

## New Listing 2011

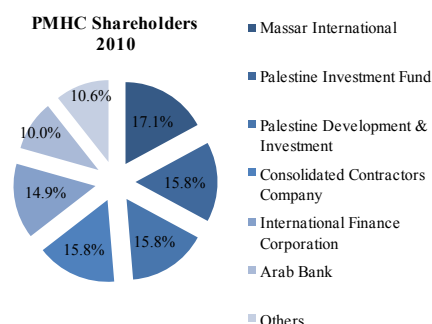
# Palestine Mortgage & Housing Corporation

## Company Overview

Palestine Mortgage & Housing Corporation PMHC was founded in 1997 by an initiative of the Palestinian National Authority PNA, in the light of the huge demand for the necessary funding for the purposes of residential buildings. The company operates through its two subsidiaries; Palestine Housing Finance Corporation Limited PHFC, which mainly provides medium and long term refinancing of banks' mortgage loans, and Palestine Mortgage Insurance Fund Corporation Limited PMIF which provides mortgage loan insurance for medium and long term loans initiated by commercial lenders against default of repayment by borrowers. The company executed many contractual agreements with local banks to act as a final liaison with clients in terms of managing the lending process of collection of owed premiums, in addition to signing agreements with pioneer institutions that are developing residential neighborhoods in the West Bank and Jerusalem. It should be mentioned that PMHC signed a MOU in which its subsidiary insures the granted loans within the Affordable Mortgage and Loan Program (AMAL) that was launched by the Overseas Private Investment Corporation (OPIC) and the Palestinian Investment Fund (PIF) and other partners with a total value of \$500 million.

On the other hand, Palestine Mortgage & Housing Corporation is engaged in issuing medium and long term bonds in order to diversify their financing sources, and according to what was stated by the company's general manager in October 2010, PMHC is to issue bonds for banks and financial institutions in the near future.

Trading on the company's shares in Palestine Exchange (PEX) will start on 13/04/2011 under the symbol of "PMHC" using the USD currency. The shares will be included in the banking & financial services sector to add up to its constituents to reach 8 companies; raising the sector's market capitalization above \$600 million once PMHC is listed. The number of shareholders of Palestine Mortgage & Housing Corporation is 12 shareholders. Free float ratio is 10.6%. Major shareholders holding of 10% and more are 5 shareholders.



## Main Financial Indicators

- In general, PMHC witnessed an approximate stability in the majority of indicators in the years 2009 and 2010.
- The share's book value recorded \$1.08 at 2010; rising by 1.70% compared to 2009 despite the dividends distribution of \$2.00 million in 2009.
- Profitability indicators recorded a decline in 2010 attributed to the drop in the bottom line income that was attributed to increase in total expenses that exceeded the growth in the total revenues, in addition to the slight increase reported by total assets and total equity.
- Current market liquidity dropped to 12.59x; corresponding to the sharp increase in accounts payables and the decline in the company's deposits at banks. Nevertheless, PMHC still maintains a very high liquidity position compared to all listed companies, in addition to high cash ratio.
- Loans debt ratios of PMHC declined in 2010 following mainly the decrease in the item of deferred revenues in the non current liabilities; PMHC now maintains the lowest overall debt ratio in the banking & services sector, due to the non banking activity that is represented in clients deposits and savings.
- Operating efficiency was reflected positively in 2010 despite the reported drop in working capital.

| Item                     | 2009       | 2010       |
|--------------------------|------------|------------|
| EPS                      | 0.02       | 0.02       |
| Book Value               | 1.07       | 1.08       |
| Net Margin               | 31.16%     | 24.71%     |
| ROAa                     | 1.10%      | 0.89%      |
| ROEa                     | 1.94%      | 1.59%      |
| Current Ratio            | 21.21      | 12.59      |
| Debt Ratio               | 43.95%     | 43.98%     |
| Equity Ratio             | 56.05%     | 56.02%     |
| Loans/ Assets            | 42.44%     | 40.83%     |
| Loans/ Equity            | 75.73%     | 72.89%     |
| Working Capital          | 21,118,962 | 18,369,439 |
| Working Capital Turnover | 6.53%      | 7.54%      |
| Total Assets Turnover    | 3.62%      | 3.58%      |



## Income Statement

- PMHC reported an increase in total revenues by 0.48% to amount at \$1.38 million in 2010, in which operating revenues stood at \$0.85 million in 2010 growing by \$0.14 million compared to 2009; constituting 61.09% of total revenues.
- The main operating revenues constituent -Interests from loans granted to banks-, reached \$0.75 million growing by \$0.11 million constituting 88.30% from operating revenues and 53.93% from total revenues. Other operating items including insurance premiums income and administrative fees aggregated at \$0.10 million in 2010 increasing by \$0.04 million compared to 2009.
- Other revenues; gain on sale of available for sale investments amounted to \$0.11 million in 2010 compared to \$0.03 million in 2009. On the other hand, investment income dropped significantly by \$0.21 million settling at \$0.39 million due to a drop in the interests of deposits in banks that was accompanied with a drop in the balance itself.
- General & administrative expenses stood at \$0.84 million in 2010, reporting an insignificant increase of 2.12%. Salaries and related benefits reached \$0.40 million in 2010 accounting for 48% of G&A expenses, while total expenses amounted \$1.04 million in 2010 accounting for 75.29% of total reported revenues.
- PMHC reported a drop of 20.32% in net income to amount \$0.34 million in 2010, and a total comprehensive income of \$0.36 million.

| Item                       | 2009      | 2010      | Δ       |
|----------------------------|-----------|-----------|---------|
| Revenues                   | 1,379,147 | 1,385,728 | 0.48%   |
| G&A Expenses               | 819,305   | 836,717   | 2.13%   |
| Net Income                 | 429,758   | 342,440   | -20.32% |
| Comprehensive Income Items | (73,564)  | 21,000    | 128.55% |
| Comprehensive Income       | 356,194   | 363,440   | 2.03%   |

## Balance Sheet

- Non current assets which account for 48.46% from total assets, increased significantly by 18.11% to stand at \$18.76 million in 2010, stimulated by the growth in its long term loans granted to banks by an amount of \$5.41 million to reach \$15.08 million constituting 80.38% of non current assets; loans to Arab Bank constituted 70.33% of total loans. Also, the carrying amount of property and equipment increased by \$1.46 million reaching \$1.62 million in 2010 attributed to the company purchasing a floor in Prico House Building - a project by the publicly traded Palestine Real Estate Investment Company-, while available for sale investments dropped by \$3.99 million in 2010 standing at \$2.06 million which consist of bonds and banking securities.
- Current assets accounted for 51.54% from total assets, and declined by 9.97% in 2010 to stand at \$19.95 million affected by the drop in the cash and cash equivalents by \$2.68 million; in effect of a negative change in deposits in banks, to hit a figure of \$18.29 million accounting for 91.68% of total current assets. In consequence to the growth in loans to banks; current portion of loans to banks that due within a year settled at \$1.39 million in 2010, rising by \$0.43 million compared to 2009.
- Total liabilities increased by 1.82% aggregating at \$17.03 million. It should be mention that in April 1997, the PNA signed with the International Development Association IDA a lending agreement to finance rehabilitation projects in Palestine. In consequence , and as a part of the agreement in question, PMHC signed with the PNA another agreement providing to grant a loan of \$17 million to PMHC and to be repaid by semiannual installments to start in July 2007 and end in January 2037.
- In effect; non current liabilities stood at \$15.44 million in 2010 declining by 1.51%, long term loan stood at \$7.95 million in 2010 and its deferred revenues reached \$7.14 million; which represent the difference between the loan's carrying value and fair value which in turn based on the discounted expected cash flows of the loan.
- Current liabilities increased by 51.67% to settle at \$1.58 million, affected by the ascending in accounts payables by \$0.72 million to stand at \$0.75 million, while current portion of long term loan that due within a year in addition to the current portion of deferred revenues did not witness a significant change standing together at \$0.72 million. On the other hand, provision for taxes reported zero figure attributed to the final settlement between the company and the taxes committee for the years 2007, 2008 and 2009.
- Total equity stood at \$21.69 million increasing by 1.70% in 2010; attributed to 53.05% growth in retained earning when amounted at \$1.09 million. Its worth to mention that PMHC distributed cash dividends by \$0.10 per share -\$2.00 million- in 2009.

| Item                    | 2009       | 2010       | Δ      |
|-------------------------|------------|------------|--------|
| Current Assets          | 22,163,916 | 19,954,341 | -9.97% |
| Non Current Assets      | 15,885,883 | 18,762,798 | 18.11% |
| Total Assets            | 38,049,799 | 38,717,139 | 1.75%  |
| Current Liabilities     | 1,044,954  | 1,584,902  | 51.67% |
| Non Current Liabilities | 15,678,246 | 15,442,198 | -1.51% |
| Total Liabilities       | 16,723,200 | 17,027,100 | 1.82%  |
| Paid up Capital         | 20,000,000 | 20,000,000 | 0.00%  |
| Retained Earnings       | 715,125    | 1,094,512  | 53.05% |
| Total Equity            | 21,326,599 | 21,690,039 | 1.70%  |



## PMHC Vs. PEX's Banking & Services Sector's Companies

| Company (Figures in USD)                 | Symbol | Subscribed Shares | Net Income  | Total Assets  | Total Liabilities | Total Equity | Book Value* | EPS     | ROA    | ROE    | Debt Ratio |
|--|--------|-------------------|-------------|---------------|-------------------|--------------|-------------|---------|--------|--------|------------|
| Arab Islamic Bank                        | AIB    | 40,696,939        | (2,103,540) | 285,894,583   | 237,691,853       | 48,202,730   | 1.18        | (0.052) | -0.74% | -4.36% | 83.14%     |
| Alrafah Microfinance Bank                | AMB    | 30,000,000        | 211,087     | 158,139,737   | 129,406,960       | 28,732,777   | 0.96        | 0.007   | 0.13%  | 0.73%  | 81.83%     |
| Palestine Islamic Bank                   | ISBK   | 46,021,665        | 1,594,453   | 357,481,026   | 309,434,669       | 48,046,357   | 1.04        | 0.035   | 0.45%  | 3.32%  | 86.56%     |
| Bank of Palestine                        | BOP    | 100,000,000       | 30,119,469  | 1,545,038,022 | 1,381,153,772     | 163,884,250  | 1.63        | 0.301   | 1.95%  | 18.38% | 89.39%     |
| Palestine Commercial Bank                | PCB    | 30,026,056        | 1,794,022   | 171,495,617   | 143,618,289       | 27,877,328   | 0.93        | 0.060   | 1.05%  | 6.44%  | 83.74%     |
| Palestine Investment Bank                | PIBC   | 50,000,000        | 3,282,684   | 266,725,202   | 202,431,199       | 64,294,003   | 1.29        | 0.066   | 1.23%  | 5.11%  | 75.90%     |
| Al Quds Bank                             | QUDS   | 50,000,000        | 4,404,155   | 426,533,836   | 376,100,638       | 50,433,198   | 1.01        | 0.088   | 1.03%  | 8.73%  | 88.18%     |
| Palestine Mortgage & Housing Corporation | PMHC   | 20,000,000        | 342,440     | 38,717,139    | 17,027,100        | 21,690,039   | 1.08        | 0.017   | 0.89%  | 1.59%  | 43.98%     |

These figures were prepared on April 11, regarding audited annual financial results of all companies except PIBC.

\*\* Book Value is calculated based on shareholders' equity excluding minority interests.

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