

Dakahlya Businessmen's Association for Community Development, Egypt

The Dakahlya Businessmen's Association for Community Development (DBACD) was founded as an NGO in March 1995 under the Ministry of Social Solidarity. After signing a Cooperative Agreement with USAID in October 1997, DBACD disbursed its first individual loan in late 1998 and its first group loan in 2001. Leading microfinance institution the Dakahlya governorate, DBACD had an outstanding portfolio of 131.7 M EGP (24.2 M USD) and served 104,175 clients as of December 2009. DBACD offers group and individual loan products, covering 51% and 49% of the loan portfolio respectively.

GIRAFE Rating

Rating

A-

Outlook

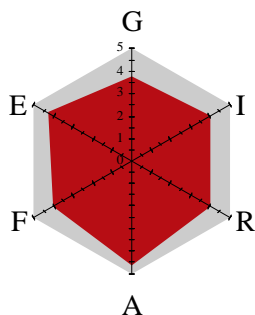
Positive

Date of the rating

March 2010

Valid until February 2011

Rating per evaluation area



Governance ó Information ó Risk ó
Activities ó Funding ó Efficiency

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Rating highlights

- DBACD is a highly profitable organization as shown by its ROA and ROE of respectively 9.6% and 16.4% in 2009, largely above those of its peers in the MENA region (respectively at 3.7% and 8.9%).
- DBACD's strong profitability is fuelled by a good revenue quality (underpinned by a strong reputation and a leading position in the governorate), continuous economies of scale, strong cost management, and excellent portfolio quality. PAR 30 stood at 0.09% in 2009, largely below that of the MENA region (2.4%).
- DBACD is a pioneer MFI in attracting loans from international funders. Being one of the first NGOs in Egypt to take such initiatives, DBACD is experiencing delays in the legal approval process that could benefit the Egyptian microfinance industry.
- The decision-making process is transparent but not yet fully balanced as strategic decisions are approved by the BOD but mainly initiated by a strong Executive Director. The key person risk was further mitigated thanks to an increased involvement of top managers in strategic matters.
- Key challenges ahead are optimizing liquidity management, strengthening the BOD skills related to microfinance best practices and further improving the management team polyvalence.

Outlook

The 'Positive' outlook is assigned based on the expectation that DBACD will optimize its funding mix, improve its liquidity management and will reap the first benefits from the migration to a new MIS for loan tracking (Delta) in the short term.

Performance indicators

USD	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009
Assets	17,727,878	20,462,076	24,939,490	30,381,787	35,844,031
Loan portfolio	8,940,458	11,451,500	15,730,953	20,117,985	24,160,508
Active borrowers	56,370	68,911	80,960	93,533	104,175
Average outstanding loan per client	159	166	194	215	232
Staff	388	401	460	503	557
ROE	7.8%	13.0%	15.4%	16.4%	16.4%
ROA (without donations)*	4.7%	7.7%	9.0%	9.4%	9.6%
Liabilities / Equity	0.67x	0.69x	0.75x	0.80x	0.80x
Portfolio yield	29.7%	32.8%	31.6%	32.2%	31.8%
Operating expense ratio	12.2%	12.4%	10.9%	10.9%	10.2%
Funding expense ratio*	6.8%	4.1%	4.7%	5.6%	7.3%
Loan Loss Provision expense ratio	0.4%	1.0%	1.1%	1.0%	1.1%
PAR 31-365	0.43%	1.04%	1.09%	1.04%	1.06%
PAR > 365	0.00%	0.01%	0.02%	0.01%	0.09%
Write-off ratio*	0.47%	0.36%	0.10%	0.12%	0.02%

Note: * These ratios were adjusted for inflated assets in all years and for 'suspense loans' until 2007.