

WEST BANK/GAZA LOAN GUARANTEE FACILITY MONTHLY PROGRESS REPORT MARCH 2009

A. Loan Guarantee Facility (LGF) Progress

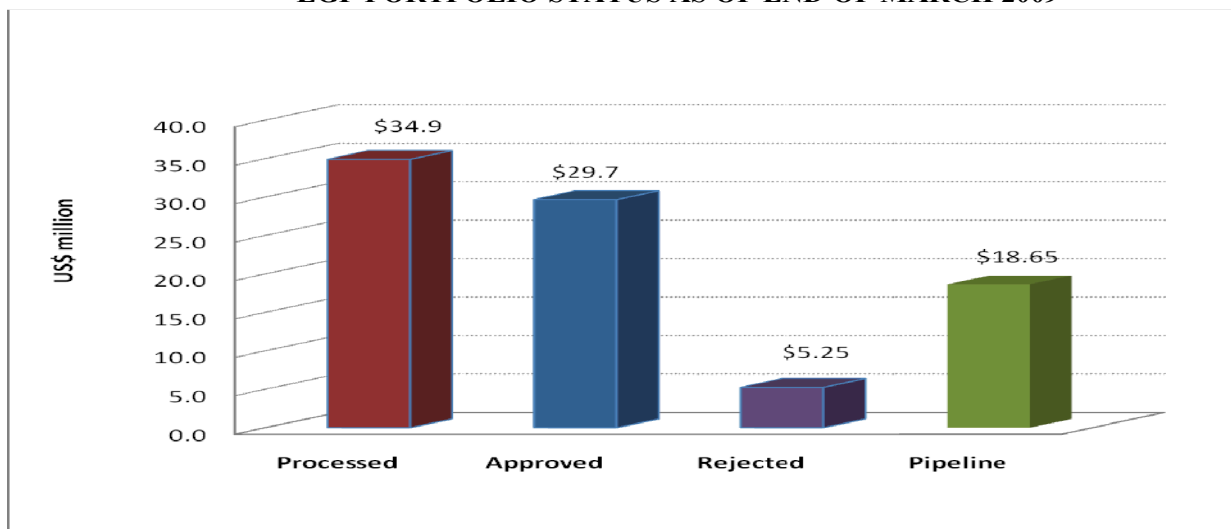
The month of March witnessed a noticeable increase in bank activity. LGF processed seventeen loans totaling \$3,254,000 during March, the highest number of loan applications in one month. Fifteen loans totaling \$2,154,000 were approved, and two loans in the amount of \$1,100,000 were rejected due to insufficient information.

As of the end of March:

- LGF had processed 110 loan applications totaling \$34,919,600 million of which:
 - Eighty-six loans in the amount of \$29,669,600 were approved; ten loans in the amount of \$1,847,000 were subsequently cancelled due to borrower failure to draw on the loans.
 - Twenty-four loans totaling \$5,250,000 were rejected.
- An additional 36 loans totaling \$18.65 million were in various stages of processing (pipeline).
- The LGF portfolio (net of cancellations) consisted of 76 loans in the amount of \$27,822,600. It is estimated that these 76 guaranteed loans will generate approximately 3,000 new jobs.

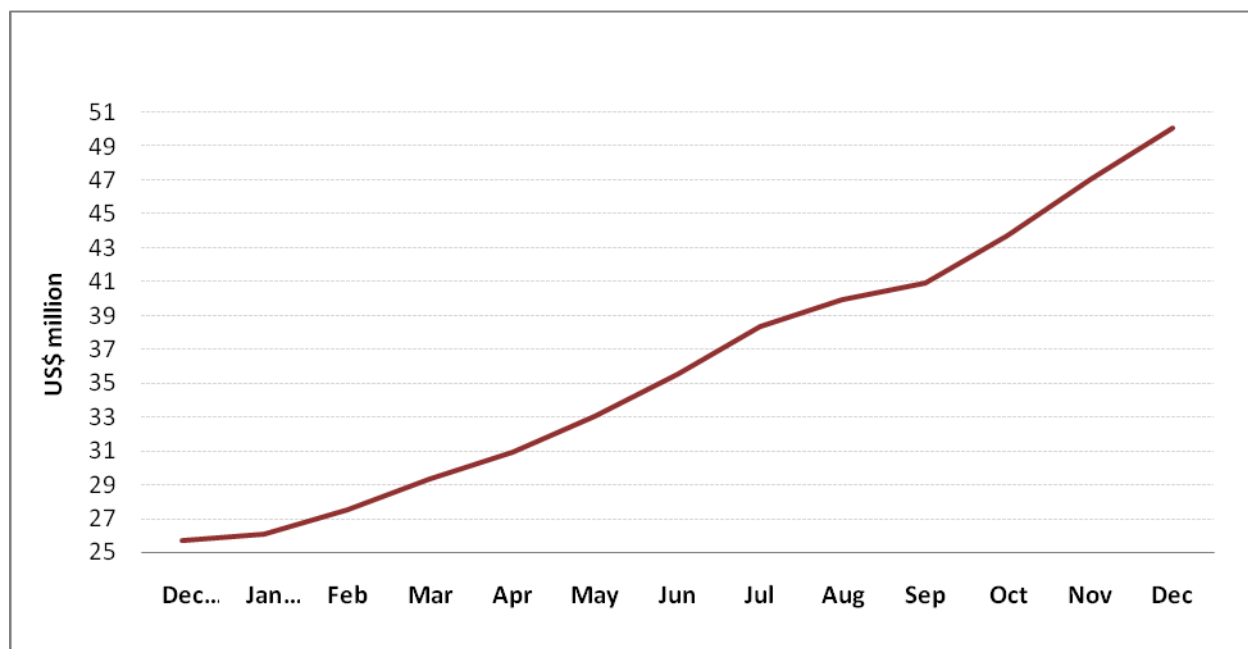
The following graph illustrates the cumulative outcome of loans processed under LGF as of March 31, 2009.

LGF PORTFOLIO STATUS AS OF END OF MARCH 2009



All seven partner banks are active. Loan Guarantee Facility (LGF) workshops, on-the-job training, and LGF staff working directly with local bank branches are yielding positive results as indicated by the strong number of loans under review. Projected activity for 2009 is based on historic growth activity, current pipeline and feedback from partner banks. LGF management adjusted its earlier forecast to reflect anticipated decrease in activity during the month of Ramadan.

LGF PORTFOLIO GROWTH FORECAST FOR 2009



B. LGF Portfolio Characteristics

Of the 76 approved loans, 55 loans in the amount of \$9,198,000 were disbursed. There are no loans in default. The average loan tenor for the 55 disbursed loans is approximately 3 years. As of end of March there were five loans in arrears, but LGF management is not concerned because the arrears are due to timing and not repayment defaults.

Small businesses have been the primary beneficiaries of LGF guarantees. Nearly 79% of LGF approved loans are between \$10,000 and \$200,000. The following chart provides a profile of LGF guaranteed loan sizes.

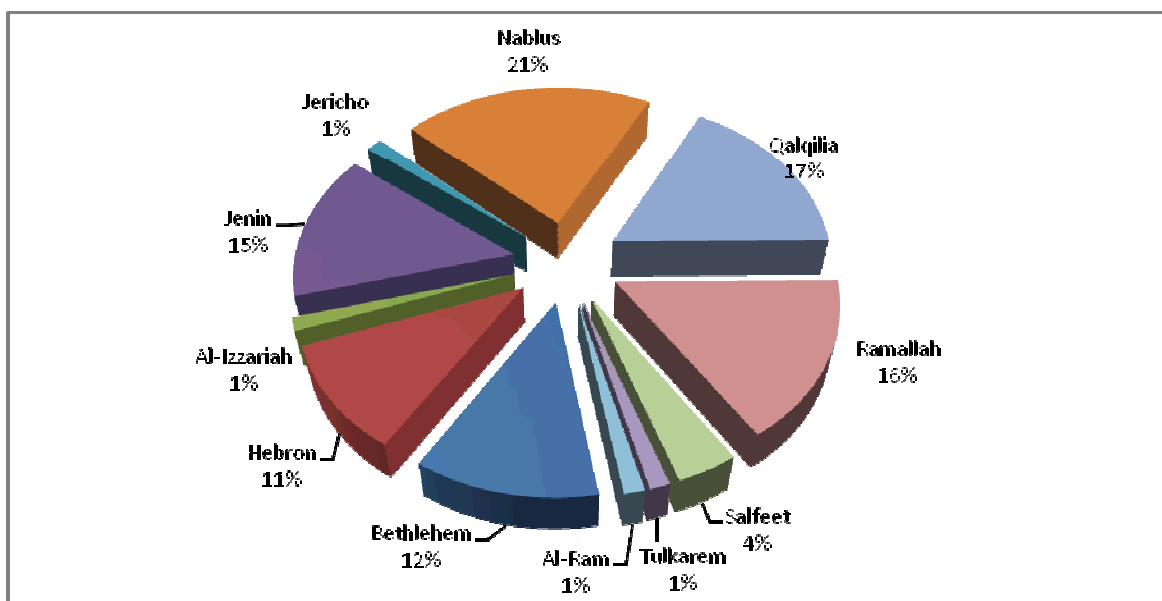
LOAN SIZE PROFILE OF LGF PORTFOLIO

Loan Amount Range	Number of loans	As a %
\$10,000 – \$50,000	15	19.7%
\$50,001 – \$100,000	24	31.6%
\$100,001 – \$200,000	21	27.6%
\$200,001 – \$300,000	5	6.6%
\$300,001 – \$400,000	1	1.3%
\$400,001 – \$500,000	7	9.2%
>\$500,000	3	3.9%
Total	76	100%

The charts below display the distribution of the LGF portfolio by number of loans in terms of location, economic sector, and loan usage.

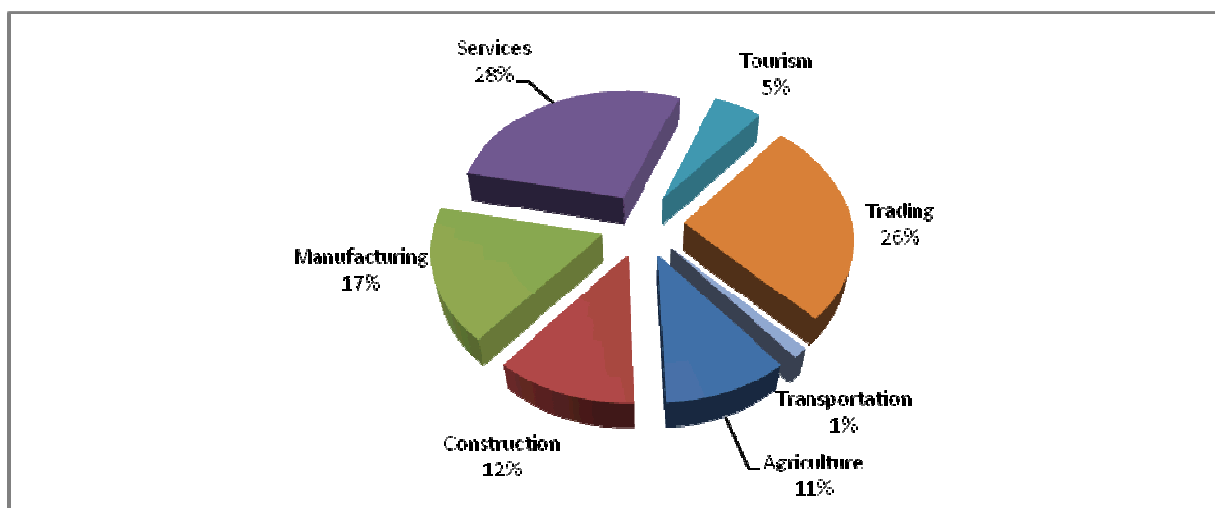
The LGF portfolio is becoming more evenly distributed throughout the West Bank, although Nablus and the other northern governorates still constitute more than 50% of the portfolio. However, 16% of the portfolio is now located around Ramallah which was not the case for most of 2008. Nearly 70% of the LGF portfolio is located in urban areas, and 30% is located in rural areas of the West Bank.

GEOGRAPHIC BREAKDOWN OF LGF PORTFOLIO



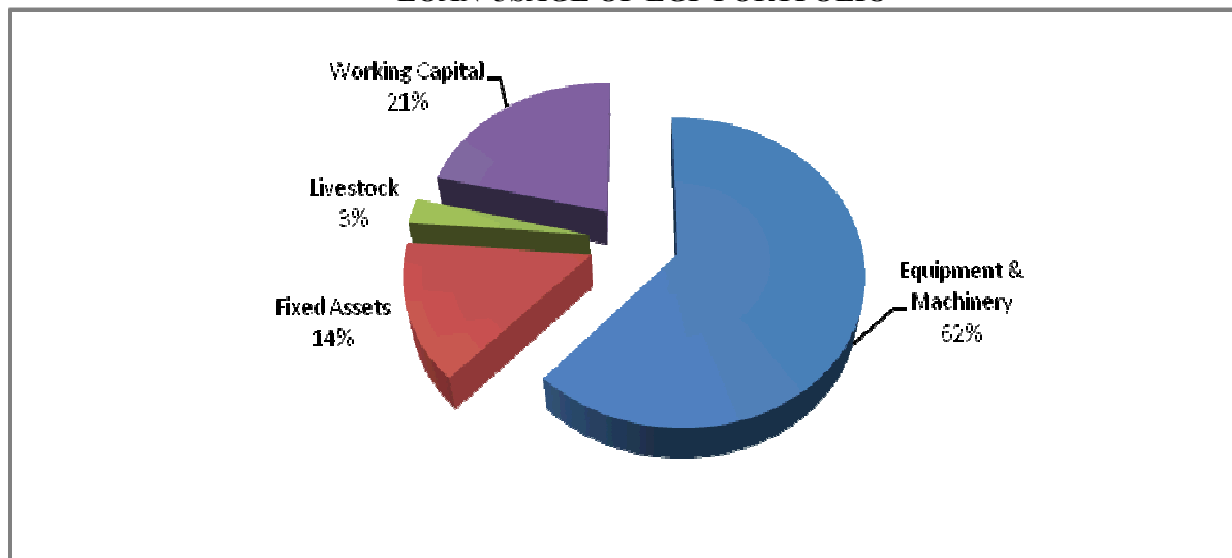
Distribution of LGF activity among productive sectors indicates continued concentration in general trade, manufacturing, and services. There has been some increased activity in the construction and agriculture sectors in 2009.

SECTORAL BREAKDOWN OF LGF PORTFOLIO

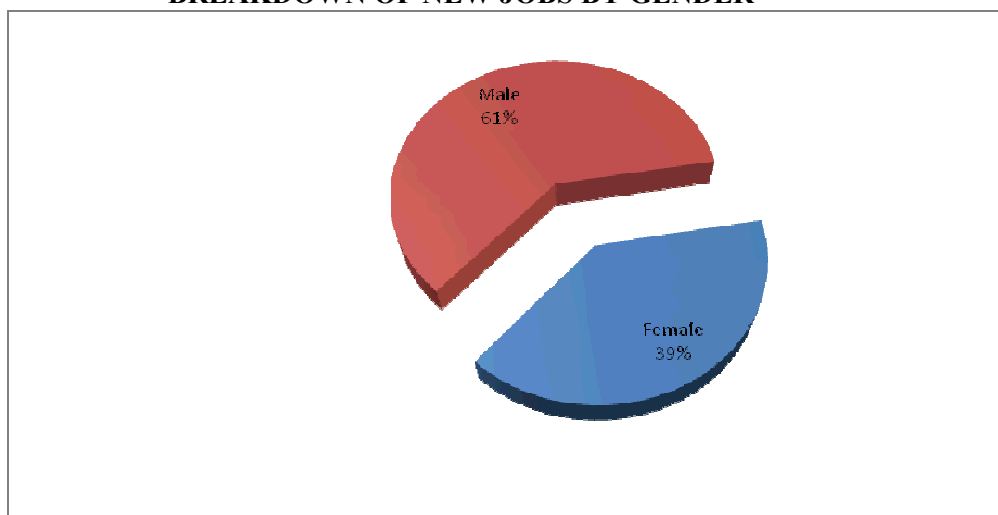


To date, nearly 76% of LGF guaranteed loans financed procurement of equipment, machinery and fixed assets. Approximately one-fifth of LGF activity supported lending for working capital, mainly procurement of inventory and raw materials. The balance of the guarantee portfolio has facilitated investment in livestock.

LOAN USAGE OF LGF PORTFOLIO



BREAKDOWN OF NEW JOBS BY GENDER



C. Case Study

LGF supported a small loan of \$20,000 to an entrepreneur from Gaza whose light manufacturing business was completely destroyed during the recent conflict in Gaza. The entrepreneur was in the West Bank when the conflict erupted, and decided not to go back to Gaza after he heard his business was destroyed and his

insurance did not cover acts of war. Instead the entrepreneur contacted some old clients in the West Bank who he worked with prior to the Israeli embargo, and explored the possibility of setting up operations in the West Bank. After renting space in an industrial zone, the entrepreneur approached one of the LGF partner banks and asked for a loan to buy light manufacturing equipment. The bank immediately approached LGF because the entrepreneur lacked any collateral, did not have any financial statements and was a new client to the banking sector. LGF worked closely with the bank to develop financial projections and assess the viability of the entrepreneur's "new" business. Following approval of the loan, the entrepreneur hired 3 workers to help with production.

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