its inception in 2004 Al-Thiqa has been engaged with a number of international and iraqi Partners who have contributed to its success:

Partners

ACDI/VOCA

Inma Agribusiness Program

Izdihar Iraq Private Sector Growth and Employment Generation Program

Tijara Provincial Economic Growth Program

Women Empowerment Organization, Arbil

Al Murshed Center, Kirkuk

Association of Experts in the Fields of Migration and Development cooperation (AGEF)

Development Alternative ,Inc

KIVA.

Memberships and Affiliations

Iraq Microfinance Network

Sanabel Microfinance Network of Arab Countries - Affiliate Member

MIX Market





Al-Thiqa

House #257/87 Part 39, New Sector 90, Hai Al-Thubat, Section 5, Kirkuk, Iraq

Tel: + 964 (0) 770-130-9834

E-mail : abbassaedy@yahoo.com

:asaedy@althiqa.org

:info@althiqa.org

Website : www.althiqa.org