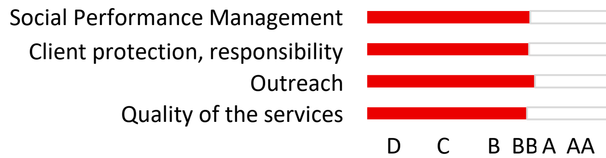
DBACD, Egypt

SOCIAL RATING ^{s} **BB+**

Adequate social performance management and client protection systems. Satisfactory alignment to the social mission.



Social Rating Committee | Previous SR: 3 - Planet Rating (March 2010) ~ BB

SOCIAL RATING RATIONALE

SOCIAL PERFORMANCE MANAGEMENT SYSTEM
The board and management are committed to the achievement of the social mission. An initial drafting of an SPM framework has begun, but the overall social performance goals, targets and indicators are not concretely defined, formalized and approved by the BoD. DBACD demonstrates an adequate capacity to monitor the client characteristics relevant to its mission and the alignment of the outreach results to the target population, including the PPI. The product strategy and HR management alignment to the mission is good.

CLIENT PROTECTION AND SOCIAL RESPONSIBILITY
Social responsibility towards staff is good thanks to the well formalized HR policies and procedures, a good staff satisfaction monitoring and staff training. The overall alignment to client protection practices is adequate with room for improvement in terms of transparency. The prevention of over-indebtedness, fair pricing practices and compliant mechanism are good, while the product design, fair and respectful treatment of clients and privacy are overall adequate. The social responsibility towards the community is good.

OUTREACH
The alignment of outreach to the mission is overall good. DBACD has a good breadth of outreach and a good rural coverage. Geographical outreach shows a lower coverage of areas with a higher poverty incidence than the national average. The poverty outreach is in line with the national average. The average loan size reflects outreach to the low-end segment.

QUALITY OF THE SERVICES
The offer of credit products is varied with a good delivery system, ease of access to credit based on soft guarantees (promissory notes) and flexible loan term and payment frequency. Client drop-out rate monitoring is good. The non-financial service offer is overall good.

Institutional data	Mar-17
Active borrowers	145,715
Active savers	-
Gross portfolio, USD	21,278,173
Total active savings, USD	-
Branches	21
Total staff	815

Legal form	NGO
Year of inception	1995
Network	SANABEL; EMN
Area	Urban-rural
Credit methodology	Indiv., Group
Financial services	Credit
Non financial service:	Training
Coverage	Nile Delta

Social indicators	Mar-17
Rural coverage, loans	75.8%
Female clients	58.1%
Female staff	35.3%
Female staff in management	11.1%
Average disbursed loan amount, USD	227
Clients at third loan cycle	12%
Loans in > third cycle	50%
Average loan balance / GNI pc	4.4%
Individual methodology, portfolio	75.4%
Client drop-out ratio	15.7%
PAR30	0.0%
Staff turn-over ratio	8.1%
Average annual percentage rate (APR)	36.6%
Average transparency index	56.3%
Growth in active borrowers	1%

See annex 2 and 4 for more details.

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Area	Factor	Assessment	Results
Social Performance Management system	Social mission	Excellent	+ The mission statement is complete. + The mission statement reflects the current institutional intentions.
	Social governance	Adequate	+ The governance practices are overall adequate + The social performance expertise is limited at board level. There is room for improvement in the systematic reporting of social results to the BoD. + The potential risk of mission drift is currently limited.
	Social Strategy	Adequate	- A complete set of social goals, social indicators and social targets is not concretely defined and formalized. + The product strategy is well aligned to the mission. + The social performance related risks e.g. reputational risk is regularly monitored.
	Social and financial balance	Good	+ Responsible growth is compatible with the client well-being and institutional sustainability. + The governance is aligned and committed to the institutional double bottom line. + See client protection for responsible pricing.
	Social monitoring and reporting	Adequate	+ A good system is in place to measure the poverty level of clients (PPI). Monitoring of progress in terms of other social indicators is limited. + The PPI is integrated in Delta MIS, which has the capacity to disaggregate the client data.
	HR alignment to the mission	Adequate	+ Good dissemination of the mission, vision and values to staff. + The staff performance appraisal is well aligned to the mission. Lesser alignment of the incentive scheme to the social mission due to lack of social goals.

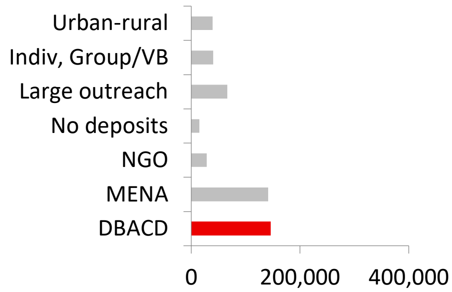
Area	Factor	Assessment		Results
Client protection and social responsibility	Product design and delivery	Adequate	+	Information is gathered to monitor the suitability and use of products and services. Adequate client feedback analysis and satisfaction surveys.
	Prevention of over indebtedness	Good	+	Excellent portfolio quality and strong repayment culture. A low context risk for client over-indebtedness. A credit bureau check is required for all loans. The staff incentive scheme attributes a higher weight to portfolio quality
	Transparency	Moderate	-	No provision of loan contracts and repayment schedules. The institutional transparency index is low (56% average) due to application of flat interest rates.
	Responsible pricing	Good	+	The loan price is in line with benchmarks and the cost of credit is not high, considering the low disbursed loan size.
	Fair and respectful treatment of clients	Adequate	+	Debt collection practices are adequately formalized. The code of conduct formalizes the acceptable and unacceptable behavior for client treatment. The internal audit investigates aspects of client treatment.
	Privacy of client data	Adequate	+	A written consent to share client credit information is required in the loan contracts.
	Mechanisms for complaint resolution	Good	+	Complaints are systematically collected, reported and consolidated.
	Social responsibility towards the staff	Good	+	Overall, improvable female staff representation. Staff turnover rate is lower than benchmarks.
			+	A complete set of HR policies and procedures. Good staff satisfaction monitoring.
			+	Good training opportunities and contractual conditions.
	Green index	Adequate	+	The environmental risk management is overall moderate. Engagement in raising awareness on environmental risks and trainings on environmentally-friendly practices.
	Social responsibility - community	Good	+	Lack of an exclusion list for harmful activities. Good corporate social responsibility towards community.

Area	Factor	Assessment	Results
Outreach	Breadth of outreach	Adequate	+ Good breadth of outreach compared to national peers. Geographical breadth of outreach is moderate. - Low growth rates registered in terms of borrowers with a negative trend.
	Geographical outreach alignment	Adequate	+ Lower outreach to areas with a higher poverty incidence than the national average. A good rural coverage in the Nile Delta region.
	Alignment to the mission of clients vulnerability and financed activities	Excellent	+ Good outreach to households with a relatively low education level. Adequate outreach to women compared to benchmarks. + Financing of income generating activities is well aligned to the mission.
	Alignment to the mission of client poverty and financial exclusion	Good	+ The poverty outreach is in line with the national average. + Significant outreach to the financially excluded considering the limited access to formal credit nationally. + The average loan size reflects outreach to the low-end segment, in line with the mission.
Quality of the services	Variety of financial services	Adequate	+ Diverse credit products and non-financial services offer. + The products and services cater for both business and household financial needs.
	Accessibility of credit services	Good	+ Lack of barriers for the target client to access products and services. + Convenient service delivery channels including field delivery. Ease of access to with soft guarantee (promissory notes) requirement.
	Flexibility of credit services	Adequate	+ The loan repayment frequency is flexible with weekly and monthly repayments. + The loan amount fairly meets the financial needs. Customer service is deemed adequate.
	Client drop-out rate	Good	+ Good tracking of drop-out and adequate monitoring of the reasons for client exits. Low client drop-out rate with a stable trend.
	Quality of other financial services	Adequate	+ The insurance service offer is overall adequate. Ongoing market research to further develop the insurance services.
	Quality of non-financial services	Good	+ The non-financial services offer is well aligned to the mission and is relevant to clients. Social projects and activities are overall aligned to the strategy.

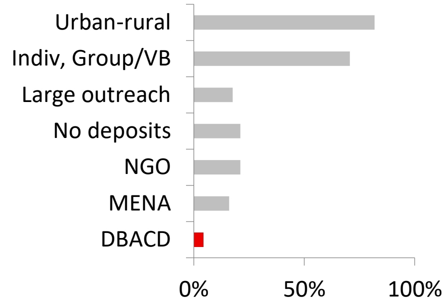
+ indicates an adequate, good or excellent score; - indicates a moderate, weak or poor score.

Benchmark

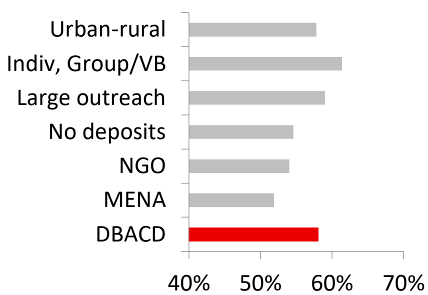
Active borrowers



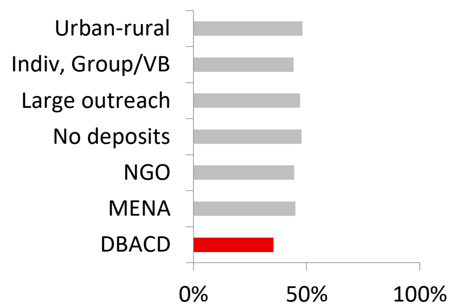
Average balance/borrower/GNI pc



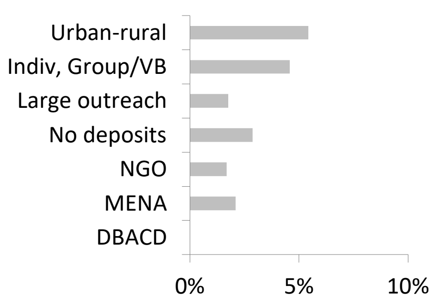
Female clients



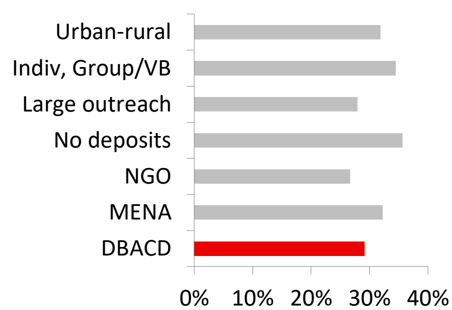
Female staff



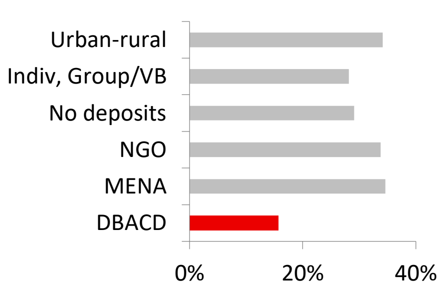
PAR30



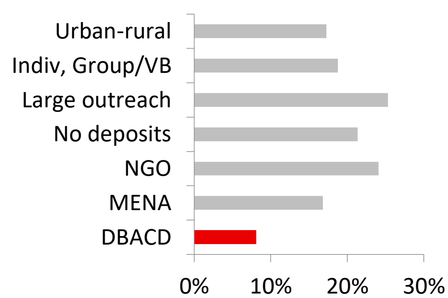
Portfolio yield



Client drop-out ratio

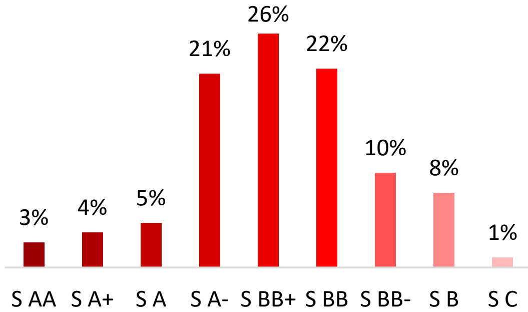


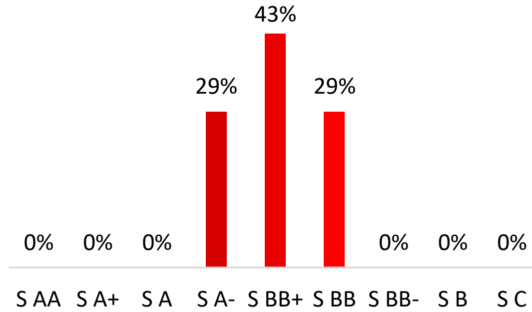
Staff turn-over ratio



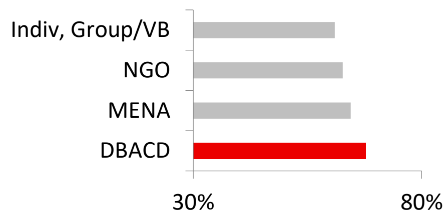
MicroFinanza Rating database, until 2016.

Worldwide **Social rating grades distribution** **MENA**

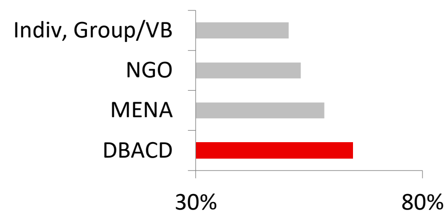




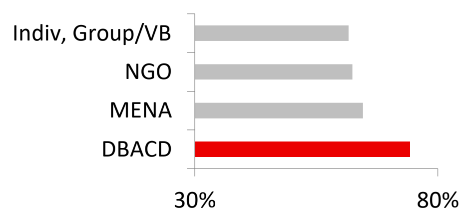
Mission, governance and strategy, score



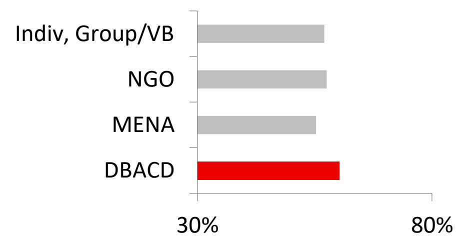
Social performance measurement, score



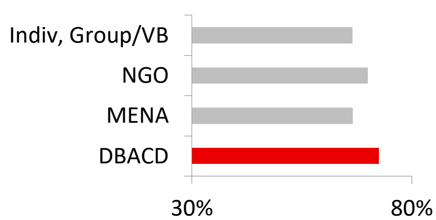
Social and financial balance, score



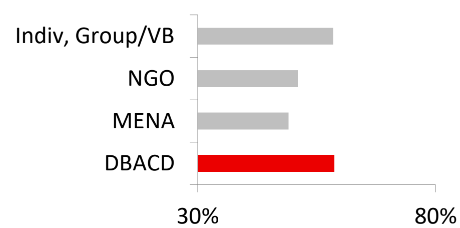
Client protection, score



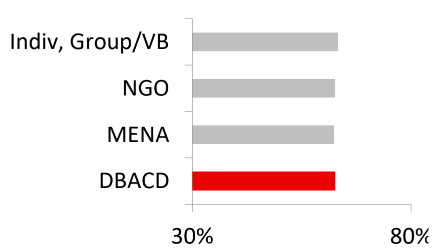
Alignment of outreach depth to the mission, score



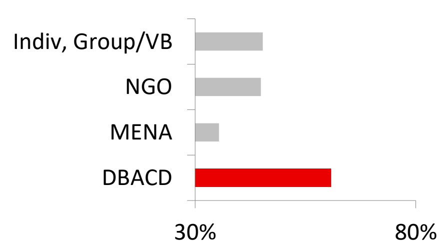
Breadth of outreach, score



Quality services, score



Green index, score



FI: Financial Intermediation

1. Social Performance Management system

1.1 Mission, governance and strategy

Social mission: Excellent
Social governance: Adequate
Social Strategy: Adequate

MISSION STATEMENT
Improving the standard of living for low income families in the Nile Delta area through providing client-driven services in the most efficient and sustainable way.

Social mission

+ Dakahlya Businessmen Association for Community Development (DBACD's) mission statement is complete, including clear social goals related to the target population and the expected change.

Social Goals	Key words in mission statement
Reaching target clients	Low income families in the Nile Delta area
Meeting client needs	Provide client-driven services in an efficient and sustainable way
Creating change	Improving the standard of living

+ The mission statement (complemented by the vision) fully reflects the institutional intentions shared at governance and top management level in terms of reaching a specific target population (low income communities) by meeting its needs through the provision of client-driven services (financial and non-financial services) and producing specific benefits for clients and change in their lives (improving the standards of living).

+ The mission statement was last reviewed in 2016 to redefine the area of operation and to better reflect the current institutional intentions.

Governance good practices

+ The BoD provides adequate strategic directions to guide the management in defining the strategy. The BoD members participate in setting the long-term objectives and approve the business plan, demonstrating a sufficient level of ownership of the key strategic goals, however the social guidelines present room for improvement.

+ The quality of BoD supervision and control of the activities carried out by the management is adequate, covering the key areas related to the achievement of the plans and providing some feedback to the management through bi-monthly BoD meetings. The executive board committee meets on a weekly basis and the communication between BoD and top management is good.

+ The code of conduct covering the ethical behavior expected of BoD members and the conflict of interest policy regulating potential conflicts of interest at governance level is formalized in the Governance Manual. The implementation of the code is overall adequate and there is no evidence of relevant risks of conflict of interest at the BoD or management level.

Social governance

- The BoD endorses DBACD's social mission, but they do not display specific social performance expertise and members are only limitedly exposed to social performance topics and events. An SPM committee is not in place, while the Social Welfare committee is specifically to govern charitable activities.

+ The Board reviews basic information on outreach to the desired target population and responsible treatment of staff. The reporting capacity in terms of tracking the desired change in clients lives and client protection practices leaves room for improvement.

+ DBACD is contemplating to transform into a for-profit institution, but the final decision will be likely taken at the beginning of 2018. DBACD has undertaken a diagnostic transformational gap analysis that clearly stipulates that the current mission will be preserved and it identifies the mitigating strategies for the potential mission drift risk, which is deemed to be limited.

Social Strategy

- DBACD's social strategy is inclined towards supporting the economic and social development of its clients and staff development. DBACD's annual social plan partially defines some social targets including the improvement of standard of living, customer retention and provision of non-financial services. Job creation is identified as an overall institutional goal in the business plan. While some initial drafting of an SPM framework has begun, the overall social performance goals, targets and indicators are not concretely defined, formalized and approved by the board. Furthermore the social indicators based on these goals are not reported to the board on a consistent basis, except for the retention rate and the poverty level of clients reported annually. Meeting clients needs is enshrined in the core strategy.

+ DBACD's products and services offer is adequately diversified and the product strategy is well aligned to the mission. The financial products, non-financial services and delivery models & channels are adequately tailored to the target clients' needs. In addition, DBACD's engages in charitable activities as part of its social welfare targeting the wider community. The link between the product strategy and the positive change in clients' lives (theory of change) is less explicit (see 4.2: adequacy of services).

+ The BoD and top management regularly assesses social performance related risks such as reputational risk and client protection in terms of monitoring interest rates, and it takes appropriate actions to minimize such risks. External assessments such as the historical social ratings and the recent transformation diagnostic study have also been carried out to provide the BoD and top management with an independent opinion of the social risks.

1.2 Social and financial balance

Responsible growth: Excellent
Investors' alignment to the double bottom line: Good
Responsible pricing: Good
Management compensation alignment to the double bottom line: Moderate

Responsible growth

+ The management team reviews the total growth rates on a monthly basis that also include the breakdown by branches. A monthly variance analysis is performed identifying the percentage of achievement of the targets.

+ The market saturation is assessed in terms of competitor penetration periodically. DBACD has adopted the concentric growth approach by splitting mature branches, promoting a gradual expansion to neighboring areas. A market survey is undertaken to assess demand and the target client before offering services in a new area.

+ The overall growth appears to have been fairly sustainable in the past 3 years considering the moderate market penetration so far, the recently improved credit bureau system and the adequate internal capacity in terms of good internal controls and operational processes to manage growth. DBACD has also demonstrated a good capacity to adjust to external shocks (economic and political instability) in the recent past.

Financial performance	Dec-15	Dec-16	Mar-17
Growth in active borrowers	12.6%	4.4%	3.9%
Growth in outstanding portfolio	30.1%	13.4%	20.2%
Growth in number of staff	5.2%	5.5%	6.5%
Growth in number of branches	12.5%	11.1%	16.7%
PAR 30	0.0%	0.0%	0.0%
Write-off ratio	0.1%	0.0%	0.0%
Restructured portfolio	0.0%	0.0%	0.0%
Credit risk ratio	0.1%	0.0%	0.0%
Return on Equity (ROE)	14.6%	17.2%	16.6%
Return on Assets (ROA)	10.3%	11.5%	11.0%
Adjusted Return on Equity (AROE)	4.5%	3.7%	-0.6%
Adjusted Return on Assets (AROA)	3.2%	2.5%	-0.4%
Oper. Self-sufficiency (OSS)	172.5%	175.7%	171.0%
Portfolio to assets ratio	76%	74%	73%
Equity to assets ratio	68%	68%	65%
Debt/Equity ratio	0.5	0.5	0.6
Staff productivity (borrow.)	183	181	179
LO productivity (borrow.)	285	278	281
Operating expense ratio	13.8%	14.5%	14.7%
Funding expense ratio	4.1%	5.3%	5.6%
Provision expense ratio	0.7%	0.4%	0.5%
Portfolio yield	29.6%	29.1%	29.2%
Risk coverage ratio (PAR30)	na	na	na
Management/field staff compensation			26

Source: DBACD, Data adapted by MicroFinanza Rating Annual.

Investors' alignment to the double bottom line

+ The founder members and the general assembly members are committed to the social mission. The responsible profitability is acceptable. The average ROA over the past three years falls in the elevated range (11% average), but it is partly justified by the medium-high country risk, capitalization of profits, the huge foreign exchange gains (relevant in 2016), and the high inflationary environment (average 17.4% over the last 3 years). There is fair value distribution to clients.

+ DBACD's legal form is an NGO, hence no ownership structure. DBACD is considering to transform into a for-profit institution in the short run and the potential mission drift risk is limited (refer to social governance for more details). The diagnostic transformation gap analysis requires the dividend policy to be formalized and the key selection criteria will be based on social alignment of the potential shareholders.

+ The financing structure is transparent as the reported leverage ratios incorporate all funding sources, including any off-balance sheet ones. Audited financial statement are available publicly or upon request.

Responsible pricing

Please refer to section 2.2 for the responsible pricing analysis.

Management compensation alignment to the double bottom line

- The top management compensation is transparent, being accessible to raters upon request, and generally consistent with the institution's social mission. The top management compensation takes into account the CEO performance. The regular annual or exceptional increase in salaries have a ceiling (EGP 1,000 per employee) to avoid a widening gap between the high and low salaries and there is a full review by the BoD of the whole salary structure when an exceptional increment takes place.
  On the other hand, the gap between the top three management and the bottom three field staff compensation is significantly higher than peer groups and is partly justified by the fact that the senior management are long serving staff (since inception). The BoD does not compare the top management compensation to similar double bottom line institutions. The incentive-based top management compensation takes into account the financial performance of the FI.

+ The BoD informally considers adherence to the overall institutional values when evaluating the CEO performance.

1.3 Social performance measurement

Measurement of the target client: Good
Measurement of the quality of the services: Adequate
Measurement of the change/impact: Good
Social information consolidation, analysis and reporting: Adequate

Target client

+ Relative to its size, DBACD demonstrates an adequate capacity to monitor the client characteristics relevant to its mission and the alignment of the outreach results to the target population. Some relevant data is captured electronically (mandatory fields) in the MIS, including age, gender, business activity, business sector and geographical location. However, some data relevant to the mission are not available for all clients, but only for a share of them, not fully representative of all clients, due to the partial data input. Some client profile data relevant for the mission are collected for individual clients (representing 50% of clients approximately) on paper such as education, financed activity, number of workers (breakdown by temporary or permanent) and business revenues/expenses, but they are not consolidated in a unique database, and can't be used for aggregate analysis.

+ A good system is in place to measure the poverty level of clients. The poverty assessment tool used is the Progress out of Poverty Index. The poverty level of clients is measured annually in the Annual Report and summary results are included in the Strategic Business Plan in relation to the national poverty line, using a representative sample of clients. The PPI questionnaire is administered for new and repeat clients for loan applications below EGP 8K (USD 430) representing 82% of total clients (Mar-17).

+ The PPI is integrated in Delta MIS which has the capacity to disaggregate the client data (including the poverty status) by most relevant characteristics including by branch, product and business sector. The disaggregated data reliability is adequate.

+ The Progress out of Poverty Index (PPI) use made by DBACD to monitor the client poverty profile broadly complies with the majority of the PPI certification standards. The senior management responsible for the PPI understands and can explain why the organization implements PPI. The manager in charge of the PPI implementation, the surveying staff, the data entry staff and the data analysis and reporting staff have been trained on the PPI use. The PPI data are collected with a representative sample of the population. The PPI survey and look-up tables used do not deviate from the current PPI adopted nationally. A random and representative sample (0.5% of collected PPI scorecards) is reviewed to verify the accuracy of PPI data by the Internal Audit, while a completeness check is done on all forms before data entry. All collected PPI data are centrally stored in an electronic manner that permits analysis. Computation of the percentage of clients below a given poverty line is accurately calculated. The poverty data are benchmarked using national poverty rates benchmarks. The poverty lines used for analysis are aligned with the objectives of the organization. The PPI results are included in the Annual Report.

Quality of the services

Please refer to section 2.2.1 for the monitoring of the quality of the service.

Outcome

+ The system to monitor the change in clients' lives is acceptable thanks to the use of PPI. However, besides monitoring clients' poverty level, which addresses only in part the social mission, monitoring progress in terms of other social indicators is limited. The progress is documented through successful client case studies, which are anecdotal and cannot be generalized to the entire client population. No cross-section or longitudinal methods are used to enhance the measurement of the change.

+ The PPI use made by the organization broadly complies with the key aspects of the PPI certification standards.

Social information reliability and reporting

+ The quality and reliability of the information currently collected on the clients' profile and their satisfaction is adequate. Some aspects of the information management process including personnel responsibilities, storage, and analysis methods are clear, while others (methods of collection and quality control for client surveys) are not clearly defined. Specific trainings for the data entry covering the social information, including PPI are available. The internal audit checks the accuracy of the PPI forms and on the data collected on the field. The data entered in the MIS does undergo specific checks.

- The poverty rate is consolidated and analyzed annually, although it is not compared across years. Some social performance information i.e. client satisfaction survey results are reported periodically.

+ The institution discloses social performance data in a transparent manner through the current social rating. In addition, DBACD has conducted a social audit, a client protection accompanied assessment, it includes some social information in its annual report and in the reporting to the MIX. The independent validation of the social information is updated with a moderate frequency, having the previous social rating carried out more than 3 years ago.

1.4 HR alignment to the mission

Staff recruitment and training alignment to the mission: Good
Staff evaluation and incentive alignment to the mission: Adequate

Staff training alignment to the mission

+ The staff training contributes to the dissemination of the mission to the personnel. The induction and the ongoing trainings provided to the staff include an overview of the mission, values and client protection principles. The trainings include some practical simulations of how the social topics translate into the daily work of the staff. The frequency and coverage of the social performance training is acceptable considering the branch network and employee turn-over. The mission dissemination among the staff is good.

Staff evaluation and incentive alignment to the mission

+ The new staff appraisal (currently under pilot) is well aligned to the mission. The evaluation structure formally includes the employee contribution to the institutional goals, reviewing social performance factors such as ability to recruit target clients (also for non-financial services i.e. insurance), client retention, commitment to client protection principles (transparency, confidentiality, understanding client needs, complaints resolution) and adherence to the code of ethics. The current staff appraisal in use promotes institutional values, but the social performance factors are not explicit.

+ The staff incentive is designed to contribute to the achievement of some of the institutions' goals. The loan officers' incentive scheme criteria is based on the repayment rate and disbursements. The minimum eligibility to qualify for incentives is upon achieving 98.5% repayment rate for loan officers and 97% for branches, however a culture of zero tolerance towards PAR has been inculcated institutionally. The PAR>1 day performance target is 1% (as per the new appraisal) and care should be taken to ensure that staff do not exercise undue influence or stressful repayment strategies in order to qualify for incentives. The variable portion is well above 50% of the total salary for field staff. The branch incentive scheme criteria also includes the PPI forms completion and informing clients of DBACD's social activities.

2. Client protection and social responsibility

2.1 Social responsibility towards the staff

Labor climate: Good
Staff compensation: Good
Professional development: Good

Personnel gender balance

- The gender balance is moderate, females are slightly under represented in the organization in general, at management and BoD level. The General Assembly includes some females and they are eligible to run for the BoD. The gender balance is slightly below the MENA average.

Staff turn-over

+ DBACD demonstrates a good staff retention capacity with committed staff and the staff turn-over rate is overall lower than the benchmarks (please refer to the benchmark session).
+ The staff turnover displays a slightly increasing trend since 2015 with a concentration in the management category.
+ Staff leaving for better working conditions or higher salaries in the microfinance sector do not seem to be the main reasons of turn-over.
+ The staff turn-over rate is calculated and monitored over time. The employees leaving the organization go through an exit interview and the analysis of staff turn-over reasons is conducted formally.

Staff	Dec-15	Dec-16	Mar-17
Total staff	**752**	**793**	**815**
Female staff	35.4%	34.8%	35.3%
Female staff in management	20.0%	12.5%	11.1%
Female members of the BoD	0.0%	0.0%	0.0%
Staff turn-over ratio*	**5.6%**	**7.2%**	**8.1%**
Management	0.0%	22.2%	11.1%
Loan officers	6.2%	5.6%	7.3%
Other staff	4.7%	9.9%	9.5%

* The last period refers to the last 12 months

Human resource policies and occupational safety

+ The HR policies are overall complete and covers wages, benefits, safety at work and disciplinary procedures. Sanctions are defined for various types of offenses, but there are no sanctions for breaching the code of conduct. The HR policies are generally available to the staff.
+ The existing HR policy complies with the national labor laws. The institution does not use forced or child labor (under 14 years of age) and it does not hire minors.
+ A non-discrimination policy for the staff is formalized and covers gender, race, religion, disability, cultural beliefs, political affiliation, social status, age and any other form of discrimination. The risk of staff discrimination or favoritism due to gender, religion, family or other factors is low.
+ The practice of cash handling in the field increases the field staff safety risk. A cash-in-transit insurance is in place. DBACD is in the process of activating an electronic collection facility in cooperation with two banks. DBACD closely monitors work safety and a safety committee is present in largest branches (> 50 staff). The safety committee inspects the branch safety conditions monthly and reports on any incidents to the respective authorities.

Labor climate monitoring

+ The institution conducts formal staff satisfaction surveys every 2-3 years, collecting the staff feedback on the following aspects: communication, training, leadership, engagement, culture and initiative & innovation. The employee satisfaction surveys are conducted anonymously. The results are analyzed by relevant categories and shared with the management. There is evidence of corrective actions taken to improve staff satisfaction and compliance to the HR policy (for instance, the introduction of the in-house medical program was informed by the results from a staff satisfaction survey).

+ A formal grievance mechanism is in place to allow employees to raise concerns in a confidential manner if needed. However, there is room for improvement in formalizing the grievance system to ensure effective use by staff.

Contractual conditions and benefits

+ All employees have a formal employment contract. Salaries are in line with the most relevant competitor for the majority of the employees' categories and respects the minimum wage regulation (there's limited labor market data).

Evaluation, training and development

+ The staff training is good, the majority of the staff receive effective trainings as appropriate to their functions at least annually, according to a formal training plan and a dedicated budget. A dedicated in-house training department is in place and a training curriculum has been developed. The access to external trainings, besides internal training, is reasonable. The induction of new staff covers the essential skills for each position.

+ A formal staff performance appraisal is conducted for all employees annually. CEO's evaluation is performed every 2-3 year by the BoD. Overall, the staff understands the performance appraisal criteria. The performance results are used for promotions and salary increment. Individual development plans are available for the management and supervisor positions. Career opportunities are provided with transparent criteria.

2.2 Client protection

Appropriate product design and delivery: Adequate
Prevention of over indebtedness: Good
Transparency: Moderate
Responsible pricing: Good
Fair and respectful treatment: Adequate
Privacy of client data: Adequate
Mechanisms for complaint resolution: Good

Appropriate product design and delivery

+ Some information is collected to monitor how the clients use the products and services, including the ways in which they help reducing to reduce risks and cope with common emergencies, invest in economic opportunities and address anticipated household needs. However, the information is not regularly reviewed. Success stories are also documented for some beneficiaries of DBACD's social activities and non-financial services.

+ The client feedback analysis includes the overall client satisfaction as well as some of the products' components (product terms - repayment term, payment method, turnaround time - and relationship with field staff etc.). An analysis on customer satisfaction and drop-out has been performed periodically in the recent past. DBACD intends to carry out client satisfaction surveys bi-annually. The channels used to collect the client feedback are partly informal and partly formal, including client surveys on a sample years and loan officer follow up sheet. The findings are analyzed globally and are not broken down in detail by specific client segments, besides by branch. There is a specific system in place to collect the client feedback on the quality and relevance of the non-financial services for the different target population segments.

Please refer to section 4.2 for the client drop-out analysis.

Prevention of over indebtedness

+ The context risk factor is deemed low as the penetration of microfinance services in the areas of operation is not aggressive and the growth rates of competitors in the past years are moderate and the information available from the credit bureau is improving.

+ The ratio of loan repayments (loan to be approved plus other loans) over disposable income is considered in determining the loan size. The prudential limit is set at 33%, but it is not uniformly applied and can range up to 50%.

+ The individual cash-flow analysis presents some shortcomings as the client repayment capacity is approximately estimated with a very general indication of the client income, the business and family expenses as well as liabilities from other sources. A checklist of business and household expenses is not in place. Loans of other family members are not necessarily included among the family expenses. DBACD is currently piloting a new loan form (4 branches) that will be used for loan applications > EGP 20K (> USD 1.08K) estimated to represent less than 2% of clients. The new application form entails a detailed cash flow analysis, seasonality of inflows and conservative criteria is applied on the daily-monthly sales generated. DBACD recently modified its lending procedures by shifting from a gradual loan increment by cycle to a first loan on demand and it also gradually increased the loan size bands to cater for varying clients needs.

+ The analysis of the group members' capacity to repay is fairly adequate. The analysis of the individual repayment capacity carried out by the loan officer includes some key elements of a simplified cash-flow analysis (client income and business expenses), but it leaves some margins of error.

+ The quality and quantity of the initial and refresher trainings provided to the loan officers on client repayment analysis are good and also thanks to the low staff turnover.

+ The system to review and report client data through the credit bureau is good, also thanks to recent streamlined process by the CRB. The consultation and sharing of client data is formalized in the credit policy and covers all loans in all cycles. The credit bureau covers the regulated financial providers (banks and NBFIs) and the information is updated with an appropriate frequency (i.e. monthly).

+ The portfolio quality is excellent and the portfolio at risk reported end-month is nil over the periods of analysis (PAR 1 is usually at 0.00% by the end of each month). DBACD has inculcated a strong repayment culture among clients and staff. Client over-indebtedness does not appear to play a major role in the cases of late payments.

+ The staff incentive scheme and the productivity targets attribute a higher weight to portfolio quality than the portfolio volume and number of clients, contributing to preventing the risk of over-indebtedness.

Transparency

- Price disclosure is moderate if compare to best practices and SMART campaign standards. However, DBACD operates in an Islamic context, where the explicit disclosure of interest rates are important aspects to be taken into consideration for protecting an institution's reputation. Clients do not systematically receive a loan contract but instead they are given a card that shows the instalment amount, loan amount and total cost of credit. The contract includes some information on the loan conditions: loan amount, total cost of credit, nominal interest rate (individual contracts), instalment amount, the repayment period and the consequences of late payment and default. The Annual Percentage Rate (APR) is not disclosed to clients. The loan contract does not include the nominal interest rate (group contract). A repayment schedule (with principal and interest amounts by installment) is not provided. The terms and conditions are communicated verbally to clients before disbursement.

- The institutional transparency index (weighted average of different loan products) is low (between 50% and 60%), indicating a significant difference on average between the nominal interest rate disclosed to the clients and Annual Percentage Rate (APR) calculated according to the international standards (MFT methodology). While DBACD has a simple cost structure, the low transparency index is due to the flat rate of interest calculation.

Responsible pricing

+ The price of the main loan products is in line with the peer group of the market: the Annual Percentage Rate (APR) does not deviate more than 15% from the average APR of the loan products with a similar loan size on the market. The regulation does not establish an interest rate cap.

  Please refer to section 1.2 for the analysis of the profitability alignment to the social mission.

Credit products	Avg. annual percentage rate (APR) [1]	Average transparency index [1]	Active loans	Portfolio	Average loan balance, USD [2]	Average loan balance / GNI pc [2]
SME	37%	56%	53%	50%	138	4%
Livestock & Poultry	38%	55%	29%	19%	96	3%
Life Standard Improvements	31%	57%	8%	9%	178	5%
DBACD	**37%**	**56%**	**91%**	**79%**	**146**	**4%**

[1] Main loan products. [2] DBACD line data refer to the total portfolio.

Fair and respectful treatment

+ The collection policy describes the steps to follow in case of default (after how many days the FI will take action and what those actions are). The code of conduct formalizes the acceptable and unacceptable client treatment (e.g. abuse, disrespect, inappropriate language, inflicting harm to clients), but there is room for improvement in dissemination to collection staff.
+ A loan rescheduling policy exists and it is applied for late clients with willingness, but no capacity to repay. Loan rescheduling is very rare. However, the policy does not formalize the cases of specific distress under which clients can be eligible for rescheduling. Rescheduling cases are approved by senior management. A loan write-off policy is in place.
+ Considering the sample size of clients visited and the scope of the client interview, the internal audit mitigates the risk of abusive collection practices and fraud against the clients. There is evidence of sanctions applied in case of inappropriate staff behavior.

Privacy of client data

+ The code of conduct requires staff to adhere to the data privacy and confidentiality policy. The contract does not include a privacy clause indicating that the client information cannot be shared without their prior consent, but it has a provision requiring the client's consent to share their credit information with the credit bureau and banks. The client personal and financial information are also shared with other parties such as insurance companies.

Mechanisms for complaint resolution

+ The complaint channels are easily accessible to clients (e.g. call, walk-in, informal) and are well suited to clients' preferences (suggestions boxes are generally less preferred). The customer service officers at branches and the customer service manager at HQ are the dedicated staff to handle staff complaints. DBACD has developed a mechanism to systematically collect, consolidate and report information on complains (including verbal complaints at branch level).

+ Clients are informed on how to submit a complaint before the loan disbursement and the contact number is provided in the card kept by the client. The client's complaint tracking number is written in the client's card for reference.

2.3 Green index and social responsibility community

Environmental risk management: Moderate
Enviromental products: Good
Community protection policies: Moderate
Community projects: Excellent

Green index

- The environmental strategy is almost adequate. The environmental protection goal is not among the formalized institutional values. DBACD took part in the Fostering Renewable Energy and Energy Efficiency through Micro-finance (FreeMe) Project, a public and private sector partnership that supports MFIs in the provision of renewable energy and energy efficient products. DBACD participates in awareness raising activities on environmental risks and opportunities through workshops and trainings. However, there is currently no specific person in the organization that has been appointed to manage environmental issues. The institution's environmental practices are currently not included in the annual report or in the report to the BoD or in the report to the investors. DBACD's environmental practices were included in the FreeMe reports and newsletters.

+ The management shows interest in reducing the internal ecological footprint of the organization. The internal environmental risk is reduced thanks to specific mechanisms to reduce energy consumption. Specific activities are also conducted to raise staff awareness of good practices in paper and energy consumption. The last internal training on environmental issues was done in 2013. DBACD staff are exposed to the garbage recycling training provided to women clients.

- The environmental risk does not play a role yet in the loan approval process: there is no specific restriction to the financing of activities with different degrees of environmental risk (no exclusion list) and the loan contracts do not include clauses requiring clients to improve environmental practices or mitigate environmental risks.

+ DBACD offers life improvement loans that also entails financing green loan products dedicated to energy efficiency (e.g. energy saving products) and promoting environmentally-friendly activities such as recycling waste. However, the green products represent a marginal share of the portfolio.

+ DBACD through the FreeMe Project has provided in the last 5 years some green non-financial services to the clients in the form of environmental risk awareness raising workshops and training on environmentally-friendly practices, in particular recycling waste.

Social responsibility towards the community

- The exclusion of harmful activities to the community, that cannot be financed such as terrorism, money-laundering and child labor is not formalized in an exclusion list or internal policy. However, the activities financed are verified by the supervisors and the internal audit during client visits.

+ DBACD engages in socially responsible projects that significantly benefit the community, including donations to hospitals, medical financial aid, purchase of special needs equipment for the disabled, involvement of the staff in community projects, among others. The funds redistributed to the community are identified as a separate item in the budget development process and DBACD uses the Zakat model to calculate its annual contribution to charity based on 2.5% of wealth (net working capital). The practice of providing charity and donations is at the core of DBACD's values since the beginning and the BoD and top management track the allocation of the charitable funds to the beneficiaries annually.

3. Outreach

3.1 Area of operation

Geographical coverage: Moderate
Alignment of the geographical outreach to the mission: Adequate

Regions of operation	Poverty	DBACD	
		Active loans	Outstanding portfolio
Dakahleya	15.0%	90.5%	91.5%
Demiatta	5.0%	3.9%	2.9%
Gharbeya	8.0%	2.1%	1.7%
Kafr-ElSHeikh	17.0%	0.5%	0.5%
Kaluobeya	23.0%	0.1%	0.1%
Sharkeya	13.0%	2.9%	3.2%
Total, DBACD		**100%**	**100%**
Urban operations		24.2%	23.4%
Rural operations		75.8%	76.6%
Total, Egypt, Arab Rep.	**25.2%**	**Egypt, population**	
Urban	15.3%	44%	
Rural	32.3%	56%	

Source: World Food Program: Status of Poverty and Food Security, 2013

- DBACD's operations are mainly concentrated in Dakahleya governorate while it has expanded into other governorates including Damietta, Gharbeya, Sharkeya, Kafr El-Sheikh and Kaluobeya within the Nile Delta region.
- The outreach to poorer areas than the national average is low, as the coverage of areas with a higher poverty incidence than the national average is limited. DBACD's operations are within Dakahleya governorate, which also accounts for a lower poverty level than the national average.

\+ DBACD operates in the Nile Delta region and the coverage of rural areas, which has a concentration of financially excluded population, is very large. The share of rural clients is significantly higher than the national average.

3.2 Clients reached

Breadth of outreach: Adequate
Alignment of the depth of outreach to the mission: Good

DBACD	Jan-15 Dec-15	Jan-16 Dec-16	Apr-16 Mar-17
Active borrowers	137,483	143,598	145,715
Gross outstanding portfolio, USD	40,130,642	19,600,626	21,278,173
Branches	18	20	21
Growth in outstanding portfolio	30%	13%	20%
Growth in active borrowers	13%	4%	4%

\+ The breadth of outreach indicated by the number of borrowers compared to the MENA regional benchmark is large.

\+ DBACD is among the largest MFIs in Egypt and it accounts for a large market share in comparison to the peer group of institutions in the country. It is worth noting that DBACD is the market leader in the Nile Delta region.

- The average growth of borrowers in the last 3 years has been moderate compared to benchmarks.

+ The average growth of borrowers in the last 3 periods shows a negative trend mostly due to liquidity shortages, but the portfolio growth trend is relatively stable, considering the impact of the high inflation.

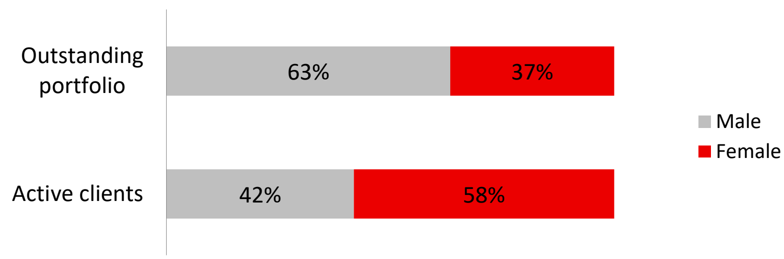
Social vulnerability and household profile

+ The outreach to households with a relatively low education level is very good based on the PPI proxy results. The share of household members aged between 6 - 18 years attending school (46%) is significantly lower than the national and regional benchmarks. The average national net enrolment rate is 98% for primary and 86% for secondary education.

+ The outreach to households with vulnerable demographic characteristics is moderate based on the PPI proxy results. The average household size (3.8) is smaller than the national (4.3) and regional benchmark. The outreach to vulnerable households, in terms of illiteracy of the head of the household including female heads is in line with the national benchmark.

+ The outreach to women is adequate based on the data available. The share of female clients at 58% above the MENA regional benchmark (52%) and the national average (49.5%).

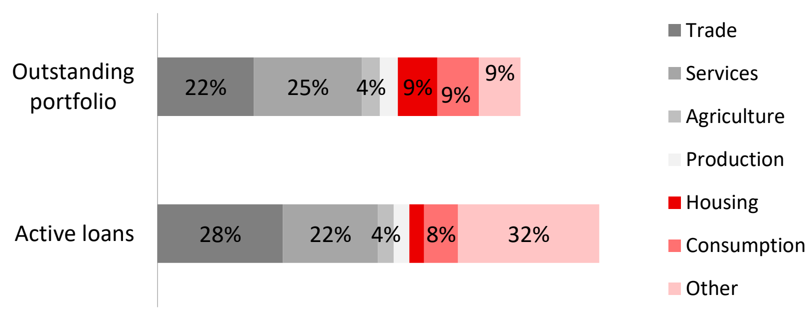
Mar-17 Gender



Financed activities

+ The alignment between the type of financed activities and the share of loans financing income generating activities is high and significantly above the regional and charter type peer groups. The share of clients using the loans for business and agriculture (91% as of Dec-16 based on PPI by Sector proxy results), is above MFR benchmarks.

Mar-17 Financed activities



+ The estimate share of self-employed clients and informal microenterprises financed is high. DBACD finances start-up activities by female clients under group lending. The estimate share of start-up business financed is high, above the peer groups.

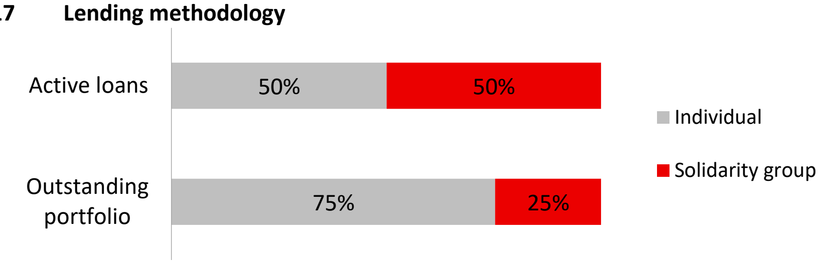
Economic poverty

+ The economic poverty outreach is adequate: the poverty rate among clients (26.5% based on PPI proxy results) is in line with the national average (27.8%), showing a fair alignment with the mission.

Dwelling and assets

+ There is no existing data on house and land ownership, but proxies seem to indicate adequate outreach to households with no house and land ownership.
+ The outreach to households with restricted access to basic services is rather low: the % of clients without improved source of water, improved building material and without electricity or gas is slightly lower than the national average.
+ All loans are backed by soft guarantee (promissory notes), suggesting that the majority of clients may not necessarily own a large amount of assets.

Mar-17 Lending methodology



Access to financial services

+ Overall, outreach to the financially excluded is excellent, considering there is very limited previous access to formal financial services (93.69% - Findex 2014 Survey) and considering DBACD's market share.
+ Likewise, the average of the country shows limited access to loans in banks and the population without bank account is 86.35%, suggesting a very good outreach to financially excluded from bank lending services.

Credit and saving size

+ The average loan balance per borrower on GNIpc is below 20%, probably indicating a low-end type of segment reached.

Loan size	Dec-15	Dec-16	Mar-17
Average loan balance, USD	292	136	146
Average disbursed loan amount, USD	376	193	212
Average loan disbursed ($PPP)	1,092	1,298	1,522
Growth in average loan balance[1]			5.3%

[1] Annual average growth in the last three periods.

+ The growth in the average loan balance in the last period of analysis is below the country inflation and below the majority of the peer groups considered (i.e. country, region and age), possibly indicating no major changes in mix of segments of population reached.

Loan size by product	Average loan balance, USD	Loan balance[1] / GNI pc	Growth in portfolio [2]
SME	138	4.1%	18.8%
House Improvements	395	11.8%	18.3%
Livestock & Poultry	96	2.9%	33.1%
Life Standard Improvements	178	5%	16.7%
Agriculture	164	5%	18.4%
Transportation	458	14%	9.2%
Total	**146**	**4%**	**20%**

[1] Per loan. [2] Last period.

+ The analysis of the average loan size by cycle for each product shows a gradual increase along with the subsequent cycles, adequately reflecting the increasing financial needs of the repeat clients.

4. Quality of the services

4.1 Variety of services	Variety of types of services: Adequate Service variety to meet diverse client financial needs: Adequate
Variety of types of services:	+ The overall variety of the types of services offered is adequate. DBACD offers credit services, non-financial services and insurance services. + DBACD is constrained by regulation to offer savings and other financial services owing to its legal form. There are no mandatory savings. + Voluntary insurance services are offered through a partnership with a licensed insurance company.
Service variety to meet diverse client financial needs	+ The need for clients to invest in economic opportunities and address life cycle household needs is adequately met by the products and services offered by DBACD. Clients have several options available to meet their business and household financial needs, such as loans with appropriate characteristics to finance business and agriculture working capital, and small business and agriculture investments as well as start-up loans. - The need for clients to cope with common emergencies is partly met by the products and services of the institution. There is an increased uptake of the life insurance product to cushion the clients/client family from shocks. There is a possibility of loan rescheduling or restructuring when appropriate. However, other options to manage the shocks in the clients' cash flow such as emergency loans is not available.
4.2 Adequacy of services	Adequacy of credit services: Good Adequacy of other financial services: Adequate Adequacy of non-financial services: Good + The financial products do not present any barrier to the access of all the different population segments targeted thanks to the accessible loan size (i.e. small minimum loan amount), soft guarantees (promissory notes) and flexible requirements (i.e. no collaterals pledged and financial books are not necessary), loan repayment schedules that match with the cash-flows of the target population and adequate delivery models adapting to cultural/social barriers such as language, literacy level, women's role) and the insurance eligibility criteria.
Accessibility: service delivery, time, procedure, guarantee	+ The service delivery channels are convenient thanks to the adequate coverage of the branch network within the region and the proximity of branches to the areas where the target population lives as well as the "doorstep service" whereby the collectors travel to the group clients' meeting centers to collect the repayments in coordination with the loan officers. There is evidence from the client satisfaction studies that the share of clients satisfied with the delivery channels is reasonably high. - The loan disbursement procedure is rather slow for individual clients. The average turnaround time is a week for group clients meeting weekly and from 5-15 days for individual clients. Previously the credit bureau check entailed a delay of 3 days, but the process was recently streamlined with online access. Clients are adequately supported by the field staff in filling-up the loan application forms when needed. + The target clients can easily access the soft guarantees (promissory note) required. There are no real collateral requirements. There is evidence from the client satisfaction studies conducted by the institution that the guarantee does not represent a challenge for the clients.

Flexibility: term, frequency, amount and service

+ The diverse loan terms available, ranging from 10 weeks to 36 months, are adequately tailored to the main financial needs of the target population segments. There is evidence from the client satisfaction studies conducted by the institution that the majority of clients are satisfied with the loan term. However, a small share of clients does not consider the term to match some of their specific needs.
+ The loan repayment frequency is adequately tailored to the most frequent business and household cash-flow patterns of the target population segments: group clients have the optional repayment frequency either weekly or monthly, while individual clients are on monthly repayments. Grace periods are not offered.
+ The majority of the target clients' financial needs are fairly matched by the loan size options available among the different credit products and the different loan cycles. DBACD recently reviewed the loan size upwards to match up with the high inflation. It is worth noting that the loan size may be a competitive disadvantage.
+ The customer service is adequate as demonstrated by the generally high client satisfaction with the field staff relationship resulting from the research conducted by the institution.

Client drop-out rate

+ The drop-out rate is monitored on a monthly basis using a reasonably reliable formula. The system allows for a general review of the client drop-out rate, its trend and concentration in the branches. However, the drop-out rate is not yet available by client segments.
+ The client drop-out rate (calculated with MFR formula) is below the majority of peer groups considered (please see benchmark section). The trend in the client drop-out rate is stable over the last 3 years. The high concentration above the third loan cycle, also reflects a good retention capacity.
+ The clients drop out reasons are formally investigated and tracked for a representative share of exiting clients. Beside managing the individual exit cases, a consolidated analysis is conducted at the level of the organization and on sample branches to identify the main reasons of client drop-out. The analysis is conducted periodically. The client drop-out in 2016 is mainly related to the liquidity shortage experienced in DBACD.
+ Target clients leaving for other financial institutions with more diverse and appropriate products and services do not seem to be the main reasons of client drop-out.

Client drop-out	Jan-15 Dec-15	Jan-16 Dec-16	Apr-16 Mar-17
Client drop-out ratio	17%	20%	15.7%
Client exit rate (DBACD)	16%	20%	na
Loans in first cycle			21%
Loans in second cycle			17%
Loans in third cycle			12%
Loans in > third cycle			50%

Appropriateness of financial services other than credit

+ The target segments' needs to protect from business and household shocks are partly met by the life insurance service (credit insurance is not offered). The life insurance has a reasonable amount of loss covered, an appropriate term of coverage, reasonable cost and appropriate premium payment schedule and the process to file a claim is not rigid. However, there is a limited coverage of events. Some insurance statistics is tracked internally on the uptake of the life insurance product. Market research is commissioned to inform the design of products and DBACD is currently undertaking market research to further develop a medical and disability insurance product.

Variety and appropriateness of non financial services	+ The quality and relevance for the target population segments of the non-financial services is very high. The services are very well designed to reduce the vulnerability of clients and to increase their capability to take advantage of economic opportunities as well as to empower clients and to improve clients households' living conditions, thanks to various programs including the women empowerment awareness, environmental awareness and a training center that offers IT, management and language trainings. - The offer of non-financial services is very limited, covering less than 1% of the clients. The non-financial services business model is adequate and sustainable: the funding sources are identified internally with support from partnership with various government ministries for some programs. The non-financial services are offered at a subsidized cost to clients including the training courses. + The alignment of the strategy to the mission is significantly reinforced by the involvement in social projects and activities with a relevant social benefit for the clients (including donations to hospitals, medical financial aid, purchase of special needs equipment for the disabled, facilitation of the issuance of national identification cards for free and involvement of staff in community projects) among other social initiatives.

Annex 1 - Universal Standards and Client Protection Certification

Social rating

- ✓ Social performance management
- ✓ Client protection
- ✓ Outreach
- ✓ Quality of the services

Universal Standards of Social Performance management

✓ Social Rating demonstrates the implementation to the USSPM*.

Client Protection Certification

✓ Social Rating gives an indicator of the efforts required to achieve certification.

✓ Social Rating is not a certification, but it can be combined with a certification with MicroFinanza Rating, a licensed certifier.

Universal Standards of Social Performance management validated by Social Rating	Implementation
1 Define and Monitor Social Goals	**Good**
1a The institution has a strategy to achieve its social goals	●●●
1b The MFI collects, reports, and ensures the accuracy of client-level social data	●●
2 Ensure Board, Management, Employee Commitment to Social Goals	**Intermediate**
2a Members of the Board of Directors are committed to the mission	●●
2b Board of Directors holds the institution accountable to its mission	●●
2c Senior management sets and oversees the strategy for achieving its social goals.	●●
3 Design Services and Channels That Meet Clients' Needs	**Intermediate**
3a The MFI understands the needs and preferences of different types of clients.	●●
3b The products and delivery channels are designed to benefit clients	●●
4 Treat Clients Responsibly	**Intermediate**
4a The MFI avoids client over-indebtedness.	●●
4b The MFI communicates clear, sufficient and timely information to the clients.	●
4c The MFI treats their clients fairly and respectfully.	●●
4d The institution respects the privacy of client data.	●●
4e The MFI has timely and responsive mechanisms for complaints resolution.	●●
5 Treat Employees Responsibly	**Good**
5a The MFI policies protects employees and create a supportive working environment.	●●●
5b Employment terms are transparent and training is provided to the employees	●●●
5c The institution monitors employee satisfaction and turnover.	●●●
6 Balance Financial and Social Performance	**Intermediate**
6a Growth is sustainable for market conditions, allowing for high service quality	●●●
6b The financing structure is appropriate to a double bottom line MFI	●●●
6c Pursuit of profits does not undermine the sustainability or client well-being	●●
6d The senior managers compensation is appropriate to a double bottom line MFI	●
7 Green microfinance	**Intermediate**
7a The institution addresses environmental issues through a formalized strategy.	●
7b The institution manages its internal environmental risks.	●●
7c The institution manages its external environmental risks.	●
7d The institution fosters green opportunities.	●●●

Implementation: high; ●●● intermediate; ●● low. ●

*Correspondence map between the USSPM and the Social Rating: annex 1 of the Social Rating Methodology (www.microfinanzarating.com)

Social Rating general opinion on the Client Protection Certification	Effort required
1 Appropriate product design and delivery	Medium
2 Prevention of over indebtedness	Medium
3 Transparency	Significant
4 Responsible pricing	Medium
5 Fair and respectful treatment	Medium
6 Privacy of client data	Significant
7 Mechanisms for complaint resolution	Medium

Annex 2 – Social Indicators

CLIENT PROTECTION AND SOCIAL RESPONSIBILITY	Mar-17
Female staff	35.3%
Female staff in management	11.1%
Staff turn-over ratio[1]	8.1%
Portfolio yield	29%
Average annual percentage rate (APR)	36.6%
Average transparency index	56.3%
Operating expense ratio	15%
PAR30	0.0%
Return on Equity (ROE)	16.6%
Return on Assets (ROA)	11.0%
OUTREACH	
Active clients	145,715
Active borrowers	145,715
Growth in active borrowers	1%
Growth in outstanding portfolio	8%
Individual methodology, portfolio	75%
Individual methodology, loans	50%
Solidarity group methodology, portfolio	25%
Solidarity group methodology, loans	50%
Urban coverage, portfolio	23%
Urban coverage, loans	24%
Rural coverage, portfolio	77%
Rural coverage, loans	76%
Agriculture, portfolio	4%
Agriculture, loans	4%
Female clients, portfolio	37%
Female clients	58%
Average loan balance, USD	146
Average loan balance / GNI pc	4%
Average disbursed loan amount, USD[2]	227
Average loan disbursed ($PPP)	1,522
Average saving balance, USD	
QUALITY OF THE SERVICES	
Client drop-out ratio	16%
Clients at third loan cycle	12%
Loans in > third cycle	50%

Sources: MIS.

[1]Calculated with average number of staff. [2]Calculated with average exchange rate

Annex 3 – Financial Products

Credit products, USD /1	SME	House Improvements	Livestock & Poultry	Life Standard Improvements	Agriculture
Lending methodology	Individual	Individual	Individual	Individual	Individual
Currency	EGP	EGP	EGP	EGP	EGP
Type of interest	Flat	Flat	Flat	Flat	Flat
Min. interest rate	16%	14%	16%	16%	16%
Max. interest rate	16%	14%	16%	16%	16%
Commissions	0.55	0.55	0.55	0.55	0.55
Min. amount	28	28	28	28	28
Max. amount	553	2765	553	553	1659
Min. maturity (months)	10 Weeks (GL) 4 Months (IL)	4 Months	10 Weeks (GL) 4 Months (IL)	10 Weeks (GL) 4 Months (IL)	10 Weeks (GL) 4 Months (IL)
Max. maturity (months)	50 Weeks (GL) 36 Months (IL)	36 Months	50 Weeks (GL) 24 Months (IL)	50 Weeks (GL) 24 Months (IL)	50 Weeks (GL) 24 Months (IL)
Repayment frequency	Weekly or Monthly (GL) Monthly (IL)	Monthly	Weekly or Monthly (GL) Monthly (IL)	Weekly or Monthly (GL) Monthly (IL)	Weekly or Monthly (GL) Monthly (IL)
Grace period (months)	N/A	N/A	N/A	N/A	N/A
Collateral	Promisory Note (Clients + Guarantor)	Promisory Note (Clients + Guarantor)	Promisory Note (Clients + Guarantor)	Promisory Note (Clients + Guarantor)	Promisory Note (Clients + Guarantor)
Mandatory savings	N/A	N/A	N/A	N/A	N/A

Credit products, USD /2	Transportation
Lending methodology	Individual
Currency	EGP
Type of interest	Flat
Min. interest rate	16%
Max. interest rate	16%
Commissions	0.55
Min. amount	28
Max. amount	5531
Min. maturity (months)	4 Months
Max. maturity (months)	36 Months
Repayment frequency	Weekly or Monthly (GL) Monthly (IL)
Grace period (months)	N/A
Collateral	Promisory Note (Clients + Guarantor)
Mandatory savings	N/A

Annex 4 - Definition of Indicators and Statistics

Social Performance Management system	
PAR 30	Outstanding balance on loans with arrears > 30 days / Gross outstanding portfolio
Write-off ratio	Value of loans written-off during the period / Average gross outstanding portfolio
Restructured portfolio	Total gross outstanding rescheduled and/or refinanced portfolio / Gross outstanding portfolio
Return on Equity (ROE)	Net income / Average equity
Return on Assets (ROA)	Net income / Average assets
Adjusted Return on Equity (AROE)	Adjusted net income / Average equity
Adjusted Return on Assets (AROA)	Adjusted net income / Average assets
Oper. Self-sufficiency (OSS)	(Financial revenues + Other operating revenues) / (Financial expenses + Provision expenses + Operating expenses)
Fin. Self-sufficiency (FSS)	(Adjusted financial revenues + Other operating revenues) / (Adjusted financial expenses + Adjusted loan loss provision expenses + Adjusted operating expenses)
Staff productivity (borrow.)	Number of active borrowers (clients) / Number of staff
LO productivity (borrow.)	Number of active borrowers / Number of loan officers
LO productivity (groups)	Number of groups / Number of loan officers
Operating expense ratio	Operating expenses / Average gross outstanding portfolio
Funding expense ratio	Interest and fee expenses on funding liabilities / Average gross outstanding portfolio
Provision expense ratio	Loan loss provision expenses / Average gross outstanding portfolio
Portfolio yield	Interest and fee revenues on loan portfolio / Average gross outstanding portfolio
Risk coverage ratio (PAR30)	Loan loss reserve / Portfolio at risk >30 days
Cost of funds ratio	Interest and fee expenses on funding liabilities / Average funding liabilities
Debt/Equity ratio	Total liabilities / Total equity
Management/field staff compensation	Average top 3 management compensations / Average bottom 3 field staff compensations

Client protection and social responsibility	
Staff turn-over ratio	Staff who left during the period / Average staff at in the period
Avg. annual percentage rate (APR)	Includes interest rate, method of interest calculation, commissions, taxes, mandatory savings (see MicroFinance Transparency tool) The annual Percentage Rate (APR) of the institution is the average APR of all the products weighted by the percentage of number of loans by product.
Average transparency index	Nominal interest rate / Annual Percentage Rate The transparency index of the institution is the average transparency index of all the products weighted by the percentage of number of loans by product

Outreach	
Average loan balance	Outstanding portfolio (end of period) / Number of active borrowers (end of period)
Average disbursed loan amount	Amount disbursed during the period / Number of loans disbursed during the period
Average loan disbursed ($PPP)	Amount disbursed in local currency * $PPP conversion factor

Quality of the services	
Client drop-out ratio	(number of active clients at the beginning of the period + number of new (first time) clients entering during the period – clients written-off during the period – number of active clients at the end of the period) / (number of active clients at the beginning of the period)

n/a	Not applicable
na	Data not available

Annex 5 – Social Rating Scale

Grade	Definition
^{S}AA	Excellent social performance management and client protection systems. High likelihood of achieving the social mission.
^{S}A	Good social performance management and client protection systems. Social mission likely to be achieved.
^{S}BB	Adequate social performance management and client protection systems. Satisfactory alignment to the social mission.
^{S}B	Moderate social performance management and client protection systems. Partial alignment to the social mission
^{S}C	Weak social performance management and client protection systems. Medium risk of mission drift
^{S}D	Poor social performance management and client protection systems. Risk of mission drift.

The modifiers "+" and "-" which can be added to the rating grade indicate small relative differences within each rating category.

More information: www.microfinanzarating.com