

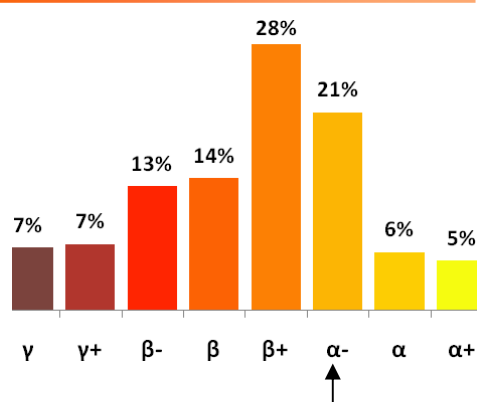
June 2008
 1st MicroRate Rating

enda Inter-Arabe

Tunisia

α-

Very low credit risk. Solid, well managed and very efficient operations. Its high profitability and excellent portfolio quality place enda in the top third of MFIs rated by MicroRate.

Future Rating Outlook Positive


Date of visit July 2008
 Previous MicroRate ("MR") Rating n.a.
 Date of Previous MR Rating June 2006
 Number of MR Ratings 0

Principal Performance Indicators

| | Dec-06 | Dec-07 | Jun-08** |
|------------------------|--------|--------|----------|
| Gross Loan Portfolio* | 11,526 | 22,302 | 28,795 |
| Number of Borrowers | 39,190 | 63,794 | 76,381 |
| ROE*** | 16.8% | 20.4% | 21.5% |
| Portfolio Yield | 45.6% | 37.3% | 35.6% |
| Portfolio at Risk | 0.4% | 0.5% | 0.6% |
| Operating Expenses | 24% | 19.8% | 18.0% |
| Average Loan Size (\$) | 294 | 350 | 377 |
| Borrowers per Staff | 188 | 222 | 203 |

*(000 \$) ** On a 12-month period *** Adjusted

Summary

Enda Inter-arabe started its operations in 1995 as a subsidiary of the NGO enda Tiers Monde based in Dakar. Initially dedicated to a wide range of activities in development and environment, enda has specialized on microcredit since 2001.

As of June 2008 it has a gross loan portfolio of US\$28.8 million and serves over 76,000 clients - 80% of which are women - through a network of 50 branches, mostly in urban and semi-urban areas.

Rating Rationale

Enda Inter-arabe demonstrates a general pattern of excellence. As a result of a strong financial structure, good lending methodology and excellent portfolio quality operational performance is very good and the financial position is solid. High growth causes liquidity to be tight, however.

In spite of lowering its interest rates to fulfill its social mission, enda remains very profitable thanks to high efficiency. Decentralization of operations and specialization of loan officers, which was initiated in 2008, will be a challenge.

Strong management, provided by the two co-founders enables enda to gradually streamline and strengthen processes (internal audit, MIS, human resources...) and to carefully but surely expand into specific market niches such as rural areas. Efforts are made to accelerate succession planning of management and to strengthen the microfinance expertise of the – otherwise very experienced – Board of Directors.

Notice

Enda operates under an exemption from the national microfinance law granted by Tunisia's President. This exposes the institution to high political risk. This risk is mitigated by Tunisia's political stability over the past twenty years and enda's high reputation among all stakeholders. Nonetheless, its unusual legal status makes it potentially vulnerable to political pressure and to change in the government's approach to microfinance.

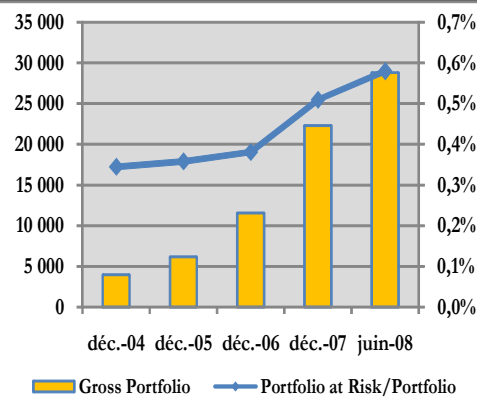
Strengths

- Sustained and controlled growth
- Excellent portfolio quality
- High efficiency and profitability
- Diversification of products
- Strong management and Board

Weaknesses

- Political exposure and weak legal position
- Unclear ownership
- Succession planning of top management

GENERAL SUMMARY

| enda Inter-arabe | | | MicroRate Africa Sample | | Gross Loan Portfolio vs Portfolio at Risk |
|-------------------------------|----------|----------|-------------------------|----------|--|
| | Jun-08 | Quartile | 1st Quartile* | Average | |
| ROE** | 26.7% | 1st | 21.7% | 4.8% |  |
| Portfolio at Risk 30 days (%) | 0.6% | 1st | 1.0% | 4.9% | |
| Operating Expense Ratio | 18.0% | 1st | 23.0% | 36.9% | |
| Number of borrowers per staff | 203 | 2nd | 220 | 164 | |
| Operating Margin | 10.6% | 1st | 7.5% | 0.3% | |
| Gross Loan Portfolio ('000) | \$28,795 | 1st | \$22,972 | \$19,309 | |
| Number of Borrowers | 76,381 | 1st | 71,950 | 55,136 | |
| Average Loan Balance | \$377 | 3rd | \$129 | \$391 | |

*Lower limit of the 1st quartile.

** Non adjusted

Financial Situation (pg. 4)

Enda is a highly profitable institution with a strong capital base and diversified long term funding. Due to these excellent financial results borrowing capacity is high. Rapid growth is causing liquidity to be tight.

Microfinance Operations and Portfolio Quality (pg. 6)

Enda offers both individual and group loans. Lending methodologies are strong and have been made more flexible. Together with the diversification of its products, this has resulted into sound and dynamic growth and a gradual change in enda's portfolio profile.

Portfolio quality is excellent and loan loss reserves are unusually high (500% of Portfolio at Risk – PaR 30). PaR30 has deteriorated slightly over the past two years but given the overall excellence of portfolio quality, this is not considered significant.

Organization and Management (pg. 9)

In the context of high growth, enda's strong management is decentralizing operations, backed by a sophisticated human resource policy. Enda is very efficient thanks to the economies of scale achieved and in spite of a decrease in staff productivity and of rapid geographical expansion.

Internal controls are strong and the MIS is being switched to a software program that can better cope with enda's growth and increasing complexity. Accounting will remain non-integrated.

Governance and Strategic Positioning (pg. 12)

Despite an unclear ownership and partial management's capture of governance by the cofounders, enda's governance structure shows strength and capacity. Succession planning of senior management and transformation into a regulated financial institution are some of the upcoming challenges to be faced.

Enda operates in a very favorable environment with quasi inexistent competition and high potential for growth, especially in rural areas. It targets the lower niche of the market.

To access the full rating report, please contact **MicroRate Africa Ltd** © by writing an e-mail to our African offices: africa@microrate.com. Please note that you can also subscribe to our reports packages. Contact us for more information.