

Vitas Group 2014 Annual Report





**2014 Vitas Group
Annual Report**

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Vitas launch celebrations around the world, clockwise from left: USA, Iraq, Palestine, Jordan, Lebanon and Romania.

Cover images

Clockwise from Top Left: A Romanian car repair client; Palestine staff hitting the streets, and hills, to introduce the new brand to clients; Jordanian clients being featured in a community bazaar; Iraqi families waiting for food aid to be distributed by our Iraqi staff, to help those displaced by conflict.



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Introduction

Vitas Group (“Vitas”) is a Global Communities enterprise established in 2006 to hold the assets of Global Communities’ commercially-oriented microfinance institutions. Today, Vitas Group is a family of microfinance institutions that reflect the culmination of two decades’ worth of microfinance experience in many different geographic and political environments. Over the last three years in particular, Vitas has brought together the best of Global Communities’ microfinance subsidiaries and established a common set of standards, procedures, values and principles that today make up the Vitas brand. Through our operations in Romania, Lebanon, Jordan, Palestine and Iraq, we have worked hard to bring to life our mission of Financing a Better World.

This report highlights the ways in which we have delivered on our brand promises over the past year, and the positive impact this has had on our social and financial returns.



Staff in Jordan celebrate the launch of the Vitas brand at a bazaar they hosted for the community in Aqaba, where goods made by 50 of their top clients were sold.





Photos, L-R: Palestinian staff visiting nursing homes for Mother's Day, Lebanese bread maker (client), Romanian shop owner (client)

Our Mission

To provide financial products and services that respond to our clients' needs and foster the long term development of individuals, their businesses, their families, and the communities in which they live.

By delivering our four promises to our clients and each other we will achieve our mission: We will make a difference economically and socially in the places where we work.

Our Promises

Easy.

We make a difference to our clients' lives by making the complex simple. We ensure everything we do allows them to get on with their lives with peace of mind. By making things easier, we contribute to their sense of dignity and allow them to realize their potential.

Understanding.

We ask questions, listen and learn from our clients to understand their needs and find appropriate solutions to them. By showing our genuine interest in their individual circumstances and well-being, we establish trust and openness.

Proactive.

We are proactive and responsive. We commit people and resources to help clients find solutions even if we are unable to offer them ourselves. We act on our word and clients can depend on us.

Connecting.

We see the real potential of our clients, beyond the financing we provide them. We use our place in the community to create connections and new opportunities, and to positively impact their work and life. We go beyond what is expected to make new things possible.



Leadership Perspective



The year 2014 brought tremendous hardship for many of the communities in which we work. In the Middle East we saw frightening developments of conflict, brutality, and social unrest. However, looking beyond the headlines, we also witnessed resilience – people collaborating, innovating, and rebuilding their communities. This annual report highlights how Vitas has been a part of that, and how our promise to Finance a Better World has inspired our work in the past year.

When I first joined Global Communities in 2004, I found very few people had ever heard of the organization, much less that it was an early pioneer in microfinance or the largest network of microfinance providers in the Middle East region. Today, thanks to an intentional effort to unite our institutions under one identity, I hear frequent praise from our peers and stakeholders about the professionalism of our staff and the important work of Vitas, now recognized as one family of companies.

Vitas staff today are over 1,000 strong, and our customer base is approaching 100,000. Becoming Vitas has been more than a name change, more than a logo. It is the culmination of years of valuable lessons and defining life experiences that make us who we are and set the values we believe in. The pages that follow show that we are walking the walk to demonstrate those values – volunteering personal time to deliver meals; bringing arts and sport to youth in our communities; finding ways to make life easier for clients and create a more efficient and quality workplace for our staff.

Last November I attended a staff retreat for our program in Iraq, now the largest microfinance operation under the Global Communities umbrella and the largest in the country since its inception 10 years ago. When I asked one young Iraqi manager how he felt about adopting the Vitas brand, he proclaimed to me with great enthusiasm, “I love Vitas because I can feel that I am part of something much bigger. In Iraq, life is so difficult, but here we are, walking the streets to find new customers in every community. We are not alone because we have a huge family of people who know what it is like for us, and who will help us succeed.” Thanks to the commitment and energy of staff members like him, we are proving that Vitas can make financial inclusion happen even in some of the toughest environments in the world.

Elissa McCarter-LaBorde
CEO, Vitas Group



Geography and Offerings



A map of current Vitas countries of operation, and countries where Global Communities has a microfinance presence.

LOAN PRODUCTS



Vitas Enterprise Loans™
Tailored loan solutions designed to help enterprise succeed

TYPES

- Working Capital Loans
- Fixed Asset Loans
- Start-up Loans

EXAMPLE USES

for tech enterprises
 for agriculture enterprises
 for rural area enterprises
 for family businesses
 for Islamic enterprises
 for women entrepreneurs
 for business development



Vitas Personal Loans™
Loans designed for families and individuals

TYPES

- Medical Loans
- Housing Loans
- Education Loans

EXAMPLE USES

for teachers
 for farmers
 for women
 for students



Portfolio Ownership & Performance

OWNERSHIP

VITAS GROUP SUBSIDIARIES:

Vitas holds a majority or controlling interest in four microfinance subsidiaries in:

- **Romania**
- **Lebanon**
- **Jordan**
- **Palestine** (minority with significant rights)

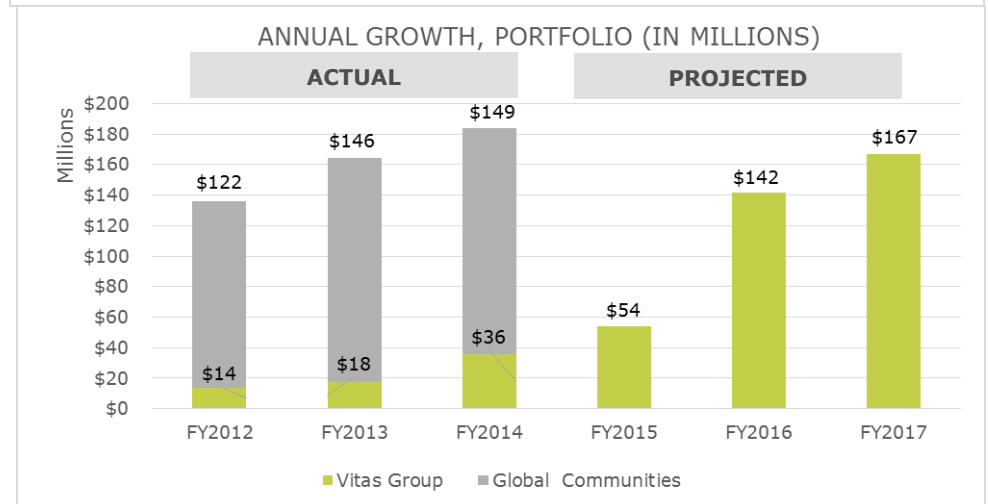
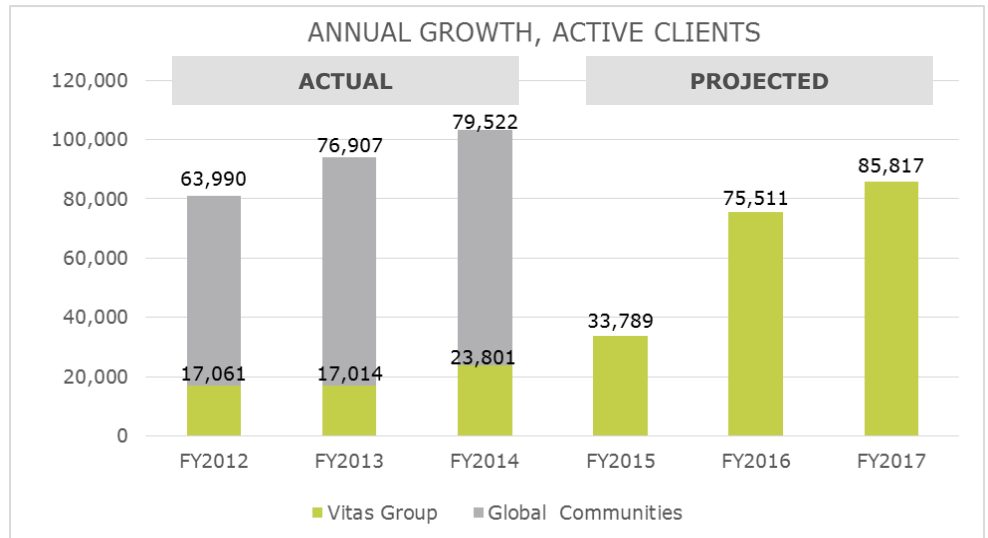
Global Communities' Iraq subsidiary is expected to join Vitas by 2016.

VITAS GROUP SHAREHOLDERS:

Bamboo Financial Inclusion Fund owns 29%

Global Communities owns 71%

PERFORMANCE





Social Performance

Social Performance Management is the process of actually putting a microfinance institution's social mission into practice in day to day actions. Vitas Group and Global Communities are committed to integrating social performance into our development finance institutions' operations, to ensure that we focus first and foremost on improving the lives of our clients and staff, and not just pursuing strong financial performance.

SOCIAL INDICATORS VITAS GROUP & CANDIDATES As of December 2014	
Active clients	56,525
Female clients	19,749
Female %	34.9%
Rural clients	20,156
Rural %	35.7%
Youth clients	25,724
Youth %	45.5%

SOCIAL PERFORMANCE MODEL: VITAS JORDAN

Vitas Jordan kicked off 2014 with a comprehensive, internal client protection training. This training was conducted by a Smart Campaign Capacity Building Consultant and the Manager of Customer Service and Quality Assurance in Vitas Jordan. The training was supported by SANAD, which provided backstopping support in developing and applying training material to introduce the Client Protection Principles.

Vitas Jordan was one of the first microfinance institutions in the Middle East to conduct a comprehensive client protection training, which consisted of developing a modular training program based on a core set of materials that was adapted to different levels of its staff, ranging from senior management to loan officers. The extent of Vitas Jordan's success was demonstrated when its manager was later invited by the Smart Campaign to conduct a CPP training at the Conference of Sanabel, the microfinance network of Arab countries in Dubai, and then later recommended to be a trainer in Sudan.

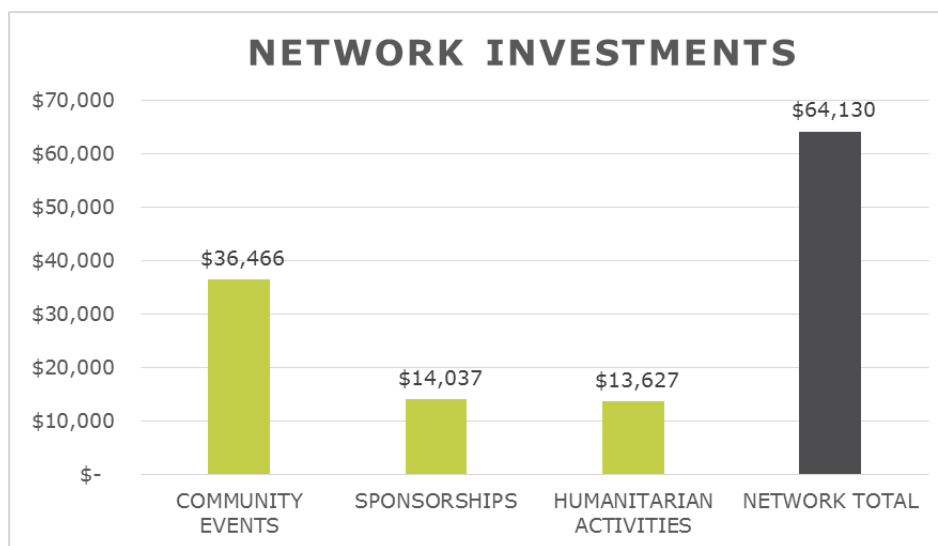


Vitas serves the least served members in society, including, L-R: a female artisan from Jordan, clients with special needs in Iraq, a young woman in Lebanon, a rural farmer in Romania, and a tailor in Palestine, who allows his female employees to work from home, so that they can work and still care for their families.



Social Outreach: Total Non-Financial Impact

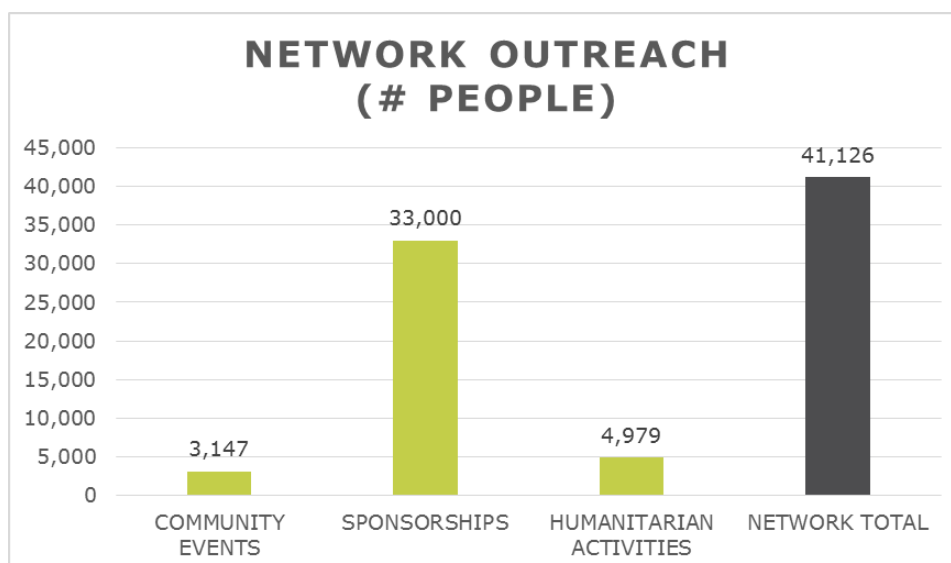
Documenting financial performance is well understood in the microfinance industry, and is done according to regular conventions and established rules. Documenting performance against the mission and values of a microfinance institution has much less formal agreement. In an effort to quantify in hard numbers the ways in which we have lived up to our mission to Finance a Better World, the graphs below and the pages that follow show the amounts spent on activities related to social and humanitarian outreach in 2014, and the number of people they engaged. Best estimates were used in some cases where exact numbers were not available, such as attendees at publicly held events.



Community Events & Humanitarian Activities only:

\$50,093.20
spent

8,126
lives touched





Country Activities

Vitas Lebanon

VITAS LEBANON HIGHLIGHTS IN 2014		REACH
COMMUNITY EVENTS	Participated in the annual YMCA/Citi Group Micro entrepreneurship awards ; in which its four nominated clients won a total of \$7000 cash for improving their businesses.	200 participants
	Ran a booth at Access to Microfinance workshops put on by Global Communities Lebanon to offer financial services to program graduates.	400 participants
SPONSORSHIPS	Ran a booth at the " CSR: The Business of Making a Difference " forum sponsored by the Central Bank and EU partners.	3,000 attendees
	Ran a booth at IESC VEGA exhibition "Increasing Access to Finance/MF for Rural and Underserved Communities in Lebanon" and sponsored one of its clients to have a booth selling her products in the souk.	2,500 attendees
HUMANITARIAN ACTIVITIES	Purchased holiday greeting cards benefitting Beit Chabaib Hospital for the Handicapped to send to staff and external partners.	350 card recipients

ACTIVITY OF THE YEAR: FRANSABANK PRESS

To celebrate seven years of partnership and a new loan facility for US\$20M, Vitas Lebanon and Fransabank held a press conference at the Beirut Chamber of Commerce in which 24 artisans and owners of small and medium sized enterprises (SMEs) were honored. The two institutions, responsible for helping these entrepreneurs get access to financing to grow their businesses, presented each entrepreneur with a check for US \$1,000 at the event, to recognize the hard work that went into building their small businesses.

During the event, the General Managers of Fransabank and Vitas spoke to the reasons they remain committed to the partnership, and also showed a [touching video](#) produced by Fransabank, which showcases six clients whose businesses excelled with the funding provided by Vitas.



A Vitas Lebanon client receiving his check for \$1,000 from the General Manager of Fransabank at the press conference.



Vitas Jordan

VITAS JORDAN HIGHLIGHTS IN 2014		REACH
COMMUNITY EVENTS	Held two community bazaars to introduce the new brand, with souks that featured 80 clients and famous local bands that played into the night.	750 attendees
	Held a cooking demonstration in Irbid featuring a local chef. She shared easy recipes for families and small businesses and served as an entrepreneurial role model, for transforming her modest business into a top local catering company.	275 attendees
SPONSORED ACTIVITIES	Sponsored The Educational Zone at Newthink - a festival that brought together business, government, education and cultural sectors to discuss innovative solutions for today's business, social and environmental problems.	13,000 participants
	Sponsored Mohammad Tayem – a local figure who has been the country's table tennis champ since 1998, despite having a physical disability – for his participation in the Alwatani Table Tennis Championship.	1,200 attendees at matches
HUMANITARIAN ACTIVITIES:	Held a Mother's Day celebration to recognize unseen heroes in the community: 22 "mothers" who have dedicated their lives to raising 75 children in an orphanage.	88 participants
	Provided Iftar meals during Ramadan to the same orphanage in Amman, to a charity fighting domestic violence in Aqaba, and to commuters who could not make it home by dusk to break their fast.	1,590 beneficiaries

ACTIVITY OF THE YEAR: RAMADAN IFTARS

The holy month of Ramadan is a time to celebrate peace and compassion. Vitas Jordan brought the festive spirit to life by engaging in charitable activities throughout the entire month.

Staff members volunteered at an orphanage in Amman, sharing Iftar, doing face painting, and running games and activities for the children. Other staff and their children volunteered to distribute Iftar packages to tired commuters who couldn't get home before sundown. The company donated money to cover 100 Iftar meals for women in need at the Roya Charitable Society in Aqaba, and staff from the local branch volunteered to help distribute the food. In addition, Vitas held Ramadan Iftar meals in each branch office, to bring staff together and celebrate the meaningful work they do together every day.



Vitas Jordan provided Iftar meals to over 1500 people in need during Ramadan, including members of the Roya Charitable Society (above) which gives support to women in distress.



Vitas Romania

VITAS ROMANIA HIGHLIGHTS IN 2014		REACH
COMMUNITY EVENTS	With the Microfinance Centre, organized a peer workshop with nine of the most important MFIs and credit unions in Romania, to discuss self-regulation in microfinance and current standards.	12 participants
	Organized Entrepreneurial Business Trainings in Vitas Branches, to promote Vitas' role as a provider of non-financial services.	200 people trained
SPONSORSHIPS	Sponsored local mountain climber and dentist Horia Colibasanu, in his unassisted summit of Mt. Everest, because he is an entrepreneur (started his own practice) who takes calculated risks (training to pursue a dangerous ascent) to follow his dreams – just like Vitas does for its clients.	10,000 viewers & supporters of activities
	Sponsored the first ever CeauCinema! Film Festival in Timisoara to support local entrepreneurs and build awareness among a new demographic. In addition to signs and logos displayed at the event, they also ran a brief, compelling video featuring successful Vitas clients before every movie.	700 movie goers
CAMPAIGNS:	Ran online " Declaration of Independence " campaign, using independent trailblazers to inspire people to take charge of their own future with Vitas.	20,000 viewers



A facilitator leads a Vitas-sponsored workshop on how to implement new EU transparency standards in Romania.

ACTIVITY OF THE YEAR: MFC WORKSHOP

Vitas Romania has always made it a priority to put clients first, and educate them on the terms of their loans. However, full transparency in loan terms and pricing is not adopted uniformly across the industry, despite wide acceptance that it is necessary to fully protect clients from over-indebtedness.

To help move Eastern Europe's MFIs towards a more rigorous standard in client protection, and to be recognized as an industry leader in transparency, Vitas Romania and the Microfinance Centre (MFC) sponsored a workshop for nine of the country's top MFIs and credit unions.

Workshop participants, along with a representative from the European Union (EU) commission on client protection, discussed how to implement a new set of EU standards on transparency and debated when and how to adopt fully transparent pricing.



ACSI Iraq

HIGHLIGHTS: ACSI IRAQ ACTIVITIES IN 2014		REACH
COMMUNITY EVENTS	Organized Mother's Day celebrations at 11 branches for loyal female clients who supported their families with their business.	320 mothers
	Watched its Baghdad Office Manager, a longtime paraglider, fly a CHF flag across the sky during a Sulemaniya paragliding festival .	200 paragliders
	Held Ramadan Iftars in all branches for loyal customers and those with special needs, to thank them for being part of the ACSI family.	720 clients
	Participated in a local NGO conference , dedicated to the support of the displaced families in Babylon province	200 attendees
SPONSORSHIPS	Sponsored youth participating in the opening ceremony of an Olympic week festival in Hilla, organized by several sports unions in Babylon province.	2,000 youth
HUMANITARIAN ACTIVITIES	Held a 2-day blood donation in Hilla, in coordination with the Babylon Governor's Office and Health Directorate, to support cancer and blood disorder patients, as well as citizens injured by terrorist attacks.	540 donors



Children from refugee camps in Hilla collect ACSI's donated boxes of staple foods during Ramadan.

ACTIVITY OF THE YEAR: **FOOD DONATIONS**

In 2014, the staff and clients of ACSI experienced some of the worst violence and uncertainty the country has seen in years. Mosul, in particular saw many families forced out of their homes, and into new provinces entirely, due to the takeover of land by ISIS.

To counter some of the fear and hardship that this brought for the displaced, during the holy month of Ramadan, ACSI delivered packages of staple foods to some of the most vulnerable and needy families.

Food boxes were delivered to **200 families (an estimated 1,200 people)** living in tents and refugee compounds, without access to basic goods for food or hygiene.

Though ACSI has not yet formally launched the Vitas brand, its actions in the community are a testament to how well ACSI staff already share the spirit of Vitas – Financing a Better World in Iraq.



Vitas Palestine

HIGHLIGHTS: VITAS PALESTINE ACTIVITIES IN 2014

COMMUNITY OUTREACH

To show Vitas’ appreciation for outstanding clients, a small gift and commemorative plaque were awarded to one female client for her commitment and continued support of the institution throughout the years. This pilot project is expected to be expanded to approximately **20 clients** in 2015.

HUMANITARIAN ACTIVITIES

West Bank employees made **Mother’s Day visits to nursing homes** in Ramallah, Jenin and Nablus to distribute gifts and connect with **50 mothers** who would not otherwise have been celebrated.

Gaza employees helped deliver **relief packages** with Global Communities, to **561 Vitas clients** who had lost their homes or belongings in the war.

ACTIVITY OF THE YEAR: HUMANITARIAN RELIEF



Amira (pictured at left), like many of Vitas Palestine’s clients in Gaza, had her life torn apart in August 2014, when her home and business were destroyed by war. She and her family were lucky and emerged mostly unscathed; however rebuilding from nothing was a daunting, worrisome task.

Remaining true to the Vitas spirit, Vitas Palestine reached out to Amira and all other clients who were impacted in Gaza to reduce this anxiety. First, they personally delivered relief packages through the Global Communities humanitarian response. Then, only when their most pressing human needs were met, they worked with clients to restructure or write off their loans, to remove the burden of debt from their long list of concerns.

Vitas client Amira Abo Aqleen—pictured here in front of her ruined home in Gaza—was one of the clients who had a care package delivered by Vitas staff in coordination with Global Communities.

Despite the crisis, Vitas' strong recovery efforts, and borrowers' resilience, allowed the institution to maintain an overall PAR>30 indicator of below 2%.

Vitas Palestine was operating as Ryada at the time, but their actions show that they are already upholding the Vitas promise to truly understand our clients.



Products with a Purpose

While all of our loans have a purpose – improving lives through access to finance – every institution in the Vitas family also offers loans that strive for a deeper social impact. The list below highlights some of the products that Vitas staff created to meet the needs of some of the most vulnerable members of their communities.



Iraq

Special Needs Loan: for clients with permanent physical disabilities; loans have simplified conditions and lower interest rates.



Romania

Young Entrepreneurs Loan: to encourage youth to declare their independence and chart their own business path.

Rural Loan to stimulate economic activity for agricultural clients who have a difficult time getting traditional financing.



Lebanon

Youth Start Up Loan piloted in partnership with Silatech.

Women Entrepreneurs Loan targeted at women in rural areas.

Education Loan to cover books or tuition, for secondary and University students.



Jordan

Women's Empowerment Loan: to help women business owners grow their companies, to support their families and well-being.

Women's Capacity Building Loan: to help non-working women develop practical skills that can be used to find a job or start a new project.



Palestine

Gaza Emergency Loan: for people affected by the war in Gaza; up to \$4,000 to repair damage to their houses.

Gaza Refinancing Loan: for existing clients with good history, loans up to \$20,000 with a six month grace period, and lower commission and interest rates.



Consolidated Network Financial Statements

Vitas Group Subsidiaries & Candidates Consolidated Portfolio As of December 31, 2014	Iraq (candidate)	Vitas Jordan	Vitas Lebanon	Vitas Romania	Vitas Palestine	Total
Background						
Year founded	2003	1998	1999	1996	1995	
Year Transformed (if applicable)	N/A	2013	2003	2006	2015	
# Staff	426	68	178	46	63	
# Branches	14	10	3 + 72 banks	12	7	
Growth						
Number of clients	24,377	7,989	16,855	1,434	5,870	56,525
Portfolio outstanding	\$58,296,897	\$15,865,772	\$24,251,153	\$8,809,232	\$17,431,476	\$124,654,531
Portfolio quality						
PAR > 30 days	1.62%	0.10%	2.49%	6.27%	0.39%	
Write Off	0.00%	0.00%	0.61%	1.18%	0.01%	
Profitability						
Net income	\$341,336	\$195,415	\$297,266	\$78,140	\$377,629	\$1,289,786
ROE	10.81%	15.02%	17.46%	14.30%	10.93%	
ROA	2.09%	4.45%	5.78%	3.15%	8.12%	
Operational self sufficiency	109.42%	128.25%	118.97%	118.66%	146.62%	
Net margin analysis						
Gross yield	26.32%	23.31%	28.77%	27.38%	22.89%	
Operating expense ratio	19.09%	9.80%	18.17%	14.49%	16.66%	
Funding ratio (cost of funds)	4.58%	8.22%	4.17%	5.16%	1.58%	
Loan loss reserve	0.38%	0.15%	2.44%	4.23%	-2.58%	
Efficiency and productivity						
Case load	177	61	174	64	256	
Average loan disbursed	3,986	2,653	2,125	8,273	4,167	
Balance sheet structure						
Debt to equity	4.10	2.69	2.18	3.64	0.32	
Leverage (Assets / Equity)	5.10	3.69	3.18	4.64	1.32	
Social Impact						
Female Clients as % active clients	25.8%	57.0%	34.7%	46.0%	22.2%	34.9%
Rural Clients as % of active clients	30.5%	0.0%	45.4%	28.2%	57.4%	35.7%
Youth Clients as % of active clients	26.9%	37.0%	29.7%	10.5%	39.5%	45.5%



Vitas Group Investors and Partners

Corporations and Foundations

Al Etihad Bank
Al Quds Bank
Al Rafah Microfinance Bank (National Bank)
Bamboo Financial Inclusion Fund
Bank of Palestine
BiB Essen
BlueOrchard
Cairo Amman Bank
Calvert Foundation
Capital Bank
Commercial International Bank
CoopEst
Credit Libanais s.a.l.
Egyptian Arab Land Bank
European Investment Fund
Fransabank
Housing Bank for Trade and Finance, Jordan
Jammal Trust Bank
Jordan Kuwait Bank
Oikocredit
ResponsAbility Finance
SANAD Fund for MSME
Societe Generale Bank de Jordanie
Swiss Capacity Building Fund
Triodos

Government or Multilateral Institutions

International Finance Corporation
Overseas Private Investment Corporation

Partners

Iraq Microfinance Network
Kiva.org
MIX Market
PayPoint
SEEP network
Sanabel Microfinance Network
Sharakeh- Palestinian Microfinance Network
Silatech
The Microfinance Centre (MFC) Network
Tanmeyah - Jordan Microfinance Network
ZebraPay



Vitas Group Board of Directors

David A. Weiss, *Chairman*
Caroline Blakely, *Secretary*
Margaret Cannella, *Treasurer*
David Oser
Zina Sanyoura
Gordon Lindquist
Louise Moretto

Vitas Group Senior Management

Headquarters

Elissa McCarter-LaBorde, *Chief Executive Officer*
Richard Shumann, *Chief Operating Officer*
Fahmila Imam, *Chief of Finance & Investments*
Khalid Kabeer, *Director, Retail Operations*
Christina Washburn, *Brand & HR Manager*

Field

ACSI (transitioning to Vitas Iraq)

Ahmad Lamaa, *Co-Director*
Moustafa Khalifeh, *Co-Director*

Vitas Jordan

Naser Darwish, *General Manager*

Vitas Lebanon

Ziad Halaby, *General Manager*

Vitas Palestine

Alaa Sisalem, *General Manager*

Vitas Romania

Cristi Jurma, *General Manager*

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Vitas Palestine

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