PD- 6.6

BRAC RDP/RCP

Annual Financial Review Mission

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Other topics also discussed:

- Impact of Financial training
- Deep Tube Well refund to shareholders
- Head Office costs versus budget

Executive Summary

This mission continues the series of financial consultancies provided by Shorebank since 1992. This Executive Summary highlights the most important elements of our report, while the body of the report follows the sequence of the Terms of Reference.

On this trip, in addition to reviewing the customary financial items, we spent considerably more time visiting field offices (Chowgacha, Jhikorgacha, Monirangpur, Amdia and Sonargaon) and PSEs (Jessore Grainage, Manikonj Feed Mill and Reeling Center, and Savar Poultry Farm).

Loan Portfolio

- BRAC's loan portfolio grew 34% from June 1995 to June 1996. This growth was mostly due to increased number of loans, as the average loan size moved only slightly over last year's level. Within the portfolio, the Rural Trading sector increased its share of principal outstanding from 35% to 43%, offset by proportionate declines in Irrigation (due to the DTW charge-off), Housing and Food Processing.

- Due to BRAC's thorough loan collection efforts, by early January 1996, just under 90% of the total loan portfolio had not missed a single payment. This is up from a low in August 1992 when only 30% of the portfolio was up to date. However, during the political non-cooperation movement in February and March, local unrest disrupted the schedule of VO meetings and prevented many BRAC members from earning incomes. During this two-month period, BRAC's <u>on-time</u> repayment deteriorated to the same level as August 1992 -- but this time the BRAC Head Office was immediately on top of the problem through the APO (Aging of Principal Outstanding) report. By September, 76% of the portfolio was once again totally current in payments. Our interpretation is that the 11% who have yet to catch up are the least well-off borrowers who earn just enough to pay the regular weekly installment. BRAC estimates that it will take another 6 months of collection effort before the portfolio recovers fully.

- On this visit, we observed that BRAC has implemented many of the small-group lending practices characteristic of the best-organized micro-finance lenders -- BRAC now actively uses the small group as the "building block" of the VO, and the small group leaders coordinate a tight, orderly VO seating arrangement. Loans are disbursed to VO members often within two months of joining, much more quickly than before. BRAC operates by the principle that savings and credit repayment is the first step in gathering a VO and in raising oneself out of social and economic deprivation.

Recommendation: We recommend that BRAC experiment with higher loan ceilings and/or more than one loan for members with good repayment records. To this end, the HO must be clear about its policy that any borrower may receive up to two general loans and a housing loan. Based on our field visits, some staff incorrectly interpret the emphasis on loan collection as a discouragement to disburse more loans.

Recommendation: In order to stimulate the formation of businesses slightly larger than VO members currently undertake, we recommend that BRAC pilot a new "Entrepreneurial VO" program comprised of those members most capable of starting slightly larger enterprises. These members require focused effort and possess different skills than other VO members.

- In September 1996, the housing sector was clearly the slowest paying, with some less significant slowness also in Poultry/Livestock and Fisheries. Many BRAC staff discourage members from obtaining housing loans, due the sector's historically slow repayment rate and longer loan term. This year, BRAC shortened the housing loan term from 3 years to 2 years; some staff would prefer the term be reduced yet further to one year.

Recommendation: BRAC should resolve its housing loan policy and disseminate it to the field. So long as the policy is unclear, the program will languish and BRAC may unintentionally create resentment.

- Regarding the wind-up of the DTW schemes, BRAC has refunded 100% of the Tk 2.2 million in member loan payments on DTW Operations and Purchase loans. BRAC charged off the DTW investment and the accumulated operating losses from its books, and the outstanding DTW loans were charged-off the RCP books. The portion of the charge-off taken against RDP's general loan loss reserve (Tk 57.4 million) still leaves the combined RDP and RCP Loan Loss Reserve at 7.7% of loans outstanding. Compared against expected losses in each aging category, we believe this is adequate. BRAC management may wish to continue the 2%-of-disbursements rule for the annual loan loss provision, but it may exceed actual loan losses.

Savings and Credit Policies

- The rate of members leaving RDP and RCP slowed to 4.8% of average membership in 1995 and just 3.5% of average membership in the first 9 months of 1996. Membership turnover appears to have stabilized at this low rate, while new members are joining BRAC at more than 4 times the dropout rate.

- In 1995, BRAC discontinued the 4% loan deduction for Group Trust Fund. BRAC returned 50% of members' GTF in 1995, but BRAC delayed the return of the second 50% in order to encourage members to bring their loan payments current.

  Recommendation: We recommend, and BRAC has agreed, to return the remaining 50% of the Group Trust Fund to members in early 1997. If members agree, BRAC might transfer the funds into their savings accounts.

- Members' Own Weekly Savings improved gradually through 1995, up 25% to just over Tk 3.5/week before considering the refunded savings to dropout members. The situation is still unsettled due to (1) the refund of the first 50% of GTF which many members took into their own savings accounts and (2) the disruption of the non-cooperation movement.

  Recommendation: We continue to encourage BRAC to exert more effort and management attention to savings mobilization. Savings mobilization is critical to BRAC's ability to fund future loan growth, as well as filling an important development function for beneficiaries. BRAC may be overlooking an important opportunity in this regard.

  Recommendation: Although we understand BRAC's concern that sudden "open access" to savings could cause rapid withdrawals without any long-term benefit to the members, we suggest that BRAC consider (1) maintaining the current savings plan as an "Old Age Fund" with an age at which it becomes available, and (2) opening a second unlimited access "Current Account" for VO members. This would prevent any quick withdrawal, while also offering a new service to members. BRAC should also be experimenting with higher interest rate savings accounts and different maturities.

- During 1996, BRAC began to experiment in all first year branches with monthly loan repayment. BRAC had used this system in IGVGD branches, and feels that loan repayment can remain strong while reducing costs simultaneously. No doubt, BRAC will keep the Donors informed of developments in this regard.

Sector Program Cost Recovery

- BRAC has begun to demonstrate success in the sector programs: sector programs have begun to improve VO members' profitability and as a result, BRAC has overcome members' initial hesitation about paying for technical assistance. These are important milestones in this program's concept.

- We separated the service charge "variance to budget" into two components, which sum to the full variance to budget:

Activity Variance: The Activity Variance shows the service charges due ("realizable") versus the financial budget. The Activity Variance shows whether the coverage of sector activities actually occurred as planned. In 1995, BRAC's sector programs outperformed the April 1993 budgeted activity level by 7% (Poultry/Livestock and Fisheries were both over 40% ahead of budget, while Agriculture and Sericulture were both more than 20% under budget). Through the first 6 months of 1996, BRAC's activities are more than 50% ahead of the RDP IV budget.

Collection Variance: The Collection Variance compares actual collections ("realized") versus the service charges due ("realizable"). The Collection Variance shows members willingness and capacity to pay for the services. At the end of 1995, 13% of 1995 service charges were overdue at year-end. The best-paying sector was poultry (9% overdue) and the worst-paying sector was fisheries (17% overdue). From January through June 1996, 26% of *new* service charges were overdue, although this performance is distorted because the harvest was not yet collected.

- The Sector Programs are improving, but from the standpoint of financial systemization, they have a long way to go to match the credit program. New branch-level collection procedures and a new Service Charge Collection Sheet provide a big push forward in monitoring the program. However, to date BRAC has not reached the same clarity of measurement or the same organizational emphasis on the sector programs as it has in credit programs.

Recommendation: We believe that BRAC should continue the momentum toward upgrading and regularizing the service charge system. We recommend the following improvements:

1. BRAC should produce an Aging of Service Charge Outstanding (ASCO) report using the new Collection Sheet, similar to the APO Report;
2. BRAC's Collection Sheet should track any sector sub-component amounting to more than 10% of a sector's activity or Tk 500,000 in service charges annually, rather than lumping all the components of Poultry & Livestock together and all the components of Fisheries together.
2. BRAC reports should regularly compare both the Activity Variance and the Collection Variance to its internal targets, though this is probably more detail than is necessary for Donor reporting. These measurements will pinpoint the cause of variances in realized service charges.
3. BRAC should clarify that service charges are "realizable" only when the Sector PA expects the Credit PA to collect at the next VO

meeting -- otherwise, the reports based on the expectation of receiving "realizable" service charges are inaccurate.

4. BRAC should settle on a standard timetable for collecting service charges -- currently, there is great variation among the branches about whether to collect evenly during the year, seasonally during the year, or to collect in a lump-sum at harvest. Without a common system, at least within each sector, BRAC will not be able to optimize the process.

Recommendation: The sector programs are generating good profits for VO members in many areas, and therefore BRAC should investigate what constraint may be preventing more growth of sector programs in each branch and how it might be overcome.

- Sericulture program activity declined in the first half of 1996. Both loan volume and DFL consumption were off due to three factors: the disruption of the non-cooperation movement, the unsatisfactory DFL quality from GOB grainages, and competition from Chinese and Thai silk exports to Bangladesh. BRAC is striving to improve DFL quality through imports and through its own grainages. This market sector is clearly more vulnerable to international economic forces than BRAC's other program areas. BRAC reports that the GOB is considering whether to reimpose the 33% silk tariffs that were lifted in 1994.

  Recommendation: BRAC and its sericulture consultants should investigate the cost advantage of Chinese silk producers versus the proposed BRAC sericulture system. The economic viability of Bangladeshi sericulture production on international markets will certainly depend on its cost competitiveness, and Chinese imports may even cost-compete for domestic business. This situation affects the economic viability of the sector program..

Program Support Enterprises

- BRAC recently released PSE business plans for the poultry farms, feed mills, prawn hatcheries and grainages. Business plans are not yet prepared for the reeling units, the seed production centers, or the textile Market Development Unit. Our report includes summaries of each PSE, including BRAC's estimate of demand for these services by BRAC members already trained in these sectors.

  Recommendation: We recommend that BRAC prepare and submit business plans for the Seed Production Centers, the Reeling Centers and the Market Development Group before spending money in these areas.

- BRAC has appointed a PSE Manager to oversee the PSEs start-up and management (excluding the Market Development Group). BRAC management reports that separating the PSE management from the sector and credit programs works quite well -- it introduces checks and balances that hold both sides accountable in a healthy "customer-supplier" relationship.

- Our report also includes an updated timetable for the implementation of the various PSEs (adjusted from the RDP IV proposal), with some PSEs being constructed earlier than planned and others being delayed. The aggregate financial investment and the aggregate production capacity remains essentially as in the RDP IV proposal. BRAC is on track to meet this revised construction plan.

- We think it is important to place the PSEs in context with BRAC's other programs: the PSEs involve simple production processes and require comparatively low staffing levels. The PSEs operate in sectors where BRAC staff already has some experience. Aside from the sericulture situation, we believe BRAC's greatest challenge is the logistical and managerial challenge of coordinating VO member training with delivery of PSE production.

- In the RDP IV proposal, BRAC proposed that the PSEs pay 10% on their capital. We support this sound business practice as it approximates private sector conditions for internal business units (such as the PSEs). However, this is an internal bookkeeping charge rather than a true additional funding need. It may have been an oversight by BRAC and the Donors to show this as an additional funding need. The effect is that the RDP IV will require reallocation of this Tk 13.7 million. We recommend, and BRAC has agreed, that these funds remain in RDP and be restricted for RDP purposes only. This is consistent with the Donors' intent to fund the PSEs as part of RDP services for the target group.

  Recommendation: The shift in the timing of PSE investments and the oversight on the PSE cost of capital suggest that the RDP IV budget might helpfully be updated. We recommend that BRAC and the Donors agree to some system by which the budget could be updated, no more often than once a year and perhaps only at the midpoint of RDP IV. This would enable BRAC to take account of changing business circumstances, while remaining in compliance with Donors' condition that actual expenses stay within a 10% variance range for each line item.

- Finally, we note that the total production capacity of these PSEs is small relative to the estimated demand by BRAC members. If member demand approaches what BRAC expects, BRAC will need to locate other sources for inputs and the absorption of outputs. BRAC may need to consider expanding the PSEs if this is the most efficient method of meeting the VO members' needs. We believe this is a sound proposal for the Donors' consideration.

Long-Term RCP/BRAC Bank Financial Viability

- In 1995, RCP earned Tk 78.6 million, including Tk 28.9 million on investment funds. (This does not include BRAC's 9% discretionary interest on the HO fund, which may be drawn if and when RCP converts to a taxable bank). Excluding the 9% HO fund interest and the 2% loan loss provision, in 1995 the year 3 through year 10 branches earned a surplus. From January through September 1996, the branches are on track for an even stronger performance. This indicates strong current financial performance and a remarkable strengthening from 1993's loss at the branch level.

- We reviewed the RCP financial model and conducted sensitivity analyses on the key variables of loans outstanding, branch operating costs and savings. Based on RCP's actual performance in 1995 and through September 1996, RCP remains financially sustainable.

- During our consultancies in 1993 and 1994, we cautioned that RCP's performance was dangerously below sustainable levels. To achieve RCP financial sustainability, BRAC needed to increase loans outstanding, improve loan collection, and reduce branch operating costs. BRAC management took this advice on board and dramatically outperformed earlier levels, While branch operating costs remain higher than originally budgeted, this cost has been more than offset by higher loan volume.

- By 1995, BRAC had turned the situation around. During our 1995 consultancy, we observed that RCP loan disbursements had increased so rapidly that there now existed the surprising possibility that RCP would run out of funds due to high loan demand and low levels of member savings. BRAC field staff has responded by improving savings levels. Still, we believe more improvement in savings mobilization is possible and desirable. We strongly believe that local savings mobilization is a most promising means to institutional permanence and simultaneously contributing to the well-being of VO members.

- As a contingency funding source, BRAC and PKSF/World Bank are close to finalizing a $30 million loan earmarked for IGVGD expansion. Under the terms of the loan, BRAC may reallocate these funds among its various programs, including RDP/RCP if necessary. The loan terms under discussion are temptingly less expensive than the interest rate paid on members savings. We encourage BRAC not to become lazy in its mobilization of members savings.

Delegation of Management Responsibility

- Last year, for the first time, BRAC began its budget-setting process by asking the Branch managers to develop their own targets. This was a difficult and time-consuming process, no doubt, but we think there is a long-term payoff for BRAC in developing financially capable managers. We endorse BRAC's decision to stay with this process for setting 1997 budgets.

> Recommendation: We recommend that BRAC continue to ask the Branch Managers to prepare the first draft of both credit and sector budgets. Quite appropriately, these targets may be revised based on information and discussion with the Head Office.

- In our last review, we emphasized the need to ensure the equal and complementary emphasis on the credit and sector activities in a manner that is mutually reinforcing at the branch staff level. BRAC has begun to do this. We urge BRAC to keep an eye on the twin "cultures" of credit and enterprise technical assistance, so that both are always in constructive balance, not destructive tension.

> Recommendation: While BRAC field managers understandably hold some Credit-staff only meetings and Sector-staff only meetings, they should also frequently hold Credit/Sector meetings to brainstorm for growth possibilities with particular members.

- To their credit, BRAC branch managers have focused on loans, savings and collection targets. But the managers could improve in two critical areas:
  (1) Branch managers need to become "development managers" -- meaning that they search for opportunities to support the economic growth of VO members. They should look to channel funds to the most successful borrowers and find ways to expand the sector programs -- in short, to push the program in all possible ways to achieve BRAC's social and financial objectives.
  (2) At the same time, branch managers should operate their branches like businesses -- meaning that the manager must be an outcome-optimizer rather than a direction-taker. We were concerned, for example, that none of the branch managers we visited placed a major priority on their cost structure or on generating an operating surplus.

> Recommendation: The previous financial training may have covered worthwhile background knowledge, but it was not BRAC-specific enough for branch managers. We urge BRAC and the Donors to develop a training module that involves more BRAC-specific reports, case studies, role plays, and peer-to-peer learning.

> Recommendation: We once again recommend that BRAC adopt an annual one-page written performance evaluation for branch managers. This is an important part of recognizing superior performers and of assuring evenhandedness in promotions.

(A) Management of Savings and Credit-related Activities

2.1.1. Review the recent changes in, and effects of, the new savings policy.

Head office managers as well as branch managers, particularly in the newer branches, showed a greater interest in mobilizing funds locally. This is important because it reflects BRAC's concern about long-term financial sustainability in its Credit Programs. PAs now record savings as a separate item on the Loan Collection Sheets. Branch managers submit these savings figures on their MIS reports to head office.

> Recommendation: We recommend that BRAC actively expand into savings mobilization and add this capacity to its development mission. We think savings mobilization ideally suits both the development and survival needs of the landless poor and provides an institutionally permanent funding base that is grounded in the beneficiary group. Our specific recommendations are noted later in this report.

Group Trust Fund and Insurance
In early 1995 BRAC eliminated the 4% Group Trust Fund (GTF) and the 1% Insurance deductions from loans. During 1995, fifty percent of the GTF was returned to members, mostly by transfer into members own savings. This amounted to around Tk 56 million. A small number of members received cash in-hand.

> Recommendation: We recommend, and BRAC has agreed, to return the remaining 50% of the GTF to members in early 1997. BRAC will need to decide whether to return GTF to former BRAC members. The answer may depend on whether BRAC originally described GTF as "membership property" (therefore, less need to refund to dropouts) or "shared property in which each who contributed has a stake" (therefore greater need to refund, even to dropouts).

The previously collected amounts of the 1% insurance fund (Tk 27 million as of September 1996) continues to be held on the BRAC books. To fund life insurance, BRAC now charges members an annual 10 taka membership fee. This Membership Insurance Fund has grown since January 1995 to Tk 20 million and is now kept as a separate account on RDP books. BRAC will draw down the original 1% insurance fund until it is depleted and will then switch to the new fund. Based on BRAC's recent payout experience, the total insurance fund of Tk 47 million appears adequate to ensure payouts to the families of members who have died.[1]

[1] One VO member we interviewed voiced concern that insurance payouts take too long -- in her case, one year. Although her complaint may have been unsubstantiated, BRAC should address its constraints (if any) to timely payouts to members.

Weekly Savings

At the same time, BRAC increased the target savings from Tk 2 per to Tk 5 per member per week.[2] BRAC aims that each small group of 5 members should together save Tk 25 per week, rather than insisting on Tk 5 per individual member. In this way, the poorest members would not be excluded by reason of the higher weekly target. PAs encourage borrowers to contribute an even higher amount to their weekly savings accounts if possible.

BRAC requires that borrowers save an amount equal to 2% of their first loan request, 5% of their second loan request, and 10% of all further loan requests.

RCP + RDP Savings Performance

(Taka Million)	Jan -June 1996	Jul - Dec 1995	Jan - June 1995	Jul - Dec 1994	Jan - June 1994
Compulsory Savings	95	81	70	62	45
Members Own Savings	128	119	118	74	61
Total New Savings	223	200	188	136	106
Transfer of GTF into Members Own Savings	3	20	36	0	0
Members Own savings excluding transfer of GTF	125	99	82	74	61
Average # Members	1,329,820	1,199,149	1,112,822	994,159	888,927
Wkly Svgs /Member including transfer of GTF	3.85	3.97	4.24	n/a	n/a
Wkly Svgs /Member excluding transfer of GTF	3.76	3.30	2.95	2.98	2.74

Excluding the effect of GTF transferred into Members' Own Savings, average savings per member increased from Tk 2.98/week to Tk 3.76/week between June 1995 and June 1996. Precise comparisons are difficult for two reasons:

1. Group Trust Fund money was, in most cases, transferred directly into the Members' Own Savings accounts of members. Fewer transfers were made during 1996.
2. The non-cooperation period affected the ability of credit Program Assistants (PAs) to enter villages and collect weekly loan repayments and savings. Hence members had to catch-up on their missed payments in later weeks.

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2 The weekly savings increase from Tk 2/week to Tk 5/week equals 150%. The Tk 2 savings policy had been in place since 1988. During the same time period, agricultural day wages increased 75%, from Tk 20/day to Tk 35/day.

Our field visits to five branches confirm that average weekly savings have increased, albeit at a slower rate than was initially hoped for.

A quick scan of the branch balance sheets revealed a wide variation in savings across branches. Generally speaking, the branches that had good loan and service charge repayment rates also had a higher average savings per member, and visa versa. This is probably a function of two factors:

1. group cohesion and discipline, which is influenced by the performance of the PA; and
2. genuine ability/inability of borrowers to add to their savings. The lack of additional money to add to weekly savings is often a function of the lack of market opportunities.[3]

We also observed that younger branches with more motivated borrowers (and PAs), often had a more regular weekly savings pattern than some of the older branches.[4]

In the field, VO members told us that they did not think that weekly savings of Tk 5 was too much. We observed that many members still pay two taka a week, especially in the older branches. With just a few members saving between seven and ten taka per week, the overall average per member rises. During our field visits we asked members in four different VOs whether they would increase their weekly savings contribution if they were allowed to withdraw their savings. In all cases, the majority of women said they would, or that they would like to if they could. Many women keep their savings at home and they do not believe this is entirely safe. They welcomed the idea of BRAC offering open savings accounts.

BRAC's Experimental Savings Schemes

In August 1996, BRAC began experimenting with two different savings schemes to give members greater access to their savings. We visited two of the six branches where the pilot projects are currently being conducted and interviewed the regional and branch managers, the credit PAs and their VO members.

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3. A World Bank evaluation of the AKRSP Program in Pakistan found that savings tended to be highly concentrated: Approximately 70% of total savings balances were accumulated by 25% of the village and women's organizations between 1983 and 1994. The evaluation team also found that the rise in savings was primarily related to the economic opportunities in each district *and* to the strength of the women's activity in each area.

4. This finding was also borne out by the World Bank evaluation report of AKRSP mentioned above.

Model 1

This model is being tested in three branches in three different regions. The main characteristics of the model are that:

- the member must have been a BRAC VO member for at least one year;
- savings can be withdrawn for any reason, but only twice per year;
- a member cannot withdraw savings if she has an overdue loan;
- of the total savings, 75% may be withdrawn at any one time (i.e. 25% always remains in the account)
- the savings withdrawn gets treated as a "savings loan" which must be repaid within 46 weeks in weekly installments at VO meetings.
- a member must repay / refund the full amount of withdrawn savings before the second request for a withdrawal;

In practice, the following additional "rule" seems to apply:

- the borrower must have no past due service charges

BRAC chose to implement this model in older branches where members have built up substantial savings. BRAC feared that opening complete access to their long-time, accumulated savings might precipitate a run on its savings pool without a long-term benefit to the members. Therefore, this model was not designed to allow completely unrestricted access.

<u>Observations</u>[5]

1. When the new plan was introduced, out of 6000 VO members, 394 members (or 7% of total members) increased their weekly savings contributions. In November these "super-savers" saved Tk 31/week while the branch average was Tk 10/week. The super-savers accounted for 20% of the total savings in November.
2. There was no immediate rush to withdraw funds. Nobody withdrew savings in the first month and only one person in the second month. Eight people made withdrawals in the third month. The branch manager does expect the number of withdrawals to increase. All withdrawals have been between Tk 1,000 and Tk 1,500. The total amount of withdrawals has been Tk 12,500 or 25% of the total additional savings deposited.
3. Weekly repayment of the "savings loans" are up to date.
4. Members use the money mainly for personal "non-daily" consumption needs, for example, to cover the extra expenses when a child gets born or when a marriage feast is arranged.
5. Many members who were not current on their loans began repaying some of their past dues in the hopes of also being eligible to withdraw savings. Thus the loan repayment rate improved slightly.
6. There was no effect on the number and size of loans disbursed.

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[5] These findings are based on interviews conducted at the Amdia Branch in Norshingdi. The Amdia branch is 10 years old.

7. Members say that they do not find it inconvenient to come to the branch office to receive their withdrawal. One manager suggested that it empowers them to deal with an accountant in a bank-like environment.
8. Branch management does not find that the withdrawals add a large administrative burden to staff. Most VO members tell the PA at the weekly meeting how much they want to withdraw and when they will go to the branch to get it. This enables the accountant to prepare and ensure that she/he has an adequate amount of cash at hand.
9. Even with total withdrawals of over Tk 12,000 during the plan so far, average savings per member remained at around Tk 37 per month or Tk 9 per week -- the same level as before the new model was introduced.

Our impressions of Model 1 are that: members like it; some are becoming more motivated; loan repayment is improving slightly and savings have not declined. It is not clear at this stage whether average savings will increase in the future.

Model 2

This more flexible savings scheme is currently being tested in three young branches in three different regions. We visited a couple of VOs in the Sonargaon Branch in . The main characteristics of this scheme are:

1. Unlimited deposits and withdrawals can occur. Even borrowers in default can take out savings but they must leave a certain (unspecified) amount in their savings account.
2. Withdrawal of savings is regarded as a separate activity apart from the credit program.
3. Members must have accumulated "compulsory" savings to take out a second or third loan. A 5% (of loan request) compulsory savings deposit is required for the second loan and a 10% deposit is required for the third.

Observations

40% of VO members save more now than they did prior to the introduction of the scheme. At the meetings we attended, around 25% of borrowers paid-in additional savings. Many said that they had also contributed additional savings during the previous weeks.

1. Over the four months, an additional Tk 85,505 has been deposited and Tk 39,030 has been withdrawn, equal to Tk 46,000 in net new deposits. Withdrawals represents 45% of the additional savings. The number of withdrawals is increasing.
2. Most members plan to use their withdrawals for business purposes.
3. Withdrawers say they will deposit some of the money earned from their businesses back into their savings account.
4. The average net new savings rate per member increased from Tk 41-42/month before the pilot to Tk 46-48/ month during the first three months of the pilot project. Many other branches in the Norshidgi region average between Tk 22 and Tk 35 per member per month. One good business center, however, also averaged around Tk 48 per month even though there was no experimental scheme there.

5. Almost all borrowers wanted to take out a second loan the following year. Most also expressed interest in a larger loan and said that they had the capacity to pay the larger installments.
6. Members reported that they found it convenient to withdraw at the branch as they could go there any day of the week and not be restricted to their weekly VO meetings.
7. No administrative difficulties have been reported thus far.

Our impressions of Model 2 are that that some borrowers are saving substantially larger amounts. They appreciate and like the scheme. Withdrawn amounts are being used for emergency and investment purposes, not for consumption expenses. The fact that members use the money for investment purposes is an indication that some of them probably could have used a larger loan initially. Average savings per member are increasing. Loan disbursement has not been negatively affected. Even though members are using the money withdrawn for investment purposes, most will still take out another loan next year. Loan repayment and service charges are still at 100% rates. The groups seems motivated and energized.

<u>Recommendation</u>: We continue to encourage BRAC's experimentation with member savings systems, although we understand BRAC's wariness that a sudden change in policy could cause rapid withdrawals without any long-term benefit to the members. We suggest that BRAC consider (1) maintaining the current savings plan as an "Old Age Fund" <u>with an age at which it becomes available</u>, and (2) opening a second unlimited access "Current Account" for VO members. This would prevent any quick withdrawal, while also offering a new service to members.

<u>Recommendation:</u> We recommend that BRAC monitor and record the difficulties and challenges that it faces <u>during</u> this experiment. Much useful information may be lost if evaluators come only at the end of the pilot. An interim evaluation by external evaluators should be done 12-18 months after the beginning of the experiment as well as at the end of it.

<u>Recommendation</u>: We think that the initiative of the Norshidgi branch managers to record the mandatory and additional savings separately is useful for monitoring purposes and should be extended to all the pilot projects.

<u>Recommendation</u>: We recommend that BRAC consider an additional set of experiments where it tests the response of savers to different pricing for different savings products of different maturities. We think the new range of flexible savings products (both with respect to the pricing and maturities) offered by BURO-Tangail are promising examples. We urge BRAC to investigate their usefulness with BRAC membership.

2.1.2. <u>Review the latest trends in the rate of discontinued members and assess the financial implications</u>.

RDP and RCP Membership
Rate of New Membership and Dropout Membership

Year	January Members	New Members	Dropout Members	Ending Members	Average Members
1992	598,125	153,963 24.7% avg. mbshp	102,814 16.5% avg. mbshp	649,274	623,700
1993	667,598	236,917 31.7% avg. mbshp	78,725 10.5% avg. mbshp	825,790	746,694
1994	825,790	275,876 29.6% avg. mbshp	65,412 7.0% avg. mbshp	1,036,254	931,022
1995	1,036,256	226,374 20.2% avg. mbshp	53,721 4.8% avg. mbshp	1,208,909	1,122,583
9/96	1,281,418	207,732 15.3% avg. mbshp	47,802 3.5% avg. mbshp	1,441,348	1,361,383

Over the past four years, the rate of dropout members has declined from 16.5% of average membership in 1992 to under 5% of average membership in both 1995 and 1996.

We expect the rate to stay at around this level. If BRAC introduces some degree of flexible savings while still holding back a mandatory "old-age fund" of compulsory savings, it is possible that this rate may even decline as borrowers who may have left because of the lack of access to their savings may now be encouraged to stay.

When members leave BRAC, there are three <u>potential</u> impacts:

- the number of loans disbursed falls, thus reducing interest income.
- the average loan size falls since first-time borrowers are brought in to replace them.
- members withdraw their accumulated weekly and compulsory savings, less any unpaid loans;

Conceivably, losing long-term members could be a financial drain on BRAC. In practice, as shown by the comparatively small total refunded savings (table p.2), most departing members have not been active weekly savers or active borrowers. Average refunds per drop-out member was Tk 1,280 in 1994; Tk 2,122 in 1995 and Tk 1,226 in 1996. These members are quickly replaced by motivated active members who are keen to save and take out loans.

Before BRAC first began to discontinue members, savings and loan disbursements were below original 1989 Project Proposal budgets. However, since then, both savings and disbursements have increased.

In the light of total size of BRAC membership, this level of dropouts has not created significant negative financial impact. Based on these results, we do not foresee any long-term financial problems stemming from member dropouts so long as the current rate of 5% dropouts persists.

2.1.3. Review latest cost recovery performance on sectoral programs.

BRAC has successfully begun to introduce the service charge concept both to its staff and to the VO members. This innovation was pilot tested as early as 1993 and was gradually expanded to all sector programs. In the light of field experience, BRAC refined the service charge amounts and the point in the process at which the charge was levied.

Today, BRAC charges for technical assistance as follows:

	PROGRAM COMPONENTS	Rate	/Unit of Activity
1. Poultry & Livestock			
	Chicks (DOCs)	1.5	/chick
	Goat Rearer	20	/rearer
	Cow Rearer	50	/rearer
2. Fisheries			
	Carp Polyculture	500	/acre
	Sarputi Culture	300	/acre
	Carp Nursery	1,000	/acre
	Fish Hatchery	1,000	/hatchery
3. Vegetable Cultivation			
	Vegetable Cultivation	500	/acre
	Nursery (Soc. Fstry & Hort.)	150	/nursery
4. Sericulture			
	Sapling	0.1	/sapling
	DFL Egg	1	/DFL

Appendix 1 shows the model branch plan for service charges. As a branch introduces a new sector program, it gradually expands the number of participating VO members, and the revenue from service charges increases. At the outset, VO members receive intensive training in the program sector. The training educates them about the specific technical aspects of their business, the logistical links to the inputs they need for their program activity (such as day-old chicks), and where they may sell their output of their program activity (such as to other BRAC-trained chicken rearers). BRAC intends that after an initial period training, VO members will require only occasional visits by the sector PA. BRAC's financial objective is to recover sufficient service charges to pay only for the ongoing technical assistance to VO members, i.e., excluding the start-up training costs. We believe BRAC is partially correct: members will not require intensive training, but we are skeptical that all VO member training and 50% of all staff costs can be eliminated. We might expect a 25% - 33% drop at most.

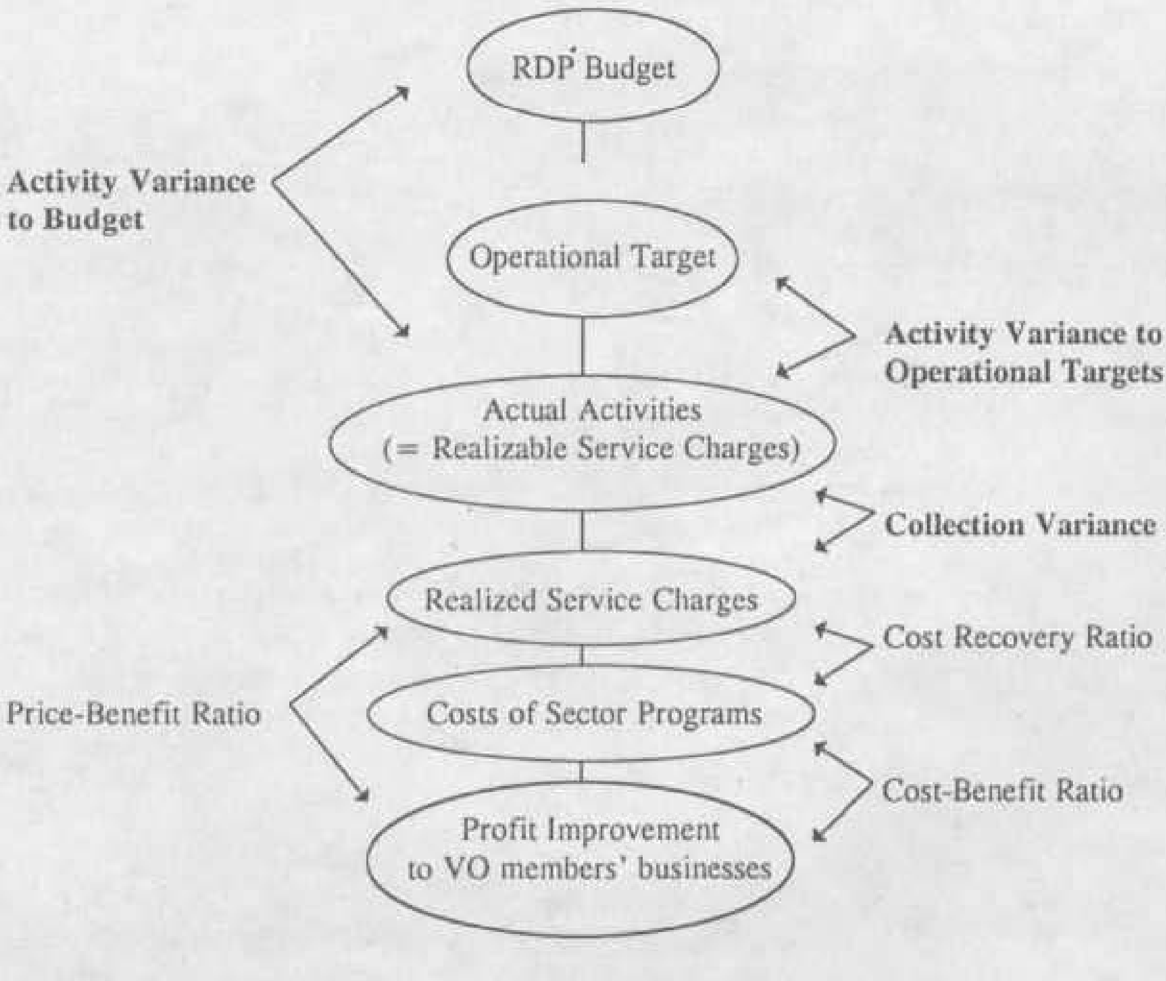
Service Charge Cost Recovery Analysis

BRAC reports service charges collected (or "realized") in each sector and then compares them to the budget. We think that a more fine-tuned analysis is possible and could reveal some important trends. We analyzed Cost Recovery in two ways:

Step 1: Determining Activity Variance and Collection Variance

First, we separated the Total Variance from Budget into two pieces, with the data summarized in Appendix 2. The overall relationships are pictured here:

Service Charge Comparison Benchmarks



For the Donors, we believe the most important two comparisons are (1) the Activity Variance to Budget, and (2) the Collection Variance.

Activity Variance: The Activity Variance shows the service charges due ("realizable") versus the financial budget. The Activity Variance shows whether the coverage of sector activities actually occurred as planned.

Collection Variance: The Collection Variance compares actual collections ("realized") versus the service charges due ("realizable"). The Collection Variance shows members willingness and capacity to pay for the services.

Internally, BRAC might also track these to the Operational Targets, but this is probably unnecessary detail for the Donors. An example for 1995 and the first six months of 1996 is in Appendix 2a and 2b.

The Activity Variance shows that in 1995, BRAC's sector programs outperformed the budgeted activity level by 7%.[6] Poultry/Livestock and Fisheries were both over 40% ahead of budget, while Agriculture and Sericulture were both more than 20% under budget. Through the first 6 months of 1996, BRAC's activities are more than 50% ahead of the RDP IV budget. This indicates that in Poultry/Livestock and in Fisheries, field staff are able to exceed the activity goals. The market receives these services well, and BRAC is able to initiate these activities. The Agriculture and Sericulture sectors have not achieved the stated activity goals. BRAC field staff should be consulted to understand the reasons for these differences.

The Collection Variance shows that at the end of 1995, 13% of 1995 service charges were overdue. The best-paying sector was poultry (9% overdue) and the worst-paying sector was fisheries (17% overdue). From January through June 1996, 26% of *new* service charges were overdue, although this performance is distorted because the harvest was not yet collected. In our opinion, this is a good collection rate, although we are uncertain of the quality of the field information on "overdues." We are also unable to determine whether any of these overdues have subsequently been collected.

Step 2: Analyzing Costs and Revenues by "Sector Age"

Second, we grouped the branches by "Sector-Age" and compared their actual costs to the collected service charges. This data is displayed in the graphs in Appendix 3a-3d; for each sector, we created two graphs: service charges versus total costs and service charges versus "ongoing" costs, according to BRAC's definition.[7]

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[6] The 1995 cost recovery budgets were first proposed in BRAC's April 1993 Cost Recovery Report.

[7] BRAC estimates that 50% of the current salary costs and 50% of traveling costs for both Sector PO's and Sector PA's are devoted to this start-up training.

Poultry & Livestock: BRAC invests a lot of staff cost in this sector, as seen by the top line on the graph, but this is also the sector with the greatest service charge collections. Assuming BRAC could reduce staff to the "ongoing costs" level, then Year 4 branches are already achieving 101% cost recovery. Year 2 branches have higher-than-expected costs, without offsetting with higher service charge collections.

Fisheries: BRAC's staff costs in Fisheries are much lower than either P/L or Sericulture. Relative to the "ongoing costs" level, Year 4 and Year 5 branches are covering costs. Interestingly, Year 5 branches have much lower costs, while maintaining high service charge collection. This is some evidence in support of BRAC's concept that after 4 years, staff can be reduced without affecting performance.

Agriculture/Social Forestry: Agriculture is the sector with the lowest BRAC staff costs and the highest cost recovery. BRAC should therefore consider how to expand this activity to more branches. Year 2 branches have unexpectedly high costs, with no offsetting collection revenues.

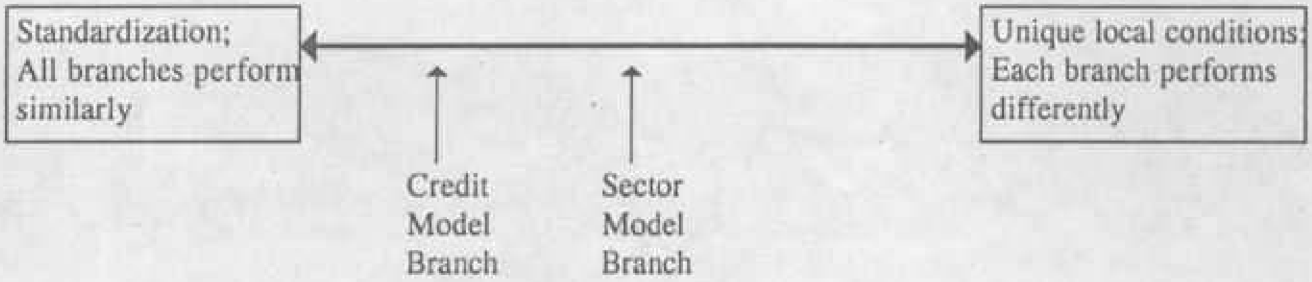
Sericulture: BRAC invests the greatest staff time into Sericulture, shown by the top line in the graph, and recovers the lowest amount in service charges. To reach cost recovery, BRAC should consider whether it is possible to readjust costs downward or whether it is possible to levy more service charges. Year 5 and Year 6 branches had especially high costs, without collection revenue to offset them.

"Model Branch" Planning

BRAC initially planned its RDP credit and sector expansion based on a "model branch" concept. That is, BRAC assumed that local markets and local conditions were relatively homogeneous, and therefore the growth of a branch would follow a predictable path. Not surprisingly, branches' actual performance is closer to the paradigmatic model branch in the first few years; in the out-years, the divergence between high performers and low performers increases. Field experience suggests that local conditions at some branches may not be suitable for the full volume of sector activities projected in the "model branch." BRAC staff reported that factors such as the availability of suitable land and the availability of mulberry leaves limit some branches, whereas other branches will easily exceed the targets.

The RDP IV budget for both credit and sector programs is based on a "model branch" unit. Shorebank's annual work with BRAC has always included analysis and comparisons between actual performance and the model branch. Of course, it is in the nature of business planning that some ventures will exceed expectations while others will fall short. The model branch concept works when the local market area and social conditions at branches are predictably homogeneous.

The "model branch" concept has held more accurate for planning and managing the credit expansion than for the sector programs. This may be pictured in this way:



Variations in a branch's local market do not disrupt the credit assumptions as much as they will the sector assumptions. When it comes to credit, VO members will resourcefully deploy their loans towards whatever promising income-generating activities local conditions will permit. Sector programs, however, are constrained by natural conditions such as the availability of ponds, the arability of the land, and the suitability of local weather conditions. For example, both Jessore and Sylhet may achieve the model branch overall credit targets, although their loan portfolio may consist of quite different loan schemes and sizes. However, local water conditions in Jessore are far more suitable for the Fisheries sector, whereas Jessore's susceptibility to floods and droughts may hinder its Vegetables performance. BRAC has found that in the lifecycle of an actual branch, variations from the model branch estimates arise more quickly in the sector programs than in the credit program.

Based on field experience and our discussions with BRAC, it seems likely that the credit program will always follow a more predictable path. While we suggest that Donors should expect this kind of variation among branches even of the same age, we also recommend that Donors expect the total system to produce the same financial and developmental results.

> Recommendation: For purposes of compliance and reporting on RDP IV performance, we recommend that BRAC continue to make available to the Donors the comparisons between actual and "model branch" performance. However, we anticipate that branches' actual performance will naturally diverge more and more with time, and we encourage the Donors to accommodate these variations, while insisting on the same overall financial and developmental outputs.

> Recommendation: We recommend that BRAC and the Donors actively accelerate the expansion of credit and sector programs in high-performing branches, even though this will cause greater variation among branches of the same age.

BRAC wants to take into account that some areas may simply not have the potential for the full introduction of the sector programs. Likewise, senior management should want to encourage more rapid, but prudently managed growth where that opportunity exists. A more rational grouping would be based on the branches' current performance and what their realistic growth prospects are for the next year or two. In financial terms, this grouping would probably be based on such factors as membership, savings, loans outstanding, disbursements, and recent loan collection rates.

BRAC Internal Systems

The sector service charge program is no longer an experimental program; it is well under way. Based on our understanding of the Bangladeshi rural context, both BRAC's ability to deliver valuable services and the members' willingness to pay for them marks an important achievement. We repeatedly heard that while VO members initially resisted the notion of service charges, the demonstrated income improvements from BRAC's technical advice were positive. As a result, the VO members were willing to pay for that benefit.

This leads to the conclusion that the current service charge pricing is considered reasonable. Many of the VO members we spoke to were earning quite handsome returns from their sector program business. The service charges were easily affordable based on the profitability of their sector business. We inquired about VO members' willingness to pay higher service charges -- their price elasticity of demand -- for BRAC's services, and we received the following comment (verbatim translation from the VO member): "Just as there is no end to the benefits of education, there is no end to the benefits of profits -- so if you can provide better technical advice, I will pay a little more for it."

In 1996, BRAC upgraded its cost recovery practices in two important ways:

1. Beginning in June 1996, BRAC created a new Service Charge Collection Sheet, modeled on the Loan Collection Sheet. After the Sector PA fills in the expected "realizable" service charges for the upcoming meeting, the Credit PA completes this sheet at the VO meeting.

2. Service Charges are collected once a month at the VO meeting by the Credit PA. The Credit PA takes the Service Charge Collection Sheet to the first and second meeting each month. If the VO member does not pay at these VO meetings, then the Sector PA follows up individually with the member to collect. This streamlines the collection and money-handling process over the old system, in which the Sector PA handled service charge collection in the first instance.

BRAC has started to regularize the cost recovery system, both in the field and in the recordkeeping. Still, we feel that there is room for improvement. For example, in the field we noted inconsistency over whether service charges "realizable" means "actually due in the next meeting" or whether it means "due sometime over the upcoming harvest". We strongly believe that systematizing and expanding the collection system and optimizing its impact will require continued effort of senior management --the same intensity of high-quality effort that BRAC devoted to improving its credit program. Making these improvements may require additional resources in RDP/MIS Cost Recovery, both in staff and resources.

Currently, there is no consistent tracking of late payment of service charges. In addition, it is not yet possible to track collection rates for the different components within a sector, e.g., the differences between day-old chicks and livestock. There may be quite different collection rates by component and they may be due to quite different reasons.

Recommendation: BRAC should produce an aging report of its Service Charges, similar to the credit APO. We are working with the BRAC Sector staff to develop a model.

Recommendation: BRAC should develop an HO report that shows both the Activity Variance and the Collection Variance.

Recommendation: The Collection Sheet should be upgraded in two ways: (1) In addition to the sector code, the Sheet should include a component code for any component that will generate over 10% of a sector's service charges or over Tk 500,000 in one year. (2) The definition of "realizable" should consistently mean "actually due at the next VO meeting."

Recommendation: As a lower priority, we recommend that BRAC evaluate and report on the profit impact produced by its technical services. The recommended analysis would compare similarly situated women who do and do not receive BRAC's technical assistance. This evaluation would show (1) the absolute profit improvement, (2) the ratio of service charge versus the members' profit improvement, and (3) the ratio of cost to BRAC for providing the service-to-profit improvement. We believe BRAC should develop this evaluation to support each of its service charges, although such a formal evaluation may not be completed before field experimentation begins in new program areas.

Case Study: Monirangpur versus Jessore

In the Monirangpur branch, service charge recovery in 1995 was 100%, but loan collection was quite poor. This presents an intriguing situation, because we might have expected strong loan repayment before service charge collections would improve. In the struggle for the hearts, minds and taka of the VO members, the sector staff is winning (even though the Credit PA collects the service charge).

We inquired with the Credit PA's about this situation. We were told that service charge is smaller than loan payments and that Sector staff had developed one-on-one relationships with VO members. According to the RM, when credit collection was especially bad in the past, the Credit PA's were strident and perhaps angered VO members when collecting late loan payments. VO members felt defiant and alienated from the credit staff, while sector staff were perceived more as advocates who understood the members' particular circumstances.

In Jessore, loan repayment was nearly 100%, however service charge collection in the different sectors varied from 35% to 66%. Here, the explanation was more intuitive: Members paid loans first. When local calamities disrupted their sector businesses, they delayed paying the service charge.

Branch	Loan Repayment	Service Charge Collection
Monirangpur	Low: APO 0 weeks = 55% Factors: inherited history of poor credit organization; weak staff performance; attendance and loans/member quite low	High: 100% in 1995 Factors: High loyalty to Sector staff; possibly one segment of VO members participated in sector activities and had both good loan repayment and good service charge payment, and another, larger segment of borrowers were the non-payers of loan installments.
Jessore	High: Factors: established credit organization	Low: 35% - 66% in 1995 Factors: localized flooding and drought in different areas decreased the fish and vegetable yield

Our interpretation is that the BRAC staff's relationship to the VO members can influence collection rates. Of course, payment of both loans and service charges is also influenced by the profitability of the underlying businesses, but in branches where there are great disparities between the two payment rates, branch managers need the training to counsel their staff so as not to alienate the VO members.

Specific Items Pertaining to the Service Charge Schedule

BRAC has introduced service charges for some services that may be too trivial in aggregate to merit the effort. For example, the service charge of Tk 1000 per hatchery x 7 hatcheries = Tk 70,000 total. For the sake of consistency throughout its programs, BRAC may want to continue levying a charge. However, these smaller amounts may not justify the management effort invested in determining these charges, circulating the information to the field offices, and then collecting the charges.

After visiting several field offices with the Sector Manager, we recommend that the Tk 1.5/chick service charge be levied when the chick rearer pays the Tk 7 for her DOC. This practice is already in place in the high-performing branches and should be adopted universally. (Other branches wait until the chick rearer sells the 8-week old chick to the key rearer.) The sale of the DOC is a natural and efficient point at which to collect the charge because BRAC staff are already involved in the transaction: in cases where the DOCs are supplied by the government or by poultry farms, BRAC distributes the DOCs from the area office to the VO members. Alternatively, when local hatcheries supply the DOCs, the Sector PA coordinates the hand-off from the local hatchery to the chick rearer.

> Recommendation: The collection of the Tk1.5/chick service charge should occur at the delivery of the DOCs to the member, rather than waiting to the end of the 8-week rearing period and the sale to key rearers.

2.1.4. Review progress in the establishment of Program Support Enterprises, including preparation and clearance of business plans, and procedures for subsequent reporting on financial performance.

These PSEs are the enterprises that either supply inputs or purchase outputs from the VO members. These PSEs are:

Sector	Program Support Enterprise
Poultry and Livestock	Poultry Farm Poultry Feed Mill
Fisheries	Prawn Hatchery
Agriculture / Vegetables	Seed Production
Sericulture	Silk Reeling Center Grainage

For Program Support Enterprises (PSEs), the RDP IV Proposal includes detailed capital investment and revenue and expense projections. The timing of these expenses has been adjusted, with some PSEs being constructed ahead of original schedule and others pushed out into the future.

Timing Adjustments in PSE Expenses (Million Taka)

PSE	Plan	1996	1997	1998	1999	2000	Total Tk MM	#	Total Yearly Production
Poultry Farms	Old	6	6	6	6	6	30	3	1.5 Mill DOC
	New	15	15				30	2	1.6 Mill DOC
Feed Mills	Old	3	3	3	3	3	15	3	12,600 Ton
	New	10	5				15	2	17,500 Ton
Prawn Hatcheries	Old	5	5	2.5			12.5	5	15 Mill PL
	New	5	5	2.5			12.5	10	13 Mill PL
Seed Centers	Old		5	10	10	5	30	2	60 Ton Seed
	New		5	10	10	5	30	2	60 Ton Seed
Grainages	Old	10	30	50			90	9	10 Mill DFL
	New	5	30	50	5		90	16	12.8 MillDFL
Reeling Units	Old	20	30	50			100	10	150 Ton Yarn
	New		30	50	20		100	10	150 Ton Yarn
Total	Old	44	76	121.5	19	14	277.5		
	New	35	95	112.5	30	5	277.5		

Note: (1) Tk. 10 m. has been shifted to Mulberry Plantation (vide BRAC Donor Meeting, May 13,1996

(2) Besides one P 3 & two P 2/ P 1 stations, Tk. 20 m. & Tk. 30 m. respectively.

Progress towards this revised investment schedule is on track (see Appendix 4). We visited the Grainage in Jhikorgacha, the Feed Mill in Manikonj, and the Poultry Farm in Savar. We were unable to visit a Prawn Hatchery. The BRAC PSE Manager reports that all construction is proceeding on schedule. The most challenging part of PSE management will be coordinating the timing and delivery of PSE output to the field. Given that the DOCs and prawn larvae must be delivered with 24 hours, BRAC will need a reliable transportation network to get the product into the field.

Updated versions of the PSE business plans were finalized during our visit. We worked with the PSE Manager to develop a table summarizing the demand by BRAC members for the PSE outputs or their supply for PSEs that buy from BRAC members. These charts (see Appendix 5a - 5f) were quite helpful in understanding the magnitude of the member demand and how small the PSEs output is relative to the VO demand for their products. If the demand by VO members grows as BRAC anticipates, BRAC will need to find alternative suppliers.

We like the idea of the PSEs selling a small portion of their output to non-BRAC customers and BRAC VO members also purchasing some of their input needs from non-PSE sources. This will assure a "market comparison" of the price and quality of PSE production.

We expect that BRAC will easily provide the Donors with current financial statements for the PSEs. In addition, BRAC and the Donors should be looking for ways to record the role of the PSEs in the BRAC development mission.

> Recommendation: We recommend that the PSEs report both their financial statements and updated information on BRAC members' demand for the PSEs output.

(B) Portfolio Analysis

New Field Experimentation

During 1996, BRAC began to experiment with monthly repayment of loans and savings in all its first year branches. BRAC reports that the monthly repayment system, a method has worked well in the IGVGD program, and is working well here too. We did not have a chance to visit an IGVGD branch. The number of loans disbursed from January - September 1996 in first year branches, at 623,000, is lower than targeted. Even if we double this number to account for the last three months of 1996 and the time lost during the non-cooperation movement, the number is low compared with the 1,808 loans that were disbursed during 1995. This could be because BRAC reduced the number of PAs in first-year branches. We encourage BRAC to follow this closely. The reduced staff costs contributed to the 40% reduction in operating costs in first year branches over the past year.

This year, BRAC also began directing its attention to urban areas. Although no loans have been disbursed yet, a process is underway to develop an urban loan policy. This will bring BRAC's credit program in line with its health and education programs which are already operating in some urban areas (e.g. in Dhaka).

Risk Reduction Strategies

BRAC staff at all levels have become increasingly sensitized to sectors which have historically poor repayment rates (e.g. housing, livestock and irrigation). They have also made efforts to reduce "bad debt" by vigilantly pursing inactive members and by relying more on the members within the smaller groups (within the VO) to assist with chasing up late payments.

1. Group Structure

The small groups of five members who together make up the VO are more highly discipline and structured than in previous years. There is an average of nine groups of five members each in most VOs (i.e. 45 members in a VO). BRAC has found that smaller groups, each under the leadership of a self-chosen group leader, can help the PA to better manage loan repayment and reduce past dues.[8]

It is unclear to us whether the practice of automatically rotating the small group leader on an annual basis is a good idea. Intuitively we feel that a longer "term of office" for the stronger group leaders may be better at stimulating the cohesiveness of small groups. From an empowerment point of view, however, the opposite may be true.

The small group has even become a structural building unit of the VO. Previously members were formed into small groups out of the larger VO membership. Now, individuals members who wish to join must recruit another four members as well. This tightens the relationship between the members of small groups and results in a higher credit discipline among members.

2. "Special Collection PAs"

In some branches, Program Assistants (PAs) have been specially employed to track-down inactive members. These members also usually have high past dues outstanding. Having special credit PAs is important because the existing PAs have time to follow up on all the late-payers/ inactive members only during (or straight after) the VO meeting.

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[8] The international literature shows that the small group structure cannot completely substitute for the large group in terms of members sharing the burden of late payments. This is especially true as the loan size per individual borrower gets larger.

To offset the additional cost of a Special Collections PA, the branch is requested to try to increase its loans outstanding. In some areas this may be an unnecessarily high financial hurdle. If the branch's credit PAs are unable to collect late loans (for whatever reason), and the Special Credit PA *is* able to do so, then the Special PA "pays for herself/himself" if the loans collected are simply greater than his/her salary and overhead.

> Recommendations: BRAC should monitor the usefulness of employing special credit Program Assistants to collect from inactive members. If the study reveals a far greater benefit than cost, BRAC might consider extending the concept of these special "debt collectors" to more VOs which have a high portion of inactive members as well as VOs where a large portion of active members have more than 26 payments past due.

3. Strengthening the Credit-Sector Link

The regular interaction between BRAC's credit PAs and Sector PAs should be encouraged as it helps to reduce credit risk. For example, we heard about how sector PAs assisted their trainee VO members in getting more "ready" to take out a loan as a consequence of a discussion with the credit PA who did not feel that the borrower was initially a good "loan-risk" at the time of her first loan request.

> Recommendation: BRAC should continue to schedule regular meetings of Credit PA's to discuss collection methods, and combined Credit/Sector PA meetings to discuss the areas where they can act to reinforce one another's activities so as to improve overall branch performance. These meetings could be facilitated by the Branch Manager.

4. Shortening the Loan Term

Another reason for on-time loan repayment is the aversion to lend to sectors with poor repayment histories (e.g. example deep tubewell and housing). BRAC has also shortened the term of loans in these sectors. For example, BRAC reduced the default rate on livestock loans by decreasing the term of the loan from three years to one year. BRAC also strongly discouraged giving grace periods for loans that did not generate income right away. Managers in the field found a high rate of default among borrowers who were granted grace periods.

BRAC has also streamlined its loan disbursement procedure. Loans are now disbursed to first-time borrowers within six to eight weeks provided they have a savings pool equal to (or larger) than 2% of their loan request. This system appears to work well. The default rate has not increased as a result of a shorter period of member discipline prior to loan disbursement.

5. Balloon Payments

Finally, in an effort to reduce its risk exposure in the four sector programs while still reaching down to the poorest of the poor, BRAC is considering loan structures that include a higher "balloon" payment during the harvest. This will help members with lower current incomes because weekly payment would be lower during most of the loan, with the balance due at the harvest. BRAC has indicated that particularly where the initial capital outlay for borrowers is large, for example in the fisheries sector, some flexibility may be necessary. It is important though that BRAC first pays attention to why these sectors are performing relatively poorly.

The ballooning of loan payments is different from a grace period where no payments on interest or principal are made for a specified time period. We continue to strongly discourage grace periods due to the historically high default rates that usually accompany such initiatives. The possibility of the ballooning system working well will be heavily reliant on the coordination between the sector and credit PAs as well as more senior staff at the branch and regional levels. Perfecting the coordination and information flow between BRAC's sector staff and credit staff, for example through sector staff reliably reporting to credit PAs when the harvest is coming in, will enable credit PAs to know exactly when to "collect hard" on the outstandings disbursed.

2.1.5. Analyze implications of any changes in disbursements, outstanding, term mix, average loan size, etc.

Over the past year, total principal outstanding (TPO) in the combined RDP and RCP portfolio increased 34% from Tk 1,827 MM in June 1995 to Tk 2,441 MM in June 1996.[9] The increase in TPO was primarily due to the rise in number of loans disbursed as the average loan size increased only slightly.

Within the portfolio, the Rural Trading sector increased its share of principal outstanding from 36% to 44%. This was offset by proportionate declines in Irrigation (with the DTW charge-off), Housing and Food Processing.

The loan portfolio's 34% growth from June 1995 to June 1996 is approximately half the 61% growth of the previous year. To interpret this lower rate of increase, we

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9 At a US exchange rate of 40 Taka to the dollar, total principal outstanding is US$ 61M.

analyzed the changes in the factors underpinning the growth of the total loan portfolio. The absolute size of the total principal outstanding (TPO) is influenced primarily by:[10]

1. the number of loans disbursed. A greater number of loans, all else constant, increases TPO;
2. the average loan size, which is usually higher in the case of existing and proven borrowers. A dramatic increase in the number of first-time borrowers will depress the average loan size;
3. the term mix, where an overall decrease in the term of the loan portfolio, all else constant, will depress TPO; and
4. the rate at which outstanding loans are collected -- the faster the collection, all else constant, the lower TPO will be.

The main factor contributing to the overall 34% increase in TPO from June 1995 to June 1996 was the rise in the total value of loans disbursed. Total disbursements increased 22% from a 19% growth rate for the same period last year.[11] The increase in outstandings was due both to the number of loans disbursed (which grew from 401,994 loans in the January to June 1995 period to 562,812 loans in the period from January to June 1996), as well as to a small increase in the average size of loans. The average loan size increased slightly from Tk 3,483 in 1995 to Tk 3,612 by June 1996. The increase in size was lower than internal targets for the older branches. This is partially due to the entry of first-time borrowers (who replaced the drop-outs) into the older branches.

The substantial increase in payments missed from March to June 1996 also contributed to the percentage increase in TPO over the same period.[12]

The non-cooperation period affected loans outstanding in several ways:

1. PAs could not enter most areas for around four to six weeks, depending on the degree of political unrest. This depresses both the number of newly recruited and the number of loans that they are able to disburse.
2. When PAs did eventually enter the areas, their priority was to collect unpaid loans and improve the quality of the existing loan portfolio, rather than attract new members and disburse additional loans.
3. Many existing members lost some portion of their income as businesses often came to a halt during the unrest. The timing of their next loan -- a factor which would increase TPO-- was therefore delayed.

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[10] Note, the total amount of disbursements is approximately equal to the total number of loans multiplied by the average loan size (see 1 and 2 above).

[11] Source: BRAC Statistical Report (BSR) June 1995.

[12] Slower repayment of loans and the consequent increase in the number of borrowers with no payments missed was a direct result of the non-cooperation period. The full impact of the non-cooperation movement is discussed more fully later in this section.

For these reasons, the slower growth of TPO does not indicate problems with BRAC's credit delivery system.

Term Mix

Over the past year, BRAC continued to shorten the term of its loan portfolio, particularly in the historically high-risk sectors (e.g. irrigation, livestock and housing). Overall principal outstanding falling in the one-term category increased to 99% in June 1996 compared with 96% in June 1995. This is even more striking when we consider that just four years ago (in June 1992), only 80% of the loan portfolio fell into the short-term category.[13]

Term Disbursement in Each Sector
January - June 1996

Sector	Short Term (up to 1 year)	Medium Term (1-3 years)	Long Term (> 3 years)
Agriculture	100%	0%	0%
Irrigation	94%	5%	1%
Fisheries (+ Baor)	99%	1%	0%
Livestock	98%	2%	0%
Sericulture	98%	2%	0%
Cottage Industry	97%	3%	0%
Services	100%	0%	0%
Rural Transport	100%	0%	0%
Rural Trading	100%	0%	0%
Food Processing	100%	0%	0%
Health	100%	0%	0%
Housing	24%	75%	1%
Miscellaneous	99%	1%	0%
Total (June 1996)	**99%**	**1%**	**0%**
Total (June 1995)	96%	4%	0%
Total (June 1994)	91%	7%	2%
Total (June 1993)	92%	4%	4%

The most notable decreases in loan-term have been in housing, fisheries and sericulture where an additional 19%, 10% and 11% of their respective portfolios now fall into the short-term category of disbursements (see table above). The 1% increase in the short-term livestock and poultry principal disbursed understates the extent to which the term

13 The international literature on microfinance lending confirms the relationship between shorter loan terms and lower default rates.

of the *livestock* component has been shortened because livestock makes up less than half of the poultry/livestock portfolio. All new livestock loans now have a term of one-year only.

BRAC management shortened the housing loan term to two years for the same reasons. Previously housing loans had a three year duration. This may be the most appropriate lending method for this target group, because the date of receiving the next loan is soon enough in the future that the borrower stays in active contact with the VO process.

Interviews with risk-averse branch managers in the field revealed that they would like the length of the housing loan to become even shorter term. Clearly, one effect is that if all loans must be repaid in this time period in even installments, then the total loan size is limited by what a borrower can repay in weekly installments.

2.1.6. Monitor and comment on delinquency in the loan portfolio.

In the analysis below, we follow a three-step process:

1. We identify the sectorwise distribution of principal outstanding to see how large each sector is relative to the size of the loan portfolio.
2. We evaluate the trends in each aging category of missed payments.
3. We identify those sectors that have the greatest amount principal outstanding that is seriously behind in payments (i.e. more than 26 payments past due).

Step 1: Distribution of Principal By Sector

Sectorwise Distribution of Principal Outstanding (RDP + RCP)

Sector	June 1994 % TPO	June 1994 Tk Million	June 1995 % TPO	June 1995 Tk Million	June 1996 % TPO	June 1996 Tk Million
Agriculture	10%	118	12%	224	11%	266
DTW Purchase	7%	76	0%	71	0%	6[14]
DTW Operation	1%	9	4%	4	0%	
Fisheries (including Baor)	3%	29	4%	80	6%	142
Livestock&Poultry	9%	106	8%	138	9%	230
Cottage Industry	4%	48	3%	49	2%	40
Sericulture	0%	5	1%	24	0%	14
Services	0%	3	0%	5	0%	9
Rural Transport	3%	34	4%	68	3%	85
Rural Trading	33%	373	35%	635	43%	1042
Food Processing	24%	277	20%	373	18%	445
Health	0%	1	0%	2	0%	3
Housing	5%	54	8%	142	5%	133
Miscellaneous	0%	2	1%	12	1%	23

(also see Appendix 6 for monthly Sectorwise Principal Outstanding Sept '95-Sept '96).

Sector Programs: Agriculture, Livestock/Poultry, Fisheries and Sericulture

Since June 1995, principal outstanding for BRAC's four sector programs of agriculture, poultry/livestock, fisheries and sericulture totaled 25% of the total loan portfolio The target set in BRAC's RDP IV plan is that the sector programs should be 25% of TPO, a target already reached last year. Although interviews with BRAC managers and field staff reveal a consensus that the plan is to grow these sectors substantially, the targets for each sector have not been updated. We feel that it is important for field staff to receive some direction in this regard.

> Recommendation: We recommend that head office set new global targets for loans outstanding for each sector and ask regional (and branch) managers to develop the local targets in the light of supply and demand constraints on the ground.

Although, at a glance, the percentages of three of BRAC's four sector programs appear unchanged, a more nuanced picture emerges upon closer inspection of the changes in their values between June 1995 and June 1996. Even a 1% increase in their size as a proportion of the total portfolio represents significant growth. Both the fishery and

[14] This includes DTW purchase and operation although the bulk of this amount falls into operation.

poultry/livestock sectors grew faster than the portfolio as a whole, registering a 77% and 66% increase respectively in the taka value of the loan portfolio in June 1996 when compared with June 1995. In comparison, the total principal outstanding grew 34% over the same time period.

BRAC reports that the main constraint to further growth in the poultry sector is the availability of day-old chicks from high yielding parent stock. The proposed poultry program support enterprises (PSEs) should help partially alleviate this supply problem. The main constraint on the rapid growth of the fishery sector is the availability of suitable bodies of water.

Absolute growth in the agricultural sector's principal outstanding grew from Tk 224 MM in June 1995 to Tk 266 MM in June 1996, an 18% increase. This is lower than the growth in TPO which rose 34% over the same period. From our observations and interviews at both head office and in the field, the constraint to a rapid vegetable expansion program appears to be *access* to suitable land, rather than its availability.

> Recommendation: We recommend that BRAC perform a comprehensive land audit of vacant, unutilized and under-utilized land that is suitable for agriculture (and fishing). Current ownership of the different parcels of land in the vicinity of BRAC VOs (both present and planned VO-growth areas) should also be identified so as to begin a process of facilitating access to such land by VO members.[15]

Sericulture, registered a 41% decline in principal outstanding as at June 1995 when compared with absolute value of the sericulture portfolio as at June 1996. Our interviews revealed several reasons for the lower than expected growth:

1. The capital outlay that a silkworm farmer needs is small relative to a chicken, poultry or fish farmer. Thus the loan size requested is smaller.
2. Because profits generated from the first harvest can often pay for future capital requirements, an additional loan may not be needed in the following year. In other words, the percentage of "repeat loans" is lower than in other sectors--last year's farmers as at June 1995 probably did not need another loan this year. This makes the sector's growth more reliant on *new* borrowers in this sector.
3. BRAC reports that new borrowers are themselves constrained by the availability of mulberry leaves for the silkworms (this is at odds with the Sericulture Consultant's report in the RDP IV Appraisal).

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15 An economic analysis taking into account the cost of available and accessible land relative to the potential profit from the agricultural/vegetable yield will determine whether or not it is possible to expand this sector on a sustainable basis.

The reason for the lack of mulberry trees is, in turn, related to the lack of available land. If successful, BRAC's experimentation of mulberry bushes grown in the grounds of households may be able to alleviate this problem. The land audit suggested earlier may reveal additional government land (at a low cost) that is available for mulberry tree plantation.

The largest portion of the portfolio continues to be in rural trading (43%) and food processing loans (18%). These two sectors accounted for 55% of the loan portfolio in June 1995 and 61% of the growth in 1996. If we compare the absolute taka value of rural trading as at June 1995 with June 1996, we note a 65% increase.

Irrigation

Irrigation's share of the total principal outstanding declined 4% over the past year and 8% since June 1994. This is because BRAC has sold 560 of its 710 DTWs into the local private market and charged off the loans. BRAC reports that it has refunded 100% of the loan payments made by DTW shareholders, both Purchase and Operation loans. The special 40% loan loss reserve for DTWs was funded 50/50 between BRAC and the Donors.[16]

Housing

The absolute value of the principal outstanding in the housing sector remained more or less flat at Tk 133 million compared with Tk 142 million the previous year. As a proportion of TPO, housing decreased 3%. We heard that field staff at the branch level are reluctant to disburse housing loans owing to their disproportionately high default rate in the past. Furthermore, our discussion with BRAC staff in the field reveal a greater risk aversion than was probably intended by head office management. Borrowers were sometimes encouraged to rather take out an income generating loan.[17]

The exact reason for the default, though, remains unclear to us. Is it because the loan was for *housing* and did not generate income? Or is it because the lower interest rate at 10%, together with the fact that housing is seen as a social good, makes people less willing to repay the loan because they see it more as a grant? A World Bank evaluation of the Aga Khan Rural Support Program in microfinance lending in Pakistan (AKRSP) found that even the limited subsidization of social infrastructure lending can create expectations that are hard to contain. The evaluators note that subsidized lending rates can set an organizational tone that works against the important core values required for commercially successful banking. It can also promote the trend toward deteriorating collection performance. Finally, they note that subsidized funding easily attracts "rent-seeking" by individuals or organizations that want cheap money, thus creating a false

16 More financial detail on DTWs is in our appendix.

17 In the past, BRAC field staff observed that members used housing loans towards other ends because they were supplied at a lower interest rate (i.e. 10%). BRAC now supplies the building materials directly to households thus ensuring that these loans are applied only to housing.

demand for loans. BRAC should investigate whether a similar set of reasons is valid for its housing default rate.

> Recommendation: BRAC should resolve its housing loan policy and disseminate it to the field. So long as the policy is unclear, the program with languish and BRAC may unintentionally create resentment.

Growing Larger Businesses

We observed that the practice of making two loans to one person (or even to another person in the same household) is actively discouraged by PAs, irrespective of the ability of the borrower to repay. Whilst it is true that, in the past, many members could not afford to repay two loans at once, it still makes sense to give a second loan to the exceptional borrowers who *can*. By the same token it makes sense for PAs to recommend the disbursement of bigger loans (even above the ceiling for that particular year) where the borrower can demonstrate the ability to repay.

> Recommendation: PAs and branch managers should be encouraged to find the "exceptional borrowers" who can afford to take out larger loans, or more than one loan, to further develop their businesses.

> Recommendation: We recommend that BRAC experiment with higher loan ceilings for members with good repayment records. To this end, the head office must be clear about its policy that any borrower may receive up to two general loans and a housing loan. Some staff in the field incorrectly interpret the emphasis on loan collection as a discouragement to make more loans. To the contrary, BRAC should motivate staff to originate the highest possible number of creditworthy loans to the target group.

> Recommendation: In order to stimulate the formation of businesses slightly larger than VO members currently undertake, we recommend that BRAC pilot entrepreneurial VO groups comprised of members most capable of starting slightly larger enterprises.

Step 2: Reviewing APO Trends

Aging of principal outstanding (APO) enables the lender to ascertain what the trends of repayment are in the various sectors, both on a global basis and an individual borrower basis. A branch manager who tracks his/her sectorwise APO on a monthly basis is well-equipped to direct his/her field staff when to "collect hard," and when, and to whom, to disburse to. In the APO tracking system, if a borrower misses a payment, the entire principal amount of the loan shows up as "past due." This method allows

BRAC to monitor how much of the portfolio is at risk at any one time with clear categories of the degree of risk. BRAC's own experience demonstrates that loans that have missed payments in the past are more likely to miss payments in the future.

Because the non-cooperation period impacted on repayment rates so dramatically, it is not sensible to make a straight comparison between June 1995 and June 1996. To provide a more balanced picture and to direct attention to those sectors that have not recovered sufficiently from the non-cooperation period, we have focused (in our text) on what the trends were prior to, during, and after, the political unrest.

Sectorwise Percentage of Principal with No Payments Missed and Sectorwise Distribution of Principal Outstanding

Sector	% of TPO June 1996	No missed payments June 1996	No missed payments June 1995	No missed payments June 1994
Agriculture	11%	66%	89%	95%
Irrigation	0%	44%	82%	95%
Fisheries[18]	6%	81%	91%	92%
Livestock/Poultry	9%	65%	83%	74%
Cottage Industry	2%	58%	86%	90%
Services	0%	83%	92%	79%
Rural Transport	3%	68%	94%	85%
Rural Trading	42%	71%	90%	85%
Food Processing	18%	60%	89%	84%
Health	0%	83%	95%	91%
Housing	5%	27%	71%	45%
Sericulture	0.5%	74%		
Misc.	1%	65%	97%	80%
TOTAL	98%	66%	88%	84%

Note: As at June 1996, non-interest bearing loans (NIBL) constituted 2% of total principal outstanding in June 1996.[19] In the column 'percentage of total principal outstanding' for June 1996, the total is not 100% as NIBL has been excluded (see table above).

[18] The Baor component of fisheries had a 73% no missed payments record in June 1996. In June 1996, Baor made up 1% of the TPO.

[19] NIBL is a category of loans where no interest is charged. The head office, on the recommendation from the field, decides who can be put into this category. Usually, borrowers who have suffered a dramatic loss in income due to a catastrophe (e.g. a flood) or disabled borrowers fall into this category.

Trends

In January 1996, we observed the following:

- The portion of principal outstanding with no missed payments continued to perform well at 87% versus 88% six months earlier.
- The most noticeable improvement occurred in the irrigation sector where the APO with no payments missed was reduced by 13%. This was the result of selling off the greater portion of its Deep Tube Well Portfolio, rather than due to better repayment and collection practices.
- The slightly lower percentages of no missed payments in the Agriculture and Fisheries APO portfolios is partially due to seasonal factors.
- Poultry and livestock repayment registered a 1% improvement in the percentage of no payments missed.
- Housing and Sericulture, however, continue to carry a disproportionately high amount of risk, relative to their size in TPO.[20]
- Rural trading which absorbs over 40% of TPO continued to hold a disproportionately favorable portion (i.e. over 90%) of no payments missed. A proportionate amount of no-payments missed would have been more in the region of 60%.

% TPO with No Missed Payments - January- September 1996

Total (All sectors)	Jan %	Feb %	Mar %	Apr %	May %	Jun %	July %	Aug %	Sep %
no missed payments	87%	86%	29%	42%	55%	66%	71%	73%	76%

By March, owing to the political unrest, the overall APO with no missed payments fell to 29%. This is the same level of no-missed payments that BRAC had in August 1992. By June, it improved to 66%, by August it was 71%, and by September it was 76%. Whilst the portfolio is continuing to improve, the rate of the improvement is slowing down. Around 11% of borrowers have not yet caught up to their January levels of on-time loan repayments. Our interpretation is that least well-off borrowers are unable to recoup the income lost during the non-cooperation period.

The sectorwise no-payments missed table above shows which sectors were relatively resilient to the political unrest (e.g. fisheries), which sectors were hardest hit immediately (i.e. most sectors), and which sectors suffered with a lag (i.e. irrigation and housing). It should not be surprising that housing was particularly hard hit as most borrowers who have a housing loan, also have an income generating loan which they were also past due in. The burden of "catching up" on both past dues was therefore too heavy for many borrowers.

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20 The disproportionate concentration of risk in these sectors is detailed further in Step 3 of our analysis.

Loan Repayment Patterns (June 1993 - September 1996)

Past Due	Jun.93	Jun.94	Jun.95	Jan.96	Mar.96	Jun.96	Sep.96
0	70%	84%	87%	87%	29%	66%	76%
1-4 payments	7%	4%	4%	5%	60%	20%	10%
5-12 payments	5%	3%	3%	2%	5%	6%	4%
13-26 payments	5%	3%	2%	1%	2%	4%	4%
26-50 payments	7%	3%	1%	1%	1%	2%	3%
over 50 payments	5%	1%	1%	1%	1%	1%	1%
NIBL		3%	2%	2%	2%	2%	2%
TOTAL	99%	101%	100%	100%	100%	100%	100%

(also see Appendix 7 for monthly APO trends for Sept 1995 - Sept 1996)

Until January/February this year, the loan repayment pattern held steady at its much improved June 1995 levels in the various APO categories. In March, however, the 1-4 payments overdue category jumped dramatically from 5% to 60% because of the political upheaval. Between March and September, the data reveals a significant degree of catch up in the 0-payments missed and 1-4 payments missed categories. However, because of the inability (or unwillingness) of some borrowers to catch up altogether, there has been a worsening of the 13-26 payments and 26-50 payments missed APO categories. It is probable that by March 1997 we will see a slight increase in the over-50 payments missed APO category for the same reason.

The inability of some borrowers to return to their pre-March repayment level in no way reflects on the efforts made by BRAC staff to recoup past dues. On the contrary, BRAC is making every effort to return to February 1996 levels by early next year.

Step 3: Assessing the Concentration of Risk/Delinquency in the Loan Portfolio

The third step in the loan portfolio analysis is to compare the concentration of sectors with the slowest repayment with their overall distribution of the loan portfolio.

For the purposes of assessing the concentration of risk in particular sectors, we have chosen 26 or more payments missed in any particular sector as an indicator of substantial risk. This is because risk increases more than proportionately as the number of missed payments increases: the more payments missed, the more likely it is that the borrower will ever catch up. [21] Non-interest bearing loans (NIBL), which constitutes 2% of the overall principal outstanding, have all been taken to be greater than 50 payments overdue.

Principal Outstanding that Missed More than 26 Payments
September 1996

SECTOR	> 26 missed payments (Taka)	% of > 26 missed payment excluding NIBL in each sector	% of > 26 missed payments including NIBL in each sector	sector as % total portfolio
Agriculture	10,695,625	7%	9%	10%
Irrigation	371,579	0%	2%	0%
Fisheries	13,971,960	9%	11%	6%
Livestock/Poultry	8,383,446	6%	12%	9%
Cottage Industry	1,457,182	1%	2%	1%
Services	114,656	0%	0%	0%
Rural Transport	1,187,602	1%	2%	4%
Rural Trading	20,666,773	14%	23%	44%
Food Processing	14,482,780	10%	16%	17%
Health	37,803	0%	0%	0%
Miscellaneous	258,885	0%	1%	1%
Housing	23,828,499	16%	19%	5%
Baor	763,165	1%	1%	1%
Sericulture	424,225	0%	1%	0%
Total	152,118,556 (including 55,474 NIBL)			100% (if 2% NIBL is included)

Principal with more than 26 payments past due increased from 4% of the total loan portfolio in June 1995 to 5% in June 1996, most likely due to the non-cooperation period. These percentages include non-interest bearing loans (NIBL) which constituted 2% of the loan portfolio both in June 1995 and June 1996. By September 1996 the percentage at risk (i.e. over 26 payments past due) had risen to 6% of the total principal outstanding. Even at 6%, the portion of the portfolio at risk is less than it was in June 1994 where APO > 26 payments missed registered at around 7% of the total principal outstanding.

[21] Clearly, risk increases not only with the number of payments missed, but also with the number of weeks missed. For example, if 50 payments are missed but 120 weeks have passed since the borrower last made a payment, the chance of recouping that loan is even more diminished. We address this issue later in the section of reporting trends and summary reports.

In assessing the concentration of risk across sectors, it is useful to compare the portion of poor performing loans in a sector with same sector as a percentage of the total portfolio. For example, all else constant, we would expect housing to carry around 5% of the risk in the loan portfolio because it occupies only 5% of the total principal outstanding. As discussed earlier, this is clearly not the case. Housing continues to represent the highest concentration of risk with the APO > 26 payments registering 16% of the total low performing loans (see table above). This rises to 19% when NIBL is included. 24% of the housing portfolio consists of loans that have missed 26 or more payments (see table below). This is, however, an improvement over last year where APO>26 payments missed totaled 35%.

Out of BRAC's four sectors which it has chosen to support actively, only Agriculture has a proportional share of the poorly performing loans that is in line with its share in the overall loan portfolio. BRAC's improvement in the management of its livestock portfolio resulted in a 6% decrease in portion of the livestock portfolio that had missed more than 26 payments. In June 1996, 16% of the portfolio had more than 26 missed payments versus 22% in June 1995. However, livestock still has a greater percentage of poorly performing loans than its share in the whole loan portfolio.

The portion of poor performing loans in the sericulture and fisheries sectors also exceeds the proportion that those sectors occupy in total principal outstanding (TPO). This is of concern as BRAC intends to grow these sectors in the future.[22]

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[22] Note that Baor was excluded from the fisheries portfolio. Although it only occupies 1% of the total principal outstanding, it occupied 12% of APO > 26 weeks, and therefore should be watched if BRAC intends growing this component of the fisheries sector.

APO > 26 payments plus Non-Interest Bearing Loans as a Percentage of Each Sector's Loan Portfolio[23]

Sector	Sep-96 (A) Taka	Sep-96 (B) NIBL as % principal outstanding in the sector	Sep-96 (D) > 26 payments as % principal outstanding in the sector	Sep-96 = A+B > 26 payments plus NIBL as % of sector
Agriculture	3,203	1%	4%	5%
Irrigation	2,896	49%	12%	61%
Fisheries	2,311	2%	10	12%
Livestock & Poultry	9,435	4%	4%	8%
Cottage Industry	1,175	3%	4%	7%
Services	57	1%	2%	3%
Rural Transport	2,521	3%	1%	4%
Rural Trading	14,739	1%	2%	3%
Food Processing	9,429	2%	4%	6%
Health	23	1%	1%	2%
Miscellaneous	1,591	7%	1%	8%
Housing	5,347	4%	20%	24%
Sericulture	1,273	7%	4%	12%
Total	55,474			

(also see Appendix 8 for comparisons to September 1995)

Despite the fact that Irrigation represents a negligible amount of TPO, the fact that 61% of the existing portfolio is seriously overdue should act as a warning to BRAC that reinvestment in this sector should be discouraged unless strong evidence points management to the contrary. (If these are DTW loans, BRAC needs to make its books consistent by removing them from the APO records).

Rural trading, by far, holds the least amount of low performing loans (23%) relative to its size in the loan portfolio (44%). Rural trading and food processing which together represent 61% of the total principal outstanding both have relatively low exposure.

Adequacy of Loan Loss Reserve

As of September 1996, and after the charge-off of DTW's, the combined RDP and RCP loan loss reserve stood at Tk 186.7 million for RDP and RCP combined. This equals 7.7% of the total loans outstanding.

23 This table looks at how much of each sector consists of poorly performing loans. It does not take into account either the overall portion of the sector in the loan portfolio, or the total amount of poorly performing loans.

To evaluate its adequacy, the following test was made. Tier 1 identifies those loans that should be on non-accrual; 100% of total loans more than 100 weeks past due and 50% of loans more than 50 weeks but less than 100 weeks past due. The Tier 2 LLR is for future unidentified estimated uncollectables. Based on recent strong collections, we estimate 3% of total loans outstanding.

Tier 1:	Non-Accrual Loans (September 1996) = Identified likely uncollectables	
	100% of NIBL	Tk 55.5 million
	100% of loans>100 wk. past due	Tk 12.9 million
	50% of loans >50-100 wk. past due	Tk 13.8 million
	Sub total	Tk 81.4 million
Tier 2:	Doubtful Loans (accrual status) = Unidentified estimated uncollectables	
	3% of loan outstanding as of September 1996	
	RCP	Tk 51.7 million
	RDP	Tk 21.1 million
	Sub-total	Tk 72.8 million
Total Estimated Satisfactory Loan Loss Reserve		Tk154.2 million

Actual LLR as of September 30, 1996 from the RCP & RDP Balance Sheets:

RCP	Tk 184.1 million
RDP	Tk 60.0 million
Total Loan Loss Reserve	Tk 244,1 million
Less: DTW Charge-Off	(Tk 57.4 million)
Remaining LLR after charge-off	Tk 186.7 million

LLR after charge-off = 7.7% of loans outstanding

Even after the DTW charge-off, the LLR balance of Tk 186.7 million is sufficient to cover expected losses from uncollectible loans.[24] BRAC management may wish to maintain the 2%-of-disbursements rule for the annual loan loss provision, but this may prove to exceed actual loan losses (see Appendix 9 for DTW up-to-date position).

Recommendations:

1. Place 100% of loans that are over 100 weeks past due automatically onto NIBL with the goal of extending to all loans more than 50 weeks

[24] To date, 560 of the 710 DTW's have been sold. BRAC is conservatively taking the full charge-off now, and 100% of the future revenue from selling the remaining DTW's will be taken as a recovery and shown as RCP earnings.

past due. If BRAC collect these loans with accrued interest, then the additional income may be recognized at that time.

2. Prepare a one-page summary statement of the Loan Loss Reserve on a quarterly basis that reconciles the balance sheet figure with the treatment of various loans.

2.1.7. Review trends in portfolio composition relative to model branch and long-term projections (see Appendix 10a-10d and 11a-11d)

Membership: The number of VO members stood at 1,385,605 in June 1996 compared with 1,200,160 in June 1995 (i.e. a 15% increase). The target for the year 2000 is to have 2 million members. If BRAC continues to achieve a 15% growth over the next three years, it will reach a target of 2,107,332 members by June 1999. At a global level, membership is well on target.

Loans: The internal targets for the number of loans has not been reached although taka disbursed is above target. This means that BRAC is overestimating the number of loans and underestimating average loan size.

Average Loan Size: BRAC is exceeding targets for average loan size. The average loan size in June 1996 was Tk 3,621 whereas the target for 1996 was Tk 3,300. The higher average loan size is due to BRAC raising the loan ceilings on first-year and second-year borrowers. This caused a noticeable increase in the actual average loan size in young branches. However, in older branches, BRAC's average loan size was lower than the original model branch expectations. The reason for this is a positive one: BRAC got rid of inactive members and replaced them with first-time borrowers who had a lower loan ceiling. With its higher quality portfolio, BRAC is well poised to achieve its 2000 year target in its RDP (IV) LFA of an average loan size of Tk 4,500.

Disbursements/ Outstandings: The term mix is almost completely one-year loans, which means that loans do not build up on the books. Therefore, disbursements and outstandings will show the same general pattern. This is true for the period of June 1995 to June 1996 where total outstandings rose by 34% and total disbursements rose by 36%. For the last two years, loan outstandings were above budget in branches younger than 4 years, and well-behind budget in all the older branches.

Branch Operating
Costs: Historically, branch operating costs have been above the original RCP budgeted levels. The 1994 performance was improved, but in 1995, branch operating costs were quite high: Year 7 and 8 branches were 25% more expensive than the RDP model branch targets. BRAC may have intended this in order to improve loan collections. Through September 1996, costs appear much more in line with targets. Most branch-years are close to or under the RCP model, with the exception of Year 4 and Year 9. Newer branches are generally more efficient that older ones.

2.1.8. Advise on changes required to trend and summary reports, for BRAC management and for external donors.

Recommendation: BRAC has rightly suggested that the Computer Department should re-program the APO report so that it records the number of weeks that a particular payment is overdue, rather than counting the number of payments and assuming that an equivalent number of weeks exist. As time passes, the number of weeks past due increases more than the number of payments.

We agree fully with this suggestion and have checked with Computer Department whether they can easily add this information into the current report format. We also agree with Computer Department and senior BRAC credit staff that it makes sense from a cost-efficiency point of view to include this information going forwards, rather than adjusting all historical data inputs retroactively as well. From next month, this information will be included in the APO report.

Additional suggestions on changes to be made in the trend and summary reports are included in other sections of this paper under relevant headings. In particular please see our extensive comments on service charge recovery.

(C) Branch Profitability and RCP/BRAC Bank Viability

2.1.9. Review branchwise financial performance and the indicators used by HO and Branch Managers to identify problem areas and measure improvements between periods.

The Accounts Department reports several key performance ratios for each branch. BRAC intends to make managers in the field more cognizant of their importance and has already begun the process through a first-round of financial training. This will be followed up with a more implementation-based financial training course next year. The following five ratios measure (1) productivity of staff, (2) operating efficiency of non-staff operating costs, (3) profitability, (4) funding position, and (5) yield on loan portfolio.

1. *Salary Expense as a Percentage of Total Loans Outstanding*
   This ratio measures the productivity of staff because it compares salary expenses with the loan volume produced by that branch's staff. The lower the ratio, the more productive the branch. This ratio measures only the staff costs associated with the credit function, not the staff costs associated with sector development and other programs. This efficiency ratio is commonly used by credit institutions with branch/delivery systems.

2. *Other Operating Expenses as a Percentage of Total Loans Outstanding*
   This ratio measures operating efficiencies in the non-personnel and loan expense areas. Similar to salary expense, branch operating expenses directly affects the branch's profitability. The lower the ratio, the more efficient the branch. It is assumed that branch managers have control over these expenditures.

3. *Operating Surplus as a Percentage of Total Loans Outstanding*
   This ratio measures profitable deployment of assets. The higher the ratio the more profitable a branch. For purposes of consistency in measuring the credit programs within the branches, the denominator is total loans outstanding and excludes fixed assets. This means that the assets connected with the sector or other programs are not included and that the ratio of profits to loans only is calculated. Since the income measured is interest from loans only, this is appropriate.

4. *Savings as a Percentage of Total Loans Outstanding*
   This ratio measures the level of member savings to loans outstanding. It shows the ability of the branch to fund loans from its savings fund. Since the cost of member deposits is 3% less than the cost of the loan from HO, member savings allow branches to increase their interest spread or "interest margin" and thus increase net surplus. The higher the percentage the better.

5. *Interest Income as a Percentage of Total Loans Outstanding*
   This ratio measures the yield on the loan portfolio. It is a quick way for a manager to look at overall interest rate on the portfolio. Since BRAC has only two different types of interest rates, if the rate is lower for a particular branch, it indicates a larger number of Housing Loans or a rapid growth in disbursements in the period measured. It could also

indicate a significant number of loans in the NIBL category, since this income is not accrued, but is only recognized when it is received.

The reason to use ratio analysis is the ease it offers in comparing performance across branches. These ratios make it easy to compare efficiencies among branches. Ratios allow comparisons while taking out the particularity of wide variations between the size of individual branches. This information can be used to conduct "peer" comparisons between branches or to consistently measure performance to agreed upon targets.

The table below shows the six-month ratios; therefore all ratios except Savings-to-Total Loans will approximately double for a twelve-month period.

Average Ratios By Branch Year[25]
Jan - June 1996

Branch Year	Salaries/ Total Loans	Other Exp/ Loans	Profit/ Total Loans	Savings/ Total Loans	Interest Income/ T. Loans	Number of Branches
RCP-11	2.9%	3.8%	1.0%	34.4%	9.0%	10
RCP-10	2.6%	3.4%	3.6%	42.0%	10.8%	20
RCP-9	3.0%	3.7%	2.1%	40.8%	10.2%	20
RCP-8	3.4%	4.2%	1.0%	34.4%	10.1%	20
RCP-7	3.1%	3.8%	2.0%	41.5%	10.6%	31
RCP-6	3.0%	4.0%	2.8%	39.4%	11.3%	30
RCP-5	2.8%	3.4%	3.9%	40.0%	11.8%	23
RDP-4	4.1%	4.2%	1.6%	45.0%	11.9%	20
RDP-3	4.8%	4.2%	(1.4%)	39.2%	9.6%	49
RDP-2	7.8%	5.9%	(6.1%)	30.0%	9.6%	40
RDP-1	145%	109%	(257%)	62.0%		34

As in the January - June 1995 period, salaries as a percentage of loans is higher in the younger branches. This is because of the smaller amount of loans outstanding, and the start up and developmental nature of the RDP Branches. The exceptionally high percentage in the first-year branches is because there are usually very few loans in a start up branch until the second half of the year. By the end of 1996, we expect this ratio to be dramatically reduced as the total loans outstanding (i.e. the denominator) increases substantially in the second half of the year.

Over the past year, the salary/total loans ratio for the RCP Branches held steady in the 2-4% range (equal to 4-8% annually). Prior to January 1995, this ratio was around 11-12%. The numbers correspond with BRAC management's strategy of reducing branch expenses.

25 For comparison, this Accounts data is calculated the same way is our December 1995 report: These branch operating expenses include a 9% cost of funds paid to BRAC, but do not include the 6% cost of member savings. Therefore, future comparisons must be aware of what costs were included and which were not.

The major expense in a credit delivery systems is personnel. In the period reviewed approximately 43% of the total branch expenses are in salaries and benefits. This is an improvement over the cumulative RDPIII figure of approximately 60% of total branch expenses personnel costs. Last year, the figure was at 50%.

The trends shown in the Other Expenses/Total Loans is equally positive with trends showing a reduction to around 4-4.5% (equal to 8-9% annually) from 11% two years ago. Compared with last year, this ratio improved slightly for older branches and worsened slightly for newer branches.

The profitability ratio as well as individual branch income statements reveal a much improved position over last year's numbers. In June 1995, the profit/total loans ratio for all branch-years, except years 6 and 9, was negative. This year, only Year 1, 2, and 3 branches had a negative ratio. This vast improvement can be attributed both to the higher number of loans outstanding as well as the lower branch operating costs.

2.1.10. Assess and advise on planned introduction of computers at Branch level, including phasing over RDP IV and training requirements.

BRAC does not immediately plan to introduce computers at the Branch Level. However, the Computer Department and senior executives in BRAC acknowledge that such a need may become more pressing in the future. The head of the Computer Department informed us that Grameen is having difficulties with implementing experimental projects with computers at the branch level. Our interviews revealed the following two main difficulties:

1. logistical problems, for example, how to get technical experts out from head office to the geographically dispersed areas to assist with hardware and software problems;
2. infrastructure problems, for example due to the lack of electricity.

According to the head of the Computer Department, BRAC's pilot project in Manikganj Branch failed for these reasons, as well as the lack of adequate skills at the branch level. This latter reason, however, is probably more due to the lack of adequate training than anything else.

We see four reasons why not much has happened in computer decentralization:
1. There appears to be a lack of momentum/commitment at the head office level to make this a high priority. There is no champion currently pushing for computerization at the branch level. In addition, in as far as we can tell, there is no demand for computerization coming from the Branch level.
2. BRAC still seems unclear as to exactly what it wants the branch level to do with its computers. Should the decentralized computers be satellite data input sites only, or

is some level of data processing and control over information feasible at the branch/regional level?

3. The technical and logistical difficulties are possibly off-putting to the head office computer staff whose work load, at least initially, may be substantially increased during conversion.
4. BRAC has a "wait-and-see" attitude so that it can learn from Grameen's mistakes.

> Recommendation: We recommend that BRAC clarify *first* what its goals are in terms of computer decentralization. Is it simply to assist in data input, or is it to give branch and regional mangers flexibility to analyze their own data to better manage their business? And what are the cost-efficiencies in both cases? Once this is done, a plan can be constructed to fulfill these goals.

> Recommendation: While learning from the mistakes (and successes) of others is laudable, we feel that BRAC could still initiate a carefully planned and adequately resourced pilot project in the field in order to move it closer to its goals as per the recommendation above.

2.1.11. Review and revise RCP financial model and conduct sensitivity analyses for RCP viability with most recent data and projections on savings and credit performance (see Appendices 12 and 13).

The pre-existing BRAC 20-year financial model allows for manipulating key variables to approximate recent actual experience. We ran four scenarios based on the following variables[26]:

Scenario	Loan Disbursements	Savings	Branch Operating Costs	Effect on: 1. Level in Investment Account 2. Profitability
Base Case	1995 Actual Branch Performance	Tk 3.76/week, 20% withdrawals (Jan-Jun 1996 Actual Performance)	1995 Actual Branch Performance	Tk 165.7 in 1999 Profitable Continuously
Most Likely Case	Up 10%	Tk 4.0/week 20% withdrawals	Up 5%	Tk 96.1 in 1996 Profitable Continuously
Low Funding Case	Down 10%	Tk 3.76/week, 20% withdrawals	Up 5%	Tk 175.8 in 1999 Unprofitable from 1998 forward
High Funding Case	Up 30%	Tk 5/week, 10% withdrawals	1995 Actual Branch Performance	Tk 234.9 in 1996 High profitability And pay the BRAC 9% loan

Loans Outstanding: We tested scenarios of both increasing and decreasing loans outstanding. Even a slight 10% decrease in disbursements, when coupled with a 5% increase in branch operating costs, will drive the model to unprofitability. Conversely, with an increase in savings, there is ample funding to accommodate even a 30% increase in disbursements.

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26 In addition, all scenarios included the common assumptions:
- elimination of GTF;
- gradual increase in funds available to RCP as BRAC repays the RCP investment in the HO building from 1996 through 2000;
- no interest paid on the BRAC loan.

Savings: VO members' savings are an essential funding source for future loan growth. At the current savings levels of Tk 3.76/week and 20% withdrawals, BRAC nearly exhausts its investment account in 1996. If savings levels decline, then RCP will run out of funds to grow the loan portfolio. Given the size of the RCP loan portfolio, by late 1995, BRAC had lent out all of the front-loaded donor funding for RCP and was relying on members' savings as a funding source.

Branch Operating Costs: RCP's branch operating costs have been higher than originally modeled, but have been offset by above-budget interest income. If loan disbursements decline 10%, then a 5% increase in branch operating costs will drive the model negative.

Lowest Level in Investment Account: RCP's Investment Account represents the "idle funds" remaining after loan disbursements, capital investment and expenses. The lower the Investment Account, the closer RCP is to using all its funds for other activities. When the Investment Account is negative in the financial model, it means that RCP would need to raise this level of additional funds to supply the given level of loans, fixed assets and expenses.

Based on the scenarios we ran (which are approximations of 1995 branch-year performance), RCP remains financially viable and sustainable. Even if loan volume increases, RCP is self-funding if the new savings policy is achieved and branch costs are controlled.

RCP actual performance has strengthened considerably over the last few years.

RCP BRANCH INCOME and EXPENSES

Item (Taka million)	1992	1993	1994	1995	9/96
Interest Income from Loans	89	109	159	278	298
Interest Paid on Member Svgs	17	21	15	?	?
Loan Loss Provision	8	15	24	43	41
Branch Op'g Expenses	51	83	96	164	117
Excess of Income over Expenditure	13	(10)	22	71	140

Item	1992	1993	1994	1995	9/96
9% HO Fund	57	76	84	?	?
Adjusted Net Income	(44)	(86)	(62)	?	?

These figures exclude investment income at the HO level which increases RCP total profitability.

2.1.12. Identify key variables and performance benchmarks, both for BRAC management and for inclusion in revised reports to donors.

Please also see the relevant sections in our discussion on Cost-Recovery and Branch Profitability.

Benchmarks are indicators that branch and regional managers can strive towards, as well as being a performance measurement tool for all management. A useful way to pick benchmarks that are within the reach of most branches is to pick the ratios of the best performing branch (or set of branches) with similar characteristics to the branch whose performance you are trying to improve. An example of benchmarks for older branches can be taken from the Branch 10 Year.

SAMPLE
(final benchmarks may be different than these)

Key Ratios	Benchmark Performance Ratio-Year 10
Salaries/Total Loans	2-3%
Savings/Total Loans	40-42%
Profit/Total Assets	3-4%
Yield on Loans	9-11%

Recommendation: We continue to recommend that BRAC management work to devise useful benchmark ratios for branches by years and/or type. To make the single ratio report most useful, it should include an APO ratio, in addition to the four cost ratios already discussed.

Recommendation: We recommend that all various users of the information: senior management, zonal, regional and area office managers should be comfortable with using ratios as tool of performance measurement.

(D) Management Responsibility

2.1.13 Review progress in delegating responsibility for financial performance and development outputs to Area Office / Branch Managers.

Last year, for the first time, BRAC set its annual internal targets beginning with the Area Managers. The Area Managers (AM) submitted a proposed annual target for both financial and sector achievements. Through discussion with HO and the RMs, this target was negotiated and refined. Last year's experience taught BRAC that HO should develop an internal target for each branch before starting Branch-level discussions.

> Recommendation: We recommend that BRAC continue to develop annual targets and budgets beginning at the branch-level. Although this is a difficult exercise (at first), we think it is invaluable over the long-term in developing managers. Other microfinance organizations have found it may take 3-5 years before the first-draft budgets are accurate and immediately useful for planning. This process is quite helpful in aligning staff understanding of the organization.

This budget-setting process indicates management's interest in delegating responsibility to the branch level. We inquired (as best we could through translators) about the degree of local autonomy. We were told by both AMs and RMs that management does not "foist" the targets on the branches. As an example, we were told there is room for branch managers to request additional staffing if necessary. Resources are not "rationed" or held back from branch managers who could use them profitability.

Financial Training

BRAC understands that decentralization's meaning is lost without branch and regional managers having the necessary skills and training to perform effectively. BRAC currently offers training through Office Management Course and Financial Training courses. The training, however, should be more BRAC-specific and tailored to the BRAC program as much as possible -- otherwise, the training will be lost in the piles of essential recordkeeping that the field managers are already responsible for. The case material should be immediately applicable and based on the data currently collected in the field or regularly available from HO. Any reports that must be processed in the HO Computer Department will, for the foreseeable future, have a 30-60 turnaround time. Therefore, any analysis or reports to guide near-term actions must be based on available branch-level information.

In addition to financial training, field staff should look for opportunities to create development impact. This means they need to develop the insight to see the opportunity, the empathy to encourage members to advance, the capacity to develop an appropriate combination of credit and technical assistance, and the management oversight systems to cultivate this environment and check the progress towards that goal.

The critical skill is how to "bring along" a borrower; how to make a joint commitment; how to help the VO member see that the benefits of BRAC savings and borrowing discipline have knock-on benefits in other areas. Techniques for training courses would include:

- Role play: As many of the important relationships as possible: Branch Manager-to-Credit PO, Credit PA-to-VO member, Credit PA-to-Sector PA
- Case studies of seizing the development opportunity (loan for 2d or 3d cow)
- Exchange / Facilitator
- Video

> Recommendation: The Regional Managers, too, should attend the training, so that when they visit the branches in the field, they are requesting these new reports or new analyses, and therefore reinforcing the training.

Branch Staffing Structure

BRAC will re-assign the Sector staff beginning in January 1997, allowing the Sector PO's to specialize in a single sector. The trade-off is that each PO must therefore cover four branches. This change is pictured in Appendix 14.

The monthly "issues-based meeting" among VO members is now called Gram Shabha. The Gram Shabha intends to include male members of the family, such as husbands or brothers, in addition to the VO members themselves. (Only VO members were present at the particular Gram Shabha we attended.) BRAC's earlier versions of this program covered a broad standard outline of topics, whereas the current preferred approach is to encourage the members themselves to select the topic.

BRAC has structured these meetings to increase their practicality and immediate usefulness. After discussion, the Gram Shabha should result in an action plan for an "implementation committee" to act on. Each Gram Shabha begins with a report on the progress of the previous meeting's implementation committee.

Human Rights and Legal Education (HRLE) is taught by the HRLE PA in a one-month long class that meets every morning for two hours. The course covers four segments, land law, citizens' rights law, Muslim law and family law. The HO Training Division has developed the written curriculum for this course so that it is standardized throughout RDP. Each VO member must pay Taka 10 for this course.

Essential Health Care (EHC) also follows a guide developed at HO. The program covers the areas of family planning, health and sanitation (latrine installation), immunization (Vitamin A) and basic curative medicine. EHC PA's organize village fora to discuss these subjects, and a Shasta Shabika from the village also goes door-to-door to dispense medicines and materials.

2.1.14 Review responsibilities of Managers at Regional, Zonal and Headquarters levels in relation to (A), (B) and (C) above.

At the Head Office, BRAC is organized with senior line management (the 2 Zonal Managers) and with senior staff management (Credit and Savings, Sector Programs, Social Development, PSEs and RDP/MIS). This is diagrammed in Appendix 14. Due to the rapid expansion of new branches in the 1990s, BRAC understandably seeks to keep them all progressing at or above the budgeted growth rate. This requires a lot of central direction at the outset. BRAC senior management recognizes that branches' performance will inevitably begin to vary with more time and based on local market conditions. Eventually, the variation in performance will cause BRAC management to evolve to a different system, where branches are grouped either by performance or by geography.

The key to managing such a large field operation is clarity of responsibility and frequent communication. The line management runs from the Director of Field Operations, through the Zonal Managers and to the Regional Managers. The staff fills in with expertise in particular subject areas, e.g., credit, sectors, PSEs, social development. There is an informal weekly meeting of all the Head Office managers. Monthly, BRAC holds a meeting of the entire group, including RMs. Every two months, the full group meets, including the Area Managers.

Senior management also often organizes internal meetings by grouping the branch managers by "credit-age". Sometimes this grouping mixes branches with quite different performances and with different field problems.

> Recommendation: We recommend that BRAC adopt a different internal planning and budgeting mechanism that is more logistically useful and financially accurate, such as groupings based on financial performance or types of issues experienced in the field.

The Head Office managers visit the field intensively. The 2 Zonal Managers spend 12-15 days in the field per month in two separate trips, visiting a total of 8-12 branches per month. Typically, the local RM accompanies the Zonal Managers, and they lodge at the branch overnight. The HO Staff Managers also visit branches regularly, but perhaps only 50% to 75% as frequently as the Zonal Managers.

The HO team knows each other well and trusts each other. Of course, there is a possibility of too many bosses visiting the field, but there is an offsetting benefit of allowing greater specialization in expertise. The HO team works to share information and reports before leaving Dhaka for field visits.

In our opinion, the different emphasis provided by each manager is a big plus -- otherwise, there would be simply too much to inquire about on each HO Manager's visit. As structured, the Zonal Managers deal with branch management and personnel, the Savings and Credit Manager analyzes the financial products, the Sector Manager covers program areas, and the Social Development Manager inquires after HRLE and related social development issues. The potential challenge is for BRAC management to assure that their analytical approach and their measurement tools are similar.

Finally, we believe it is important that BRAC institutionalizes a staff performance review throughout the organization. We believe that this is especially important at both the regional and branch levels. As a first step, we are again recommending the following:

> Recommendation: BRAC should adopt an annual one-page written performance evaluation for branch managers. This is an important part of recognizing superior performers and of assuring evenhandedness in promotions.

2.2. The consultants should identify any issues which require further independent review or study, e.g., the sector programs, indicating the timing of any such review and giving outline terms of reference.

We foresee that future missions could assist BRAC with the following subject areas:

1. Financial modeling of branches based on their financial performance, rather than their branch-age.

2. Financial and Development Coaching for Field Staff.

3. Formation of peer groups for members with the potential to form larger enterprises:

4. Developing a Savings System that is appropriate to the BRAC system, but definitely moves the organization forward in creating new products.

APPENDIX 1

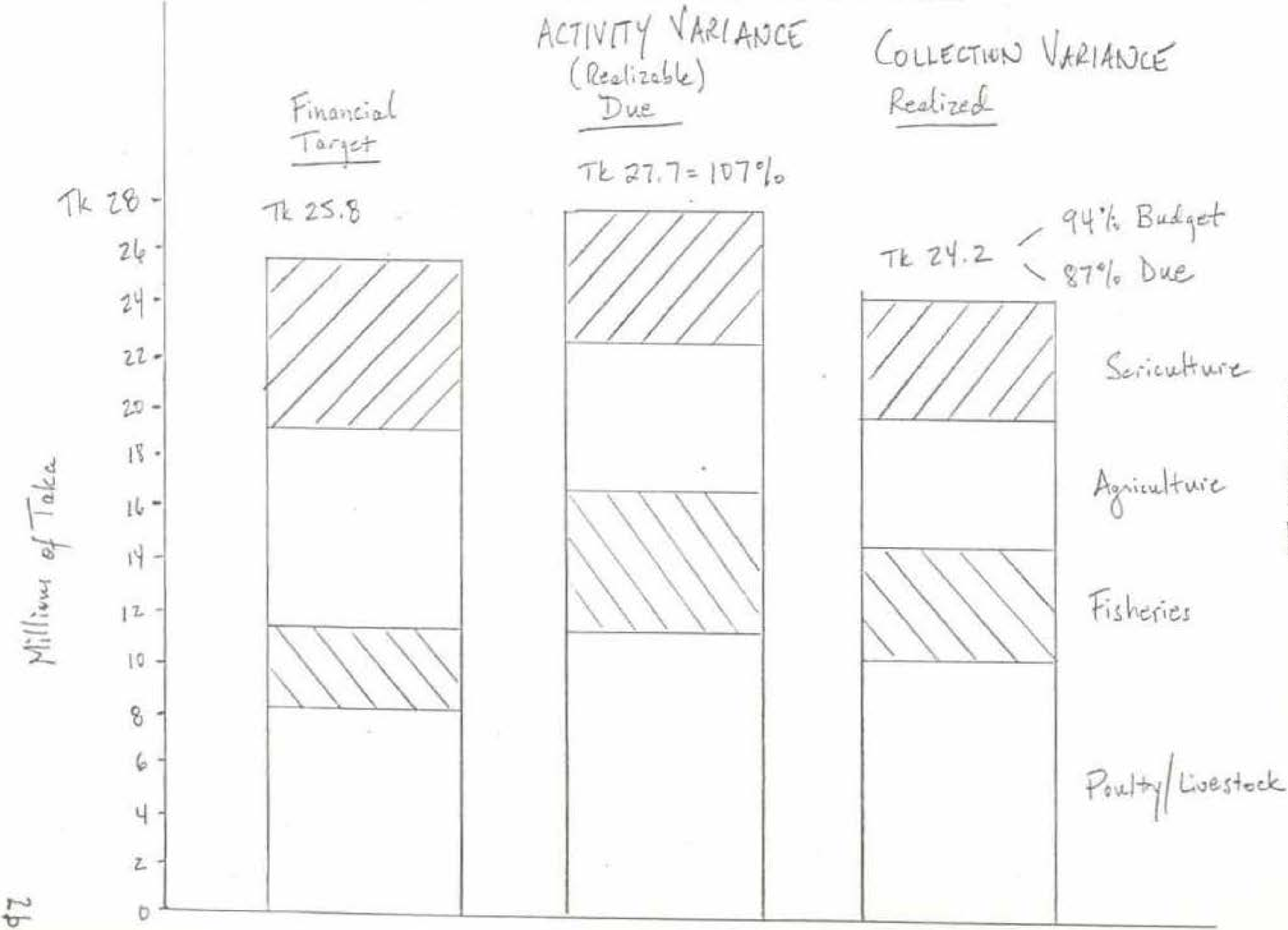
Model Branch Cost Recovery Plan for RDP IV

PROGRAM COMPONENTS	Rate	/Unit	Year 1 Number	Year 1 Taka	Year 2 Number	Year 2 Taka	Year 3 Number	Year 3 Taka	Year 4 Number	Year 4 Taka	
1. Poultry & Livestock											
Chicks (DOCs)	1.5	/chick	1,000	1,500	10,000	15,000	20,000	30,000	27,000	40,500	79%
Goat Rearer	20	/rearer	-	-	50	1,000	100	2,000	150	3,000	6%
Cow Rearer	50	/rearer	-	-	50	2,500	100	5,000	150	7,500	15%
2. Fisheries											
Carp Polyculture	500	/acre	15	7,500	25	12,500	35	17,500	50	25,000	69%
Sarputi Culture	300	/acre	8	2,400	15	4,500	20	6,000	25	7,500	21%
Carp Nursery	1,000	/acre	0.5	500	1.5	1,500	2	2,000	3	2,500	7%
Fish Hatchery	1,000	/hatchery	-	-	1	1,000	1	1,000	1	1,000	3%
3. Vegetable Cultivation											
Vegetable Cultivation	500	/acre	15	7,500	50	25,000	100	50,000	125	62,500	
Nursery (Soc. Fstry & Hort.)	150	/nursery	10	1,500	15	2,250	15	2,250	15	2,250	
4. Sericulture											
Sapling	0.1	/sapling	-	-	-	-	-	-	-	-	
DFL Egg	1	/DFL	-	-	3,750	3,750	21,250	21,250	50,000	50,000	
5. REP											
Shuruchi	10	/month	-	-	5	600	8	960	10	1,200	
Shupama	10	/month	-	-	5	600	20	2,400	40	4,800	
TOTAL				20,900		70,200		140,360		207,750	

APPENDIX 2a

Service Charges: Activity Variance and Collection Variance							
			Activity		Collection	Total	
For Reporting Purposes			Variance		Variance	Variance	
	1995						
	Budget	Service Charges	Due		Realized	Realized	
Sector	Target	Due (Realizable)	v. Budget	Realized	v. Due	v. Budget	Overdue
Poultry / Livestock	8,100,000	11,615,895	143%	10,583,865	91%	131%	1,032,030
Fisheries	3,450,000	4,989,399	145%	4,158,240	83%	121%	831,159
Agriculture	7,460,000	5,804,263	78%	5,069,930	87%	68%	734,333
Sericulture	6,850,000	5,340,925	78%	4,469,554	84%	65%	871,371
Total	25,860,000	27,750,482	107%	24,281,589	87%	94%	3,468,893
	Jan - Jun '96						
	RDP IV	Service Charges	Due		Realized	Realized	
Sector	Target	Due (Realizable)	v. Budget	Realized	v. Due	v. Budget	Overdue
Poultry / Livestock	2,632,500	6,174,197	235%	4,925,790	80%	187%	1,248,407
Fisheries	1,998,585	2,282,610	114%	1,736,373	76%	87%	546,237
Agriculture	3,215,250	3,433,974	107%	2,260,074	66%	70%	1,173,900
Sericulture	420,000	1,113,591	265%	755,046	68%	180%	358,545
Total	8,266,335	13,004,372	157%	9,677,283	74%	117%	3,327,089
For Internal Management Purposes							
	1995						
	Operational	Service Charges			Realized	Realized	
Sector	Target	Due (Realizable)		Realized	v. Due	v. Budget	Overdue
Poultry / Livestock	12,006,500	11,615,895	97%	10,583,865	91%	88%	1,032,030
Fisheries	5,710,505	4,989,399	87%	4,158,240	83%	73%	831,159
Agriculture	6,331,074	5,804,263	92%	5,069,930	87%	80%	734,333
Sericulture	7,383,978	5,340,925	72%	4,469,554	84%	61%	871,371
Total	31,432,057	27,750,482	88%	24,281,589	87%	77%	3,468,893
	Jan - Jun '96						
	Operational	Service Charges			Realized	Realized	
Sector	Target	Due (Realizable)		Realized	v. Due	v. Budget	Overdue
Poultry / Livestock	6,524,869	6,174,197	95%	4,925,790	80%	75%	1,248,407
Fisheries	2,105,637	2,282,610	108%	1,736,373	76%	82%	546,237
Agriculture	3,450,810	3,433,974	100%	2,260,074	66%	65%	1,173,900
Sericulture	1,348,950	1,113,591	83%	755,046	68%	56%	358,545
Total	13,430,266	13,004,372	97%	9,677,283	74%	72%	3,327,089

SERVICE CHARGES: 1995

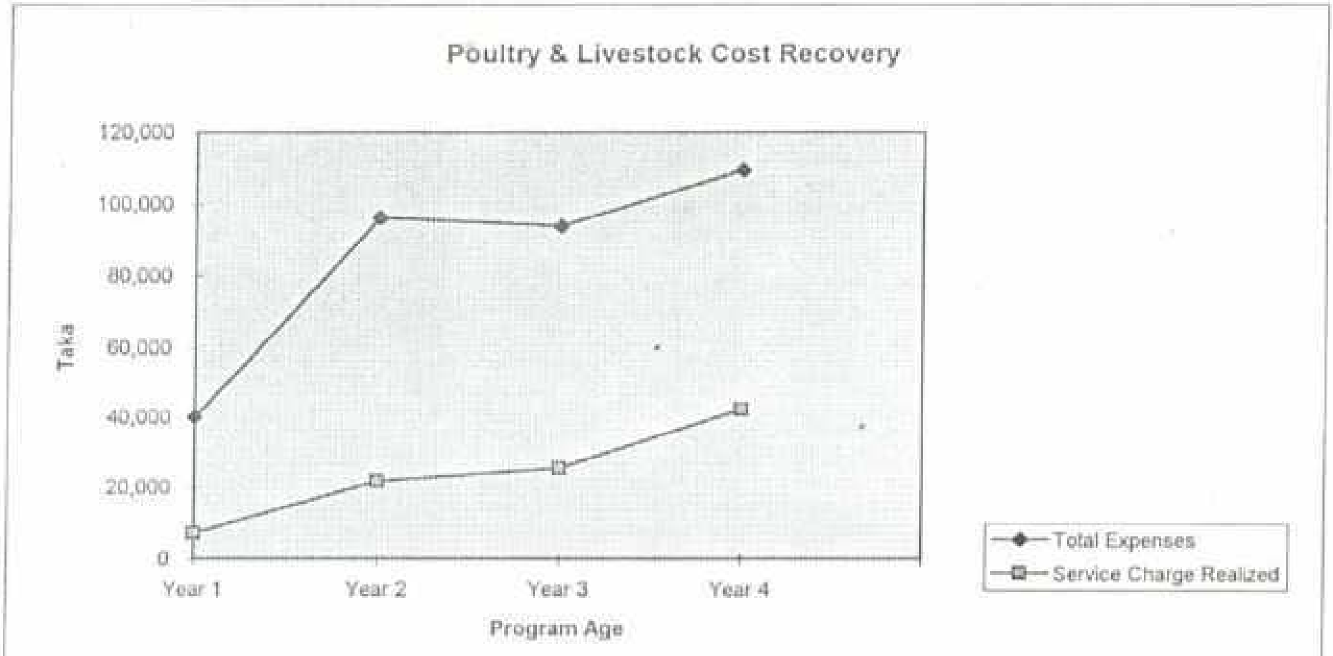


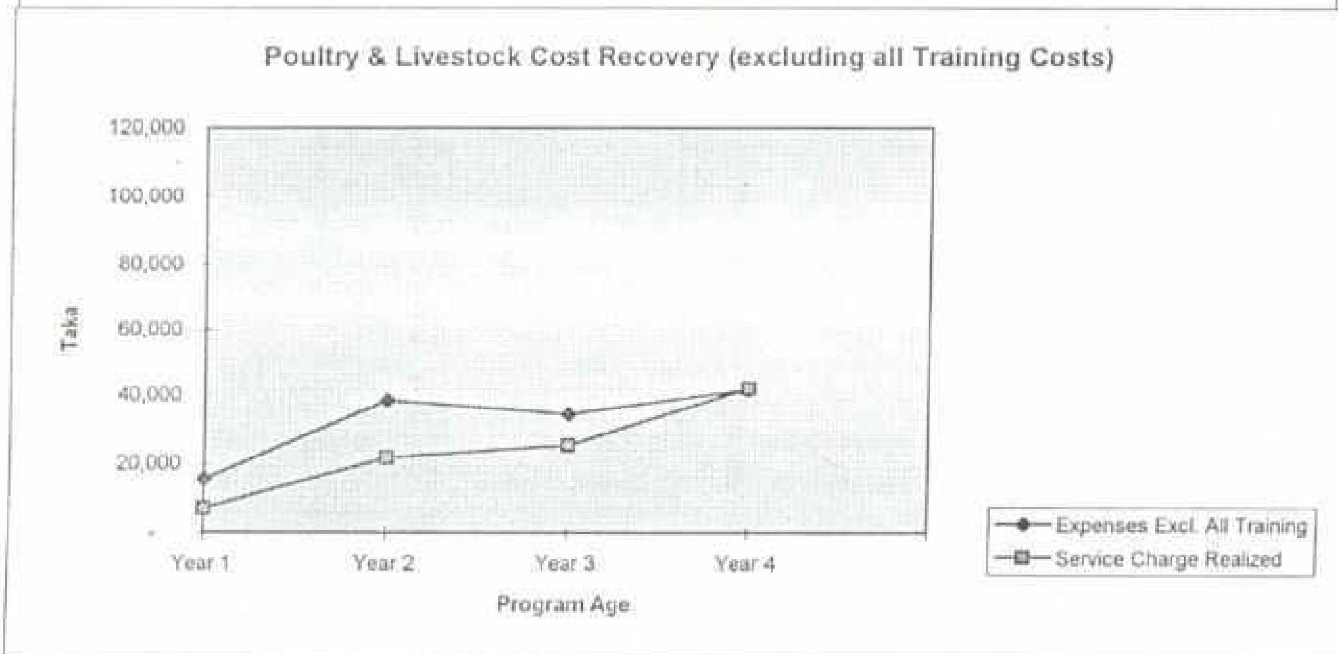
APPENDIX 2b

POULTRY & LIVESTOCK: Cost Recovery January-December 1995

Training Expenses = VO Training + 50% (Salaries+GS Salary+Staff Trng+T&T)

	(37)	(28)	(29)	(122)	(216)
	Year 1	**Year 2**	**Year 3**	**Year 4**	
Salary & Benefit	15,461	25,827	19,734	27,740	
Travel & Transport	4,192	8,334	7,714	12,535	
Staff Training	4,118	738	(1,392)	(2,358)	
PA Salary	7,258	41,864	42,791	45,402	
VO Training	9,134	19,510	25,153	26,108	
	Year 1	Year 2	Year 3	Year 4	
Total Expenses	40,163	96,273	94,000	109,427	
Service Charge Realized	7,148	21,714	25,281	42,211	
% Cost Recovered	18%	23%	27%	39%	
	Year 1	Year 2	Year 3	Year 4	
Expenses Excl. All Training	15,515	38,382	34,424	41,660	
Service Charge Realized	7,148	21,714	25,281	42,211	
% Cost Recovered	46%	57%	73%	101%	

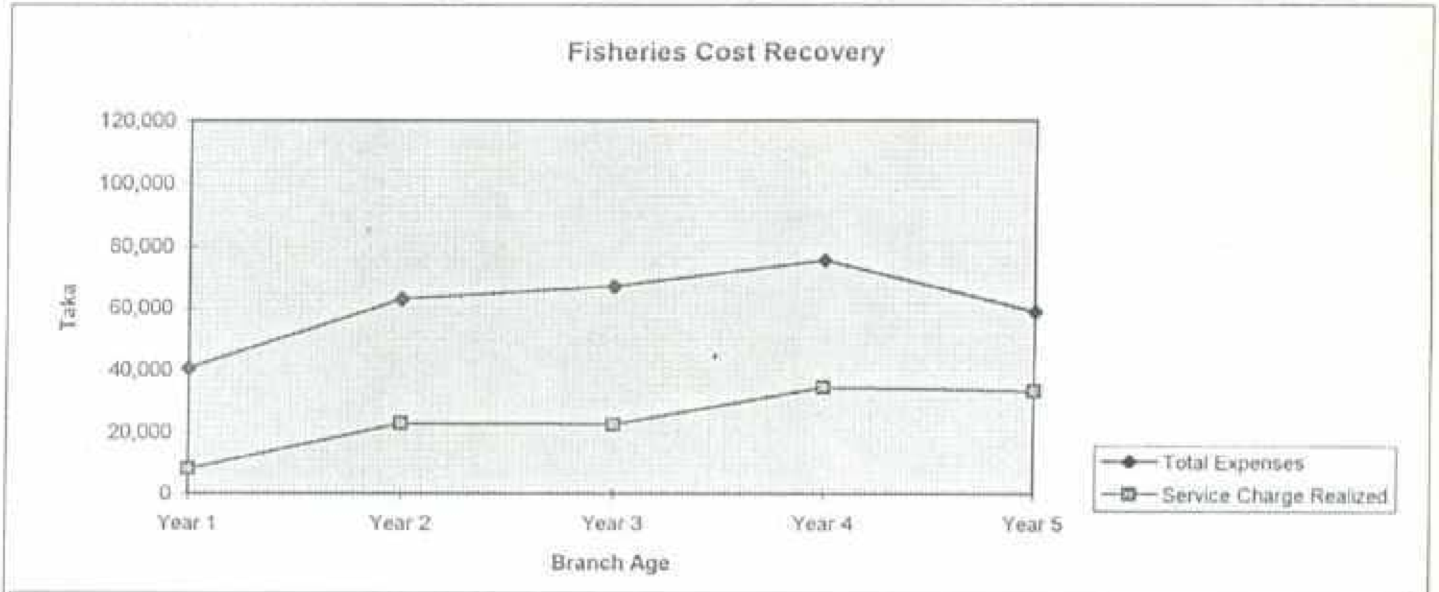


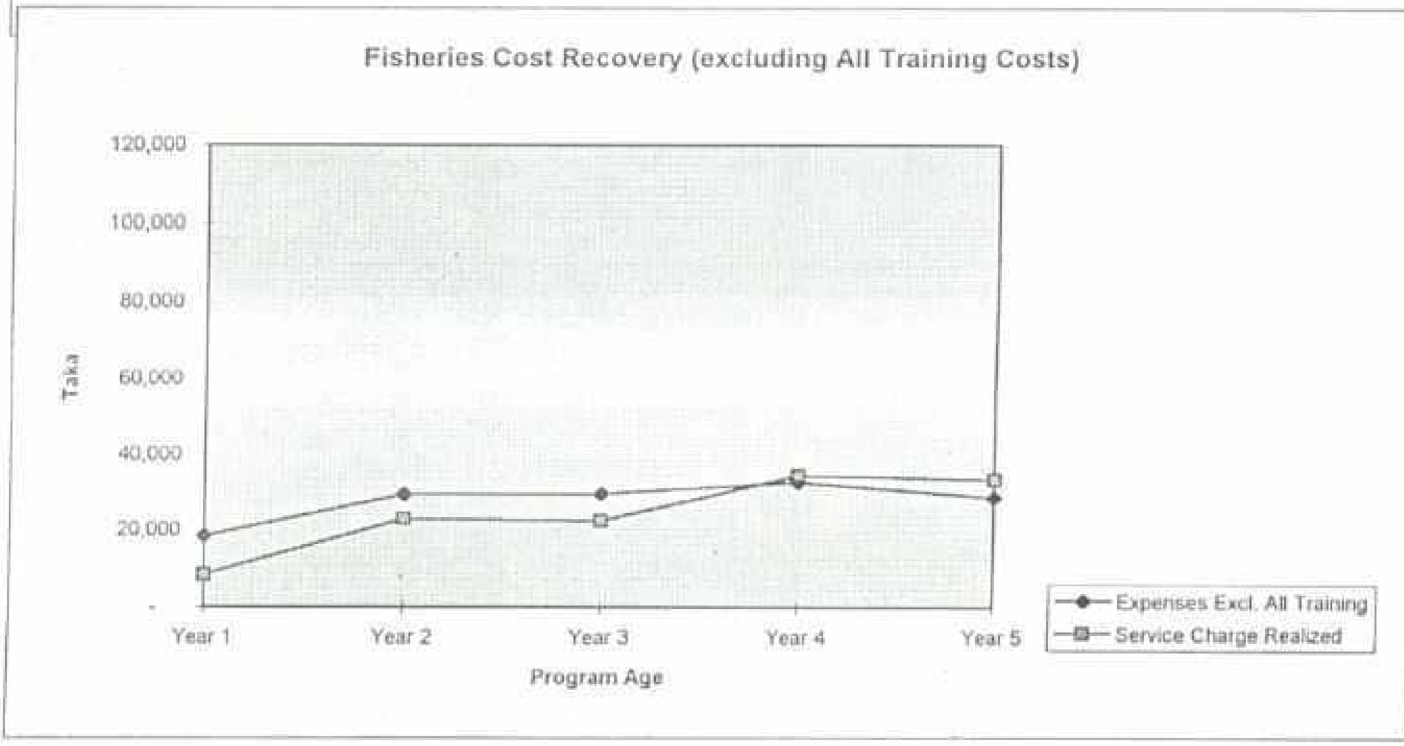


FISHERIES: Cost Recovery January - December 1995

Training Expenses = VO Training + 50% (Salaries+GS Salary+Staff Trng+T&T)

	(56)	(18)	(71)	(29)	(7)	(181)
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	
Salary & Benefit	15,206	18,647	19,514	21,209	19,762	
Travelling & Transport	4,479	7,898	6,903	8,186	7,451	
PA Salary	16,583	32,210	31,759	34,636	30,135	
Staff Training	319	133	1,117	1,432	100	
Training to VO Members	4,106	4,036	7,794	10,198	1,651	
	Year 1	Year 2	Year 3	Year 4	Year 5	
Total Expenses	40,693	62,924	67,087	75,661	59,099	
Service Charge Realized	8,163	22,875	22,448	34,523	33,402	
% of Costs Recovered	20%	36%	33%	46%	57%	
	Year 1	Year 2	Year 3	Year 4	Year 5	
Expenses Excl. All Training	18,294	29,444	29,647	32,732	28,724	
Service Charge Realized	8,163	22,875	22,448	34,523	33,402	
% of Costs Recovered	45%	78%	76%	105%	116%	

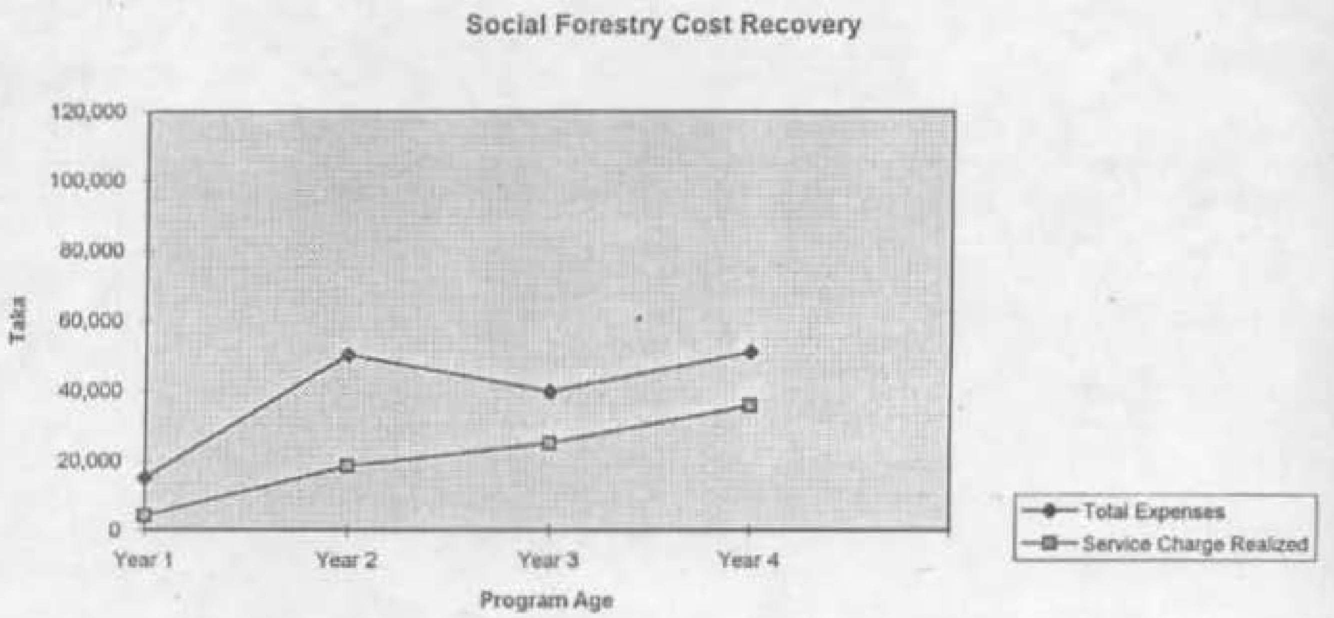


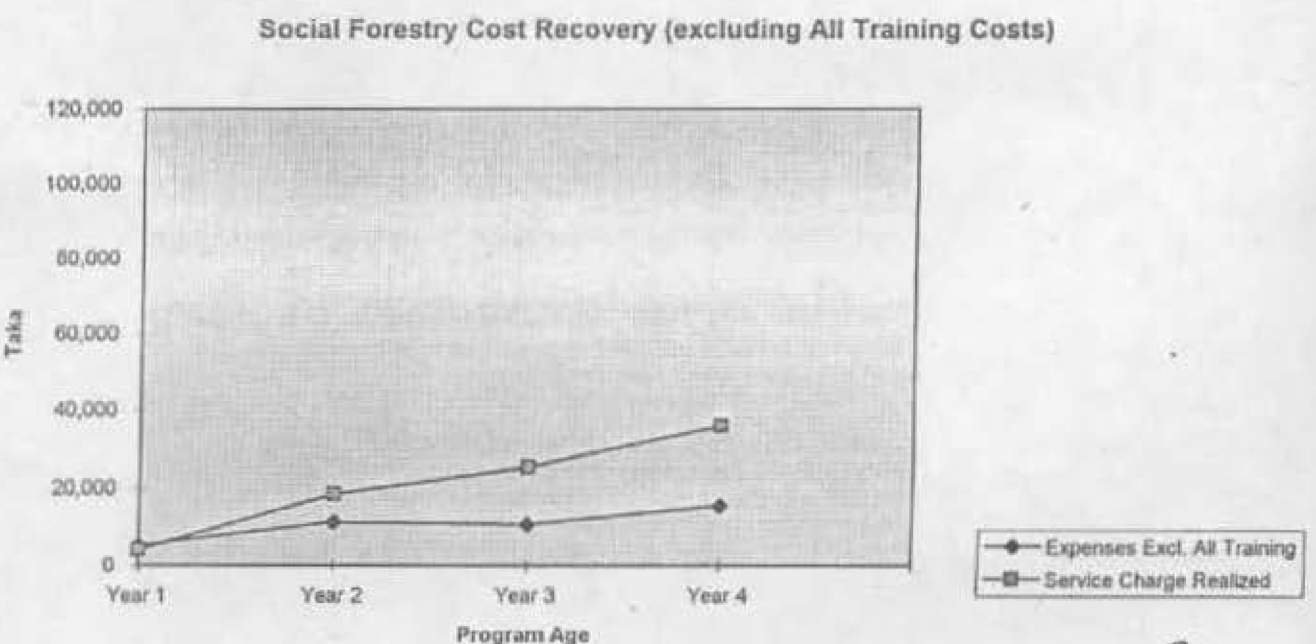


SOCIAL FORESTRY: Cost Recovery January-December 1995

Training Expenses = VO Training + 50% (Salaries+GS Salary+Staff Trng+T&T)

	(43)	(25)	(41)	(90)	(199)
	Year 1	**Year 2**	**Year 3**	**Year 4**	
Salaries & Benefits	7,124	7,173	6,467	9,052	
Travel & Transport	163	3,165	1,118	3,755	
PA Salary	3,850	14,130	16,793	20,484	
Staff Training	(384)	(1,885)	(3,198)	(2,223)	
VO Training	4,484	27,725	18,600	19,870	
	Year 1	Year 2	Year 3	Year 4	
Total Expenses	15,237	50,308	39,780	50,938	
Service Charge Realized	4,139	18,530	25,060	35,829	
% Cost Recovery	27%	37%	63%	70%	
	Year 1	Year 2	Year 3	Year 4	
Expenses Excl. All Training	5,377	11,292	10,590	15,534	
Service Charge Realized	4,139	18,530	25,060	35,829	
% Cost Recovery	77%	164%	237%	231%	



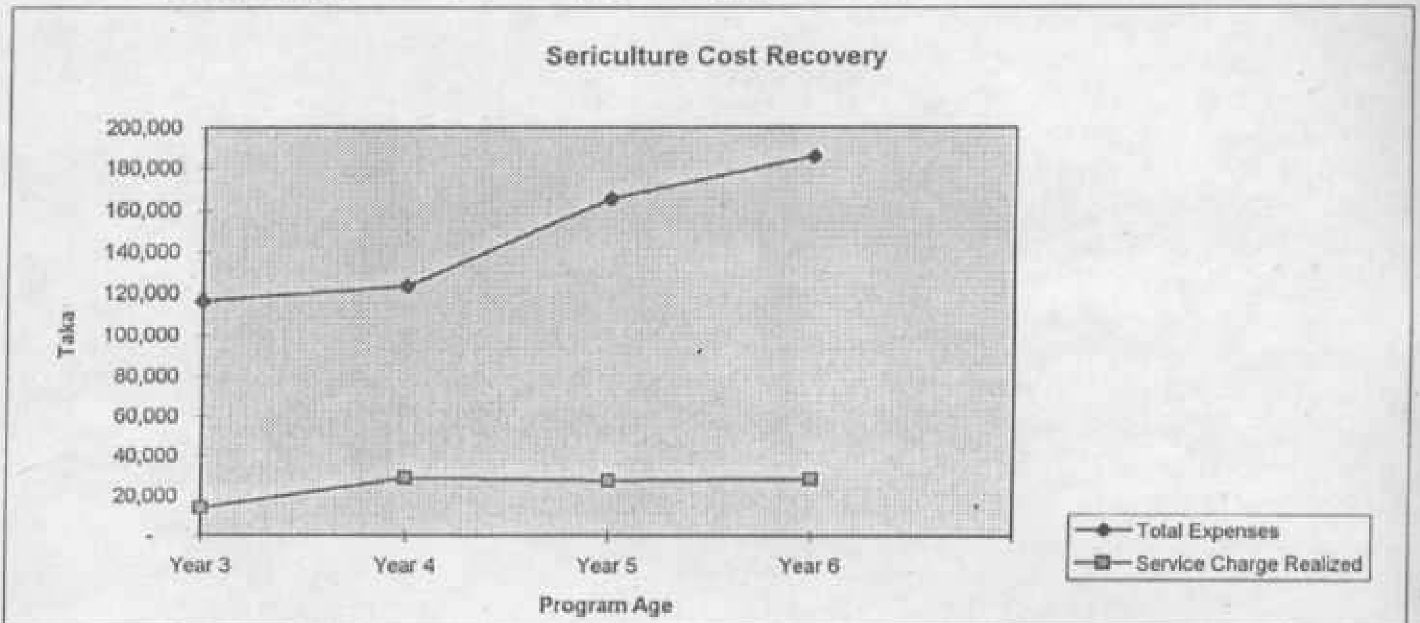


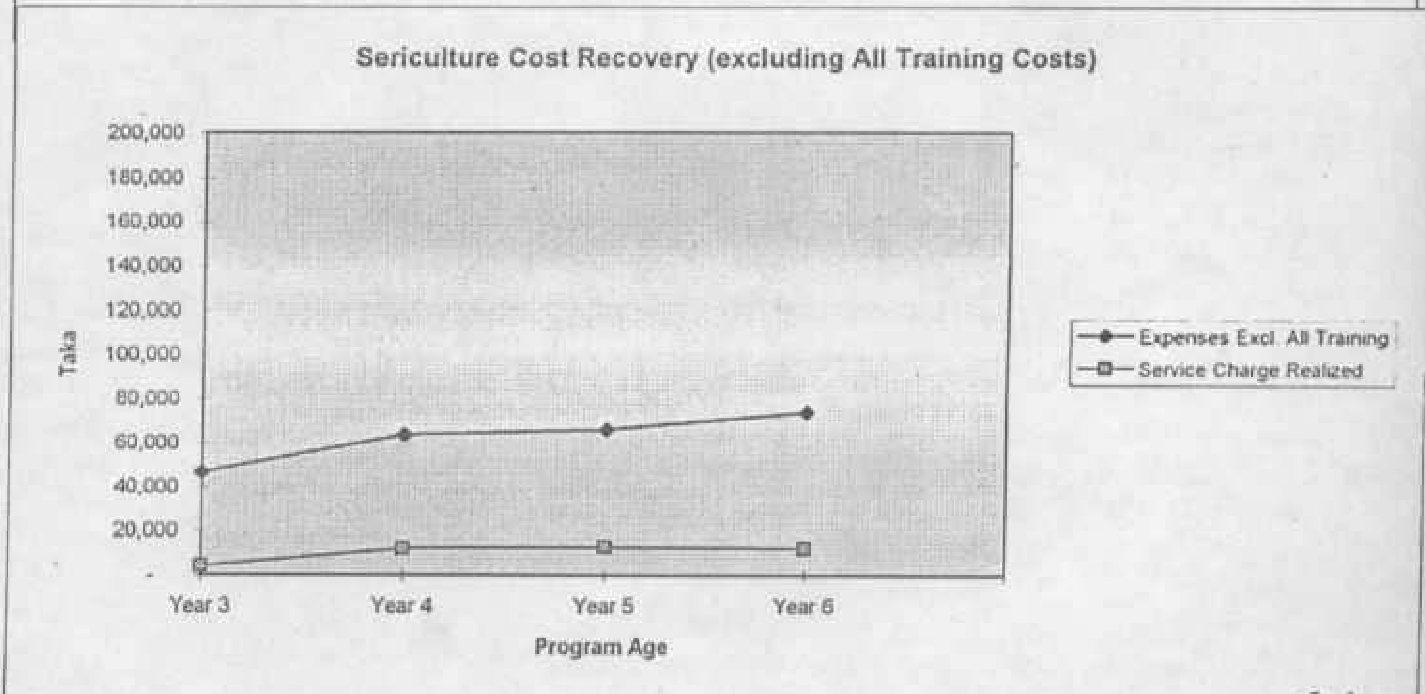
3c

SERICULTURE: Cost Recovery January - December 1995

Training Expenses = VO Training + 50% (Salaries+GS Salary+Staff Trng+T&T)

	(42)	(16)	(29)	(87)	(174)
	Year 3	Year 4	Year 5	Year 6	
Salary & Benefits	32,155	49,781	45,121	54,332	
PA Salary	39,527	59,544	65,782	73,818	
Travel & Transport	17,058	18,302	21,388	20,358	
Staff Training	4,758	5,895	2,943	6,522	
VO Trng	22,927	(10,185)	30,176	31,001	
	Year 3	Year 4	Year 5	Year 6	
Total Expenses	116,425	123,337	165,410	186,031	
Service Charge Realized	14,130	28,990	27,706	28,652	
% Cost Recovery	12%	24%	17%	15%	
	Year 3	Year 4	Year 5	Year 6	
Expenses Excl. All Training	46,749	63,814	66,146	74,254	
Service Charge Realized	4,324	12,091	12,718	12,167	
% Cost Recovery	9%	19%	19%	16%	





3d

Cost of Capital for PSE Investment						
	Available funds from inaccurate cost of capital					
PSE Capital Investment	1996	1997	1998	1999	2000	Total
Poultry Farms @ Tk 10 million						
#1		1.00	1.00	1.00	1.00	4.00
#2				1.00	1.00	2.00
#3					1.00	1.00
Feed Mills @ Tk 5.0 million						
#1		0.50	0.50	0.50	0.50	2.00
#2				0.50	0.50	1.00
#3					0.50	0.50
Prawn Hatcheries @ Tk 2.5 million						
#1-2		0.50	0.50	0.50	0.50	2.00
#3-4			0.50	0.50	0.50	1.50
#5				0.25	0.25	0.50
Seed Prod'n Centers @ Tk 30.0 million						
#1				3.00	3.00	6.00
Total Additional Funds Available to RDP IV	-	2.00	2.50	7.25	8.75	20.50

The RDP IV budget is inconsistent in respect to whether 8 additional grainages will be built in 2000. The capital investment line does not include them, however, the "Surplus/Deficit from PSE's" line item does assume 8 additional grainages operating in 2000.

To make RDP IV Budget Consistent:	1996	1997	1998	1999	2000	Total
Without 8 grainages						
Budgeted surplus from 8 Grainages that would not be built					(6.80)	(6.80)
Total funding adjustment (incl. above)	-	2.00	2.50	7.25	1.95	13.70

APPENDIX 5

SUMMARY OF PSE POULTRY FARM

Elements	Consumer/ Supplier Group	1996	1997	1998	1999	2000
Thousands of BRAC members (chick-rearers only)	BRAC Members	9.4	10.1	10.5	10.5	10.5
Demand for DOC's (in millions) by BRAC members[1]	BRAC Members	11.3	12.1	12.6	12.6	12.6
Suppliers of DOC's (in millions) to BRAC members [2]	GOB BRAC Private Farms Village Hatcheries Unsatisfied Total	3.0 0.4 1.1 2.5 4.3 11.3	3.0 1.2 2.8 2.5 2.6 12.1	2.1 1.8 6.2 2.5 0.0 12.6	1.1 2.1 6.9 2.5 0.0 12.6	1.1 2.1 6.9 2.5 0.0 12.6
Customers for PSE's chicks (in millions)	BRAC Non-BRAC Total	0.4 0.0 0.4	1.2 0.0 1.2	1.8 0.0 1.8	2.1 0.0 2.1	2.1 0.0 2.1
PSE Poultry Farm staffing	PSE (field) PSE (HO) Total	4 1 5	8 1 9	8 1 9	8 1 9	8 1 9
Number of PSE Poultry Farms		1	2	2	2	2
Funding Sources (in millions of taka)	Donors Other Total	15 0 15	15 0 15	0 0 0	0 0 0	0 0 0

A. Technical Constraints: Insufficient laboratory facilites (GOB-owned) are available to diagnose disease and prevent epidemics. Strict sanitary and preventive measures are essential for good poultry farms.

B. Management Constraints: Chicks must be delivered in a day or they will perish. Delivery during nation-wide strikes remains a big challenge. Close coordination between the Poultry Program and the Farms and efficient distribution system are the prerequisites.

C. Financial Constraints: BRAC foresees no financial constraints to achieving the production goals.

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1 Demand is 1,200 chicks per rearer per year.

2 Day-Old Chicks from the Savar Poultry Farm (not operated with RDP-IV funds) are included in 'BRAC Supply'. The 'Others Supply' comes from contracts with private poultry farms.

SUMMARY OF PSE FEED MILLS

Elements	Consumer/ Supplier Group	1996	1997	1998	1999	2000
Thousands of customers (all rearers)	BRAC Members	356	393	414	414	414
Demand for Feed (in thousand tons) by BRAC members[3]	BRAC Members	98.0	126.0	196.0	252.0	252.0
Suppliers of Feed to BRAC members (in thousands of tons)	GOB	0.0	0.0	0.0	0.0	0.0
	BRAC	1.5	8.7	12.2	15.7	16.6
	Feed Sellers	?	?	?	?	?
	Unsatisfied	?	?	?	?	?
	Total	98.0	126.0	196.0	252.0	252.0
Customers for PSE Poultry Feed (in thousands of tons)	BRAC	1.5	8.7	12.2	15.7	16.6
	Non-BRAC	0.0	0.0	0.0	0.0	0.0
	Total	1.5	8.7	12.2	15.7	16.6
PSE Feed Mill staffing	PSE (field)	11	22	22	22	22
	PSE (HO)	1	1	1	1	1
	Total	12	23	23	23	23
Number of PSE Feed Mills		1	2	2	2	2
Funding Sources (in Million Tk)	Donors	10	5	0	0	0
	Others	0	0	0	0	0
	Total	10	5	0	0	0

A. Technical Constraints: Inadequate laboratory facilities are available to test the nutritional value of the feed or ingredients. Occasional testing of ingredients abroad and at GOB-owned laboratories will suffice.

B. Management Constraints: With a short shelf-life (15 days), the feed needs to be delivered at short intervals to the poultry rearers. It demands close coordination between Poultry Program and Feed Mills and an efficient distribution system.

C. Financial Constraints: Major feed ingredients are seasonal. This means warehousing of large quantity of ingredients over long period and therefore a high working capital requirement. Periodic change of feed-formulae to use alternative ingredients can ease this difficultry.

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[3] More feed is required for rearers with greater numbers of Hybrid DOC. Assumption: 28 kg feed per year per bird for 3.5, 4.5, 7, 9, 9 million birds in 1996-2000.

SUMMARY OF PSE PRAWN HATCHERY

Elements	Consumer/ Supplier Group	1996	1997	1998	1999	2000
Thousands of customers (prawn nurserers)[4]	BRAC Members	0.2	0.5	0.9	1.3	1.4
Demand for Prawn Larvae (in millions) by BRAC members	BRAC Members	3.2	8.0	14.5	21.2	23.0
Suppliers of Prawn to BRAC members (in millions)	GOB BRAC Others Unsatisfied Total	0.0 2.2 0.3 0.7 3.2	0.0 4.5 1.9 1.6 8.0	0.0 8.0 3.6 2.9 14.5	0.0 13.0 3.9 4.3 21.1	0.0 14.5 3.9 4.6 23.0
Customers of BRAC Prawn Larvae (in millions)	BRAC Non-BRAC Total	2.2 0.3 2.5	4.5 0.5 5.0	8.0 1.0 9.0	13.0 1.5 14.5	14.5 1.5 16.0
PSE Prawn Hatchery staffing	PSE (field) PSE (HO) Total.	16 1 17	28 2 28	34 2 36	34 2 36	34 2 36
# of PSE Prawn Hatcheries		4	8	10	10	10
Funding Sources (in million Tk)	Donors Others Total	5 0 5	5 0 5	2.5 0 2.5	0 0 0	0 0 0

A. Technical Constraints: Prawn Larvae production is a new technology in Bangladesh. If there were a problem with disease, expert help would be difficult to find. Strict sanitary and other preventive measures are especially important.

B. Management Constraints: PL must be delivered quickly or they will perish. Delivery remains a crucial task during nation-wide strikes. BRAC addresses this by selling a small portion of its output to non-BRAC prawn nurserers near the hatcheries.

C. Financial Constraints: BRAC foresees no financial constraints to achieving the production goals.

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[4] Acres of nursery-pond are 65,160,290,425,458 in RDP IV plan. To calculate 'Demand', 80% of ponds are assumed to be productive and 50,000 PL are assumed to be needed per acre.

SUMMARY OF PSE SEED CENTER

Elements	Consumer/ Supplier Group	1996	1997	1998	1999	2000
Thousands of customers	BRAC Members	45	50	55	60	60
Demand for Seed (in tons) by BRAC members	BRAC Members	185	230	260	290	350
Suppliers of Seed (in tons) to BRAC members	GOB	132	120	100	80	50
	BRAC	7	30	55	90	120
	Others	5	60	90	100	150
	Local Supply	41	20	15	20	30
	Total	144	210	245	270	320
Customers for PSE Seed (in Tons) [5]	BRAC	7	30	55	90	120
	Non BRAC	0	0	0	0	0
	Total	7	30	55	90	120
PSE staffing	PSE (field)	12	25	36	40	40
	PSE (HO)	1	2	2	3	3
	Total	13	27	38	43	43
Number of PSE Seed Centers		0	1	1	2	2
Funding Sources (in million Tk)	Donors	0	5	10	10	5
	Others	0	0	0	0	0
	Total	0	5	10	10	5

A. Technical Constraints: Seed production is not well-developed in Banglades, and little scientific and technical back-up is available. International cooperation and overseas training are necessary to bridge the gap.

B. Management Constraints: BRAC foresees no management constraints to achieving the production goals.

C. Financial Constraints: BRAC foresees no financial constraints to achieving the production goals.

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[5] Production of seed through existing contract growing system is added to the production of Seed Centers.

SUMMARY OF PSE GRAINAGES

Elements	Consumer/ Supplier Group	1996	1997	1998	1999	2000
Thousands of Customers	BRAC Members	11.2	12.0	12.5	13.0	14.0
Demand for DFL (in mllions of layings) by BRAC Members	BRAC Members	2.8	3.6	4.4	5.2	5.6
Suppliers of DFL (in Millions of Layings) to BRAC members	GOB BRAC Others Total	1.90 1.10 0.04 3.04	1.9 1.7 0.0 3.6	0.0 4.4 0.0 4.4	0.0 5.2 0.0 5.2	0.0 5.6 0.0 5.6
Customers of PSE Grainage (in millions of layings	BRAC Non-BRAC[6] Total	1.1 0.0 1.1	1.7 0.0 1.7	4.4 0.4 4.8	5.2 3.4 8.6	5.6 5.0 5.6
PSE Grainage Staffing [7]	PSE (field) PSE (HO) Total	19 1 20	29 1 30	29 1 30	40 1 41	40 1 41
Number of Grainages		2	6	14	16	16
Funding sources (in million Tk)	Donors Others Total	5 0 5	30 0 30	50 0 50	5 0 5	0 0 0

A. Technical Constraints: Operation of grainages and P1, P2, P3 stations requires special training and specialized knowledge. Necessary scientific and technical support to this industry is not available in the country. International cooperation and overseas training are necessary to overcome the difficulty. Cooperation with China and India has been sought and developed.

B. Management Constraints: DFL must be delivered within 10 days of production. Readiness of the rearers and mulberry leaf production must be coordinated with DFL production. Accurate estimation of leaf production and coordination within sericulture have been the management challenges.

C. Financial Constraints: BRAC foresees no financial constraints to achieving the production goals.

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[6] An excess capacity is kept for possible expansion of sericulture program (vide RDP IV proposal page 81).

[7] BRAC already operates makeshift grainages and P-2 and P-3 facilities; staff will be shifted among them once the new grainage facilities are built.

SUMMARY OF PSE REELING CENTERS

Elements	Consumer/ Supplier Group	1996	1997	1998	1999	2000
Thousands of Cocoon producers	BRAC Members	11.2	12.0	12.5	13.0	14.0
Supply of cocoons fit for reeling (in tons) produced by BRAC Members[8]	BRAC Members	450	690	980	1250	1400
Consumption of cacoons (in tons)	GOB BRAC Others Handspun Total	0 150 100 200 450	0 200 150 340 690	0 330 200 450 980	0 870 150 230 1250	0 1150 100 150 1400
Sources of cacoons for PSE Reeling Centers (in tons)	BRAC Non-BRAC Total	150 0 150	200 0 200	330 0 330	870 0 870	1150 0 1150
PSE Reeling Center staff	PSE (field) PSE (HO) Total	4 1 5	5 1 6	9 2 11	11 2 13	11 2 13
Number of Reeling Centers		Existing	3	8	10	10
Funding sources (in millions Tk)	Donors Others Total	0 0 0	30 0 30	50 0 50	20 0 20	0 0 0

A. Technical Constraints: BRAC foresees no technical constraints to achieving the production goals.

B. Management Constraints: Reeling is highly seasonal because it is subject to the seasonality of the cacoons themselves. Shutdowns between seasons are expensive. Rotations of crop patterns have been planned to reduce this problem.

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[8] About 80% of cocoon produced is assumed to be fit for reeling; but less than that is actually reeled, and the rest is hand spun, rate of which vary with the demand of hand spun silk yarn.

APPENDIX 6

BRAC Loan Portfolio Analysis													
Sectorwise Principal Outstanding (RDP and RCP)													
	1995	1995	1995	1995	1996	1996	1996	1996	1996	1996	1996	1996	1996
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Taka (Million)	1,874	1,905	1,962	2,028	2,136	2,275	2,313	2,360	2,408	2,441	2,452	2,436	2,424
Agriculture	11%	10%	10%	11%	11%	11%	11%	11%	11%	11%	11%	10%	10%
Irrigation	4%	4%	4%	4%	3%	3%	3%	0%	0%	0%	0%	0%	0%
Fisheries	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	6%
Livestock and Poultr	7%	7%	8%	8%	8%	9%	9%	9%	9%	9%	9%	9%	9%
Cottage Industy	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%
Services	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Rural Transport	4%	4%	4%	4%	4%	4%	4%	4%	3%	3%	3%	3%	4%
Rural Trading	36%	36%	37%	38%	39%	39%	39%	41%	42%	42%	43%	43%	44%
Food Processing	19%	19%	18%	18%	18%	18%	18%	18%	18%	18%	18%	17%	17%
Health	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Miscellaneous	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Housing	8%	7%	7%	6%	6%	6%	6%	5%	5%	5%	5%	5%	5%
Baor	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Sericulture	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0%
NIBL	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
													rec: grsecpol1
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Total	1,874,014	1,905,276	1,962,543	2,028,594	2,136,073	2,275,258	2,312,921	2,360,109	2,408,305	2,440,989	2,452,292	2,435,612	2,424,155
Agriculture	199,752	197,717	203,896	215,818	231,454	247,177	256,348	267,876	266,621	263,054	258,332	251,200	242,372
Irrigation	76,813	76,721	75,103	76,569	73,634	73,639	73,450	9,188	3,487	3,463	3,170	3,021	2,995
Fisheries	85,257	92,070	96,584	101,776	103,516	105,231	107,048	111,143	116,699	123,643	128,630	132,206	135,892
Livestockand Poultry	138,351	141,958	157,429	156,506	164,874	198,898	199,181	211,809	217,838	220,843	223,182	223,575	219,826
Cottage Industry	40,935	38,512	36,688	35,954	36,861	37,772	38,122	39,351	39,736	39,345	38,510	36,094	35,249
Services	5,509	5,445	5,392	5,125	5,000	10,282	9,967	9,692	9,087	8,772	8,355	7,901	7,275
Rural Transport	71,925	73,329	73,984	74,874	77,122	80,344	81,143	84,130	83,792	82,761	83,736	84,062	85,314
Rural Trading	672,550	691,761	731,831	770,393	829,596	894,392	902,156	962,977	1,000,030	1,030,932	1,042,607	1,045,539	1,056,850
Food Processing	363,538	362,962	362,062	367,461	387,882	408,143	412,574	431,568	437,676	436,482	440,403	419,060	409,760
Health	2,045	1,924	1,834	1,838	1,841	1,902	2,142	2,341	2,497	2,736	3,230	3,516	3,687
Miscellaneous	13,102	13,554	14,210	14,527	15,684	16,640	20,913	19,872	21,928	21,409	21,239	21,055	20,041
Housing	140,701	138,526	135,122	131,115	129,271	128,988	128,800	129,156	128,885	128,823	126,349	124,307	120,915
Baor	12,057	13,578	16,829	16,808	17,045	17,585	17,623	17,408	16,998	16,408	16,547	16,524	16,646
Sericulture	21,242	18,705	16,442	13,563	13,644	13,531	13,561	13,238	13,087	12,852	12,503	12,223	11,853
NIBL	30,229	36,560	44,771	48,904	48,642	49,646	49,883	50,354	49,935	49,459	54,082	55,323	55,474

6

Brac APO Trends

APO	1995	1995	1995	1995	1996	1996	1996	1996	1996	1996	1996	1996	1996
All Sectors	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Past due													
0 payments	84%	84%	85%	90%	87%	86%	29%	42%	55%	66%	71%	73%	76%
0-4 payments	6%	5%	5%	3%	5%	6%	60%	44%	30%	20%	14%	12%	10%
5-12 payments	3%	3%	3%	2%	2%	3%	5%	7%	7%	6%	5%	5%	4%
13-25 payments	2%	2%	2%	1%	1%	1%	2%	2%	3%	4%	5%	5%	4%
26-50 payments	2%	2%	1%	1%	1%	1%	1%	1%	2%	2%	2%	3%	3%
>50 payments	3%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Total	100%	100%	98%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

rec:apotrends

APO	1995	1995	1995	1995	1996	1996	1996	1996	1996	1996	1996	1996	1996
All Sectors	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
TPO	1,874,014	1,905,276	1,962,543	2,028,594	2,136,073	2,275,258	2,312,921	2,360,109	2,408,305	2,440,989	2,452,292	2,435,612	2,424,155
Past due													
0 payments	1,568,959	1,600,169	1,663,811	1,821,290	1,862,392	1,960,792	680,417	1,000,761	1,327,975	1,614,994	1,740,543	1,766,096	1,833,122
0-4 payments	104,339	97,961	95,969	62,763	115,855	136,012	1,380,047	1,036,790	723,347	476,723	348,966	288,680	234,169
5-12 payments	65,443	66,378	59,054	37,227	43,787	57,981	115,400	166,427	174,406	140,420	128,229	124,309	101,739
13-25 payments	45,507	47,576	36,786	26,448	30,071	33,074	42,894	55,084	75,017	95,828	111,654	111,547	103,015
26-50 payments	32,337	32,752	14,170	19,109	21,862	24,552	29,951	33,643	41,160	46,462	51,379	65,049	79,964
>50 payments	57,427	60,438	48,849	61,734	62,102	62,844	64,208	65,400	66,396	66,559	70,719	73,929	75,143

Note: All NIBL is taken as greater than 50 payments overdue

rec:apotrend.xls

APPENDIX 7

7

Each sector's share of the total loan portfolio's risky loans (i.e. > 26 payments missed plus NIBL)

Note: all NIBL is assumed to have missed over 50 payments

	1995 Sep Tk > 26 missed paymts	% of > 26 missed payments (excl NIBL in each sector)	% of total portfolio	% of total NIBL + >26	Taka total NIBL plus > 26	1996 September Tk > 26 missed payments	% > 26 missed payments (exclu NIBL)	% of total portfolio	% of total NIBL + >26	Taka total NIBL plus > 26
Agriculture	2,540,515	3%	11%	4%	3,981	10,695,625	7%	10%	9%	13,899
Irrigation	4,822,924	5%	4%	7%	6,204	371,579	0%	0%	2%	3,268
Fisheries	3,387,905	4%	5%	4%	3,546	13,971,960	9%	6%	11%	16,283
Livestock&poultry	7,968,539	9%	7%	16%	14,669	8,383,446	6%	9%	12%	17,818
Cottage Industry	1,283,723	1%	2%	2%	1,586	1,457,182	1%	1%	2%	2,632
Services	19,321	0%	0%	0%	70	114,656	0%	0%	0%	172
Rural Transport	1,376,279	2%	4%	4%	3,173	1,187,602	1%	4%	2%	3,709
Rural Trading	11,174,343	12%	36%	19%	17,317	20,666,773	14%	44%	23%	35,406
Food Processing	7,133,828	8%	19%	13%	12,064	14,482,780	10%	17%	16%	23,912
Health	21,091	0%	0%	0%	41	37,803	0%	0%	0%	61
Miscellaneous	15,574	0%	1%	6%	5,266	258,885	0%	1%	1%	1,850
Housing	19,313,469	22%	8%	22%	20,002	23,828,499	16%	5%	19%	29,175
Baor	-	0%	1%	2%	1,486	763,165	1%	1%	1%	2,036
Sericulture	478,173	1%	1%	1%	1,041	424,225	0%	0%	1%	1,889
NIBL	30,229,148	34%	2%		30,229	55,474,376	36%	2%		110,948
Total	89,764,832	100%	100%	101%	89,765	152,118,556	100%	100%	100%	

The above table should be read as follows. Of the total "risky" loans that are over 26 payments past due and have NIBL, 4% of them fell within the agricultural sector in September 1995.
This is good because if "risky" loans were evenly spread throughout the portfolio, we would expect agriculture to have 11% of them since it constitutes 11% of the total principal outstanding.
It is evident from the above that Rural Trading loans have a disproportionatley high payment performance.
Housing, fisheries and livestock have a disproportionately poor payment performance.

rec:new26nibl

APPENDIX B

8

APPENDIX 9

DTW Project
Up to date Position
September 30, 1996

	Taka	Taka
Investment :		
Members (Taking Loan from BRAC)	75,999,316	
BRAC	64,932,175	
Total Investment		140,931,491
Add: Operating Loss		52,691,216
Instalment refund to VO members (SH)		2,432,684
		196,055,391
Less : Sale proceeds of DTW (560 Nos)		38,131,397
Net Investment		157,923,994
Adjustment :		
A. BRAC 's Own fund		
Operating Loss	52,691,216	
Special loan loss provision	14,993,853	
Total of A		67,685,069
B. RDP, Project fund :		
Interest Income on loan	17,857,903	
Special loan loss provision	14,993,853	
Loan loss provision (General reserve)	57,387,169	
Total of B		90,238,925
Total Adjusted (A+B)		157,923,994

APPENDIX 10

RDP/RCP MODEL BRANCH

Assumption vs. Actual

Note: Branch Operating Costs exclude Loan Loss Provision, HO Fund Interest and Interest on Member Deposits

Age	Characteristic	1989 Project Doc.	91/92 Rev,d Budget	1993 Internal Target	1994 Internal Target	1995 Internal Target	1996 Internal Target	1993 Actual	1994 Actual	1995 Actual	1996 September Actual
Y1	# of Members	2,500	2,500	2,500	3,200	3,200	3,200	3,333	3,122	2,421	2,337
	# of Loans	600	700	1,200	2,500	2,560	2,560	954	1,595	1,808	623
	Avg. Loan Size(Tk.)	1,600	1,600	1,200	1,500	1,611	1,563	1,705	2,045	2,138	2,089
	Yr. End O/S(,000Tk.)	612	679	851	2,053	2,258	2,400	1,317	2,483	2,703	1,245
	Interest Revenue	49	54					80	160	167	14
	Disbursement(,000Tk.)	960	1,120	1,440	3,750	4,125	4,000	1,627	3,262	3,867	1,302
	Savings(Own),000Tk. -This Year					320	288			451	192
	Savings(Com.),000Tk. -This Year					187	200			193	65
	Savings(Com.),000Tk. -Cum.					- -				202	65
	Branch Operating Exp.(,000Tk.)							679	643	770	396
Y2	# of Members	5,500	5,500	5,500	4,800	4,800	4,800	4,211	4,606	4,443	4,062
	# of Loans	1,400	1,800	2,500	3,000	3,840	3,840	2,282	2,795	3,243	2,659
	Avg. Loan Size(Tk.)	1,857	1,833	1,800	2,200	1,891	2,647	2,034	2,265	2,864	2,694
	Yr. End O/S(,000Tk.)	1,858	2,192	2,853	3,946	4,341	6,098	2,735	4,034	5,424	4,903
	Interest Revenue	198	230					367	590	988	617
	Disbursement(,000Tk.)	2,600	3,300	4,500	6,600	7,260	10,163	4,642	6,331	9,289	7,162
	Savings(Own),000Tk. -This Year					961	1,035			914	775
	Savings(Com.),000Tk. -This Year					330	508			464	358
	Savings(Com.),000Tk. -Cum.					- -				633	491
	Branch Operating Exp.(,000Tk.)							880	815	870	652
Y3	# of Members	6,000	6,000	6,000	6,000	6,000	6,000	5,070	5,752	4,238	4,769
	# of Loans	2,400	3,000	2,800	3,800	4,800	4,800	3,117	4,382	3,360	3,402
	Avg. Loan Size(Tk.)	2,100	2,100	2,500	2,600	2,246	2,844	2,241	2,366	3,337	3,282
	Yr. End O/S(,000Tk.)	3,832	4,475	4,815	6,063	6,669	8,189	4,345	5,987	6,569	7,215
	Interest Revenue	455	533					652	907	1,329	985
	Disbursement(,000Tk.)	5,040	6,300	7,000	9,800	10,780	13,649	6,986	10,368	11,213	11,166
	Savings(Own),000Tk. -This Year					1,296	1,232			922	765
	Savings(Com.),000Tk. -This Year					490	682			561	558
	Savings(Com.),000Tk. -Cum					- -				1,029	990
	Branch Operating Exp.(,000Tk.)							881	818	957	616

10a

Age	Characteristic	1989 Project Doc.	91/92 Rev,d Budget	1993 Internal Target	1994 Internal Target	1995 Internal Target	1996 Internal Target	1993 Actual	1994 Actual	1995 Actual	1996 September Actual
Y4	# of Members	6,000	6,000	6,000	6,000	6,000	6,000	5,491	5,947	5,375	5,610
	# of Loans	3,400	4,000	3,200	4,000	4,800	4,800	3,542	4,283	4,970	3,025
	Avg. Loan Size(Tk.)	2,394	2,443	2,800	3,100	2,807	3,755	2,594	2,781	3,323	3,829
	Yr. End O/S(,000Tk.)	6,457	7,306	6,493	7,937	8,625	10,815	6,347	7,008	10,000	8,720
	Interest Revenue	823	943					1,114	1,121	1,943	1,592
	Disbursement(,000Tk.)	8,140	9,770	8,960	12,425	13,475	18,025	9,188	11,910	16,514	11,583
	Savings(Own),000Tk. -This Year					1,440	1,290			1,355	875
	Savings(Com.),000Tk. -This Year					613	901			826	579
	Savings(Com.),000Tk. -Cum.					- -				1,624	1,757
	Branch Operating Exp.(,000Tk.)							1,034	884	979	834
Y5	# of Members	6,000	6,000	6,000	6,000	6,000	6,000	5,350	6,043	6,171	5,934
	# of Loans	4,000	5,000	3,500	4,000	4,800	4,800	3,540	4,297	4,907	4,176
	Avg. Loan Size(Tk.)	2,715	2,692	2,800	3,500	3,048	4,860	2,511	3,040	3,496	3,896
	Yr. End O/S(,000Tk.)	9,050	10,461	7,442	9,220	9,703	13,996	7,413	8,362	10,705	11,803
	Interest Revenue	1,241	1,421					1,208	1,532	2,095	2,293
	Disbursement(,000Tk.)	10,860	13,460	9,800	14,000	14,630	23,326	8,888	13,065	17,156	16,270
	Savings(Own),000Tk. -This Year					1,440	1,268			1,132	974
	Savings(Com.),000Tk. -This Year					665	1,166			858	814
	Savings(Com.),000Tk. -Cum.					- -				2,053	2,384
	Branch Operating Exp.(,000Tk.)							1,125	980	1,025	761
Y6	# of Members	6,000	6,000	6,000	6,000	6,000	6,000	5,549	6,000	6,315	6,059
	# of Loans	4,000	5,000	3,500	4,500	4,800	4,800	3,355	3,854	4,476	3,756
	Avg. Loan Size(Tk.)	3,130	2,910	3,000	3,600	3,208	4,879	3,113	3,065	3,739	4,007
	Yr. End O/S(,000Tk.)	10,949	11,666	8,131	10,640	10,426	14,050	8,968	8,556	11,050	12,045
	Interest Revenue	1,600	1,770					1,691	1,648	2,252	2,110
	Disbursement(,000Tk.)	12,523	13,750	10,500	16,200	15,400	23,417	10,445	11,813	16,734	15,050
	Savings(Own),000Tk. -This Year					1,440	1,293			1,251	819
	Savings(Com.),000Tk. -This Year					700	1,170			837	753
	Savings(Com.),000Tk. -Cum.					- -				2,596	2,806
	Branch Operating Exp.(,000Tk.)							1,221	1,156	1,123	721

Age	Characteristic	1989 Project Doc.	91/92 Rev,d Budget	1993 Internal Target	1994 Internal Target	1995 Internal Target	1996 Internal Target	1993 Actual	1994 Actual	1995 Actual	1996 September Actual
Y7	# of Members	6,000	6,000	6,000	6,000	6,000	6,000	5,493	5,755	6,350	6,284
	# of Loans	4,000	5,000	3,500	4,800	4,800	4,800	3,599	3,772	3,923	3,542
	Avg. Loan Size(Tk.)	3,395	3,230	3,100	3,750	3,609	4,707	3,119	3,587	3,683	4,163
	Yr. End O/S(,000Tk.)	12,223	12,954	8,523	12,056	11,685	13,557	9,201	9,558	10,824	11,562
	Interest Revenue	1,854	1,969					1,696	1,837	2,185	1,986
	Disbursement(,000Tk.)	13,580	15,050	10,850	18,000	17,325	22,595	11,227	13,532	14,447	14,747
	Savings(Own),000Tk. -This Year					1,440	1,295			1,030	768
	Savings(Com.),000Tk. -This Year					788	1,129			722	737
	Savings(Com.),000Tk. -Cum					- -				2,808	3,333
	Branch Operating Exp.(,000Tk.)							1,206	1,126	1,247	736
	(Exl. Loan Loss Provision and HO Fund Interest)										
Y8	# of Members	6,000	6,000	6,000	6,000	6,000	6,000	5,799	5,891	6,027	6,326
	# of Loans	4,000	5,000	3,500	4,800	4,800	4,800	2,878	4,203	4,092	3,177
	Avg. Loan Size(Tk.)	3,500	3,430	3,200	4,200	3,919	4,293	2,734	3,919	4,093	3,951
	Yr. End O/S(,000Tk.)	12,879	13,760	8,839	13,461	12,760	12,363	9,486	11,302	12,406	11,249
	Interest Revenue	2,008	2,137					1,753	2,039	2,455	1,797
	Disbursement(,000Tk.)	14,000	15,750	11,200	20,160	18,810	20,605	7,868	16,473	16,748	12,553
	Savings(Own),000Tk. -This Year					1,440	1,272			1,158	708
	Savings(Com.),000Tk. -This Year					855	1,030			837	628
	Savings(Com.),000Tk. -Cum					- -				3,567	3,436
	Branch Operating Exp.(,000Tk.)							1,236	1,050	1,259	792
	(Exl. Loan Loss Provision and HO Fund Interest)										
Y9	# of Members	6,000	6,000	6,000	6,000	6,000	6,000	NA	6,162	6,145	5,853
	# of Loans	4,000	5,000	3,500	4,800	4,800	4,800	NA	3,279	4,186	2,814
	Avg. Loan Size(Tk.)	3,500	3,430	3,200	4,600	4,125	4,776	NA	3,586	4,498	4,430
	Yr. End O/S(,000Tk.)	12,879	13,760	8,839	14,859	13,531	13,755	NA	9,766	13,998	12,058
	Interest Revenue								1,811	2,827	2,264
	Disbursement(,000Tk.)	14,000	15,750	11,200	22,000	19,800	22,925	NA	11,759	18,830	12,467
	Savings(Own),000Tk. -This Year					1,440	1,105			1,386	726
	Savings(Com.),000Tk. -This Year					900	1,146			941	623
	Savings(Com.),000Tk. -Cum					-				4,138	4,191
	Branch Operating Exp.(,000Tk.)					-			1,056	1,091	844

Age	Characteristic	1989 Project Doc.	91/92 Rev,d Budget	1993 Internal Target	1994 Internal Target	1995 Internal Target	1996 Internal Target	1993 Actual	1994 Actual	1995 Actual	1996 September Actual
Y10	# of Members					6,000	6,000			6,526	6,027
	# of Loans					4,800	4,800			3,824	2,848
	Avg. Loan Size(Tk.)					4,125	5,496			3,908	4,909
	Yr. End O/S(,000Tk.)					13,712	15,828			12,587	14,072
	Interest Revenue									2,130	2,390
	Disbursement(,000Tk.)					19,800	26,380			14,946	13,981
	Savings(Own),000Tk. -This Year					1,440	1,233			1,071	892
	Savings(Com.),000Tk. -This Year					900	1,319			747	699
	Savings(Com.),000Tk. -Cum.									3,448	4,837
	Branch Operating Exp.(,000Tk.)									1,112	754
Y11	# of Members						6,000				6,441
	# of Loans						4,800				3,455
	Avg. Loan Size(Tk.)						4,604				4,224
	Yr. End O/S(,000Tk.)						13,260				13,650
	Interest Revenue										1,969
	Disbursement(,000Tk.)						22,100				14,596
	Savings(Own),000Tk. -This Year						1,000				798
	Savings(Com.),000Tk. -This Year						1,105				730
	Savings(Com.),000Tk. -Cum.										4,177
	Branch Operating Exp.(,000Tk.)										821

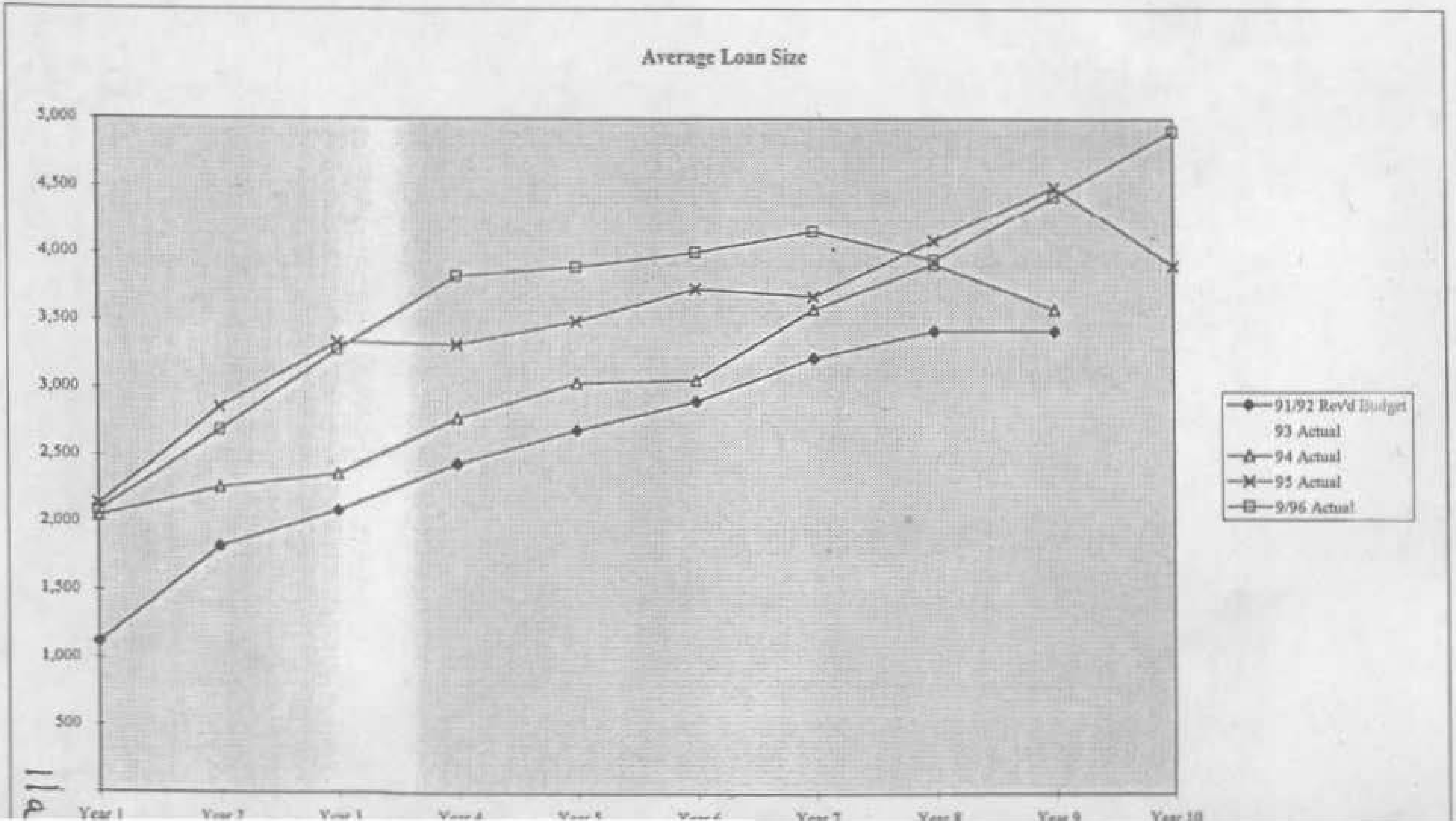
NA: Not Applicable

APPENDIX 11

AVERAGE LOAN SIZE by BRANCH AGE: Budgets v. Actual Performance

(Tk)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
89 Proj Document	1,600	1,857	2,100	2,394	2,715	3,130	3,395	3,500	3,400		
91/92 Rev'd Budget	1,120	1,833	2,100	2,443	2,692	2,910	3,230	3,430	3,430		
93 Actual	1,705	2,034	2,241	2,594	2,511	3,113	3,119	2,734			
94 Actual	2,045	2,265	2,366	2,781	3,040	3,065	3,587	3,919	3,586		
95 Actual	2,138	2,864	3,337	3,323	3,496	3,739	3,683	4,093	4,498	3,908	
9/96 Actual	2,089	2,694	3,282	3,829	3,896	4,007	4,163	3,951	4,430	4,909	4,224

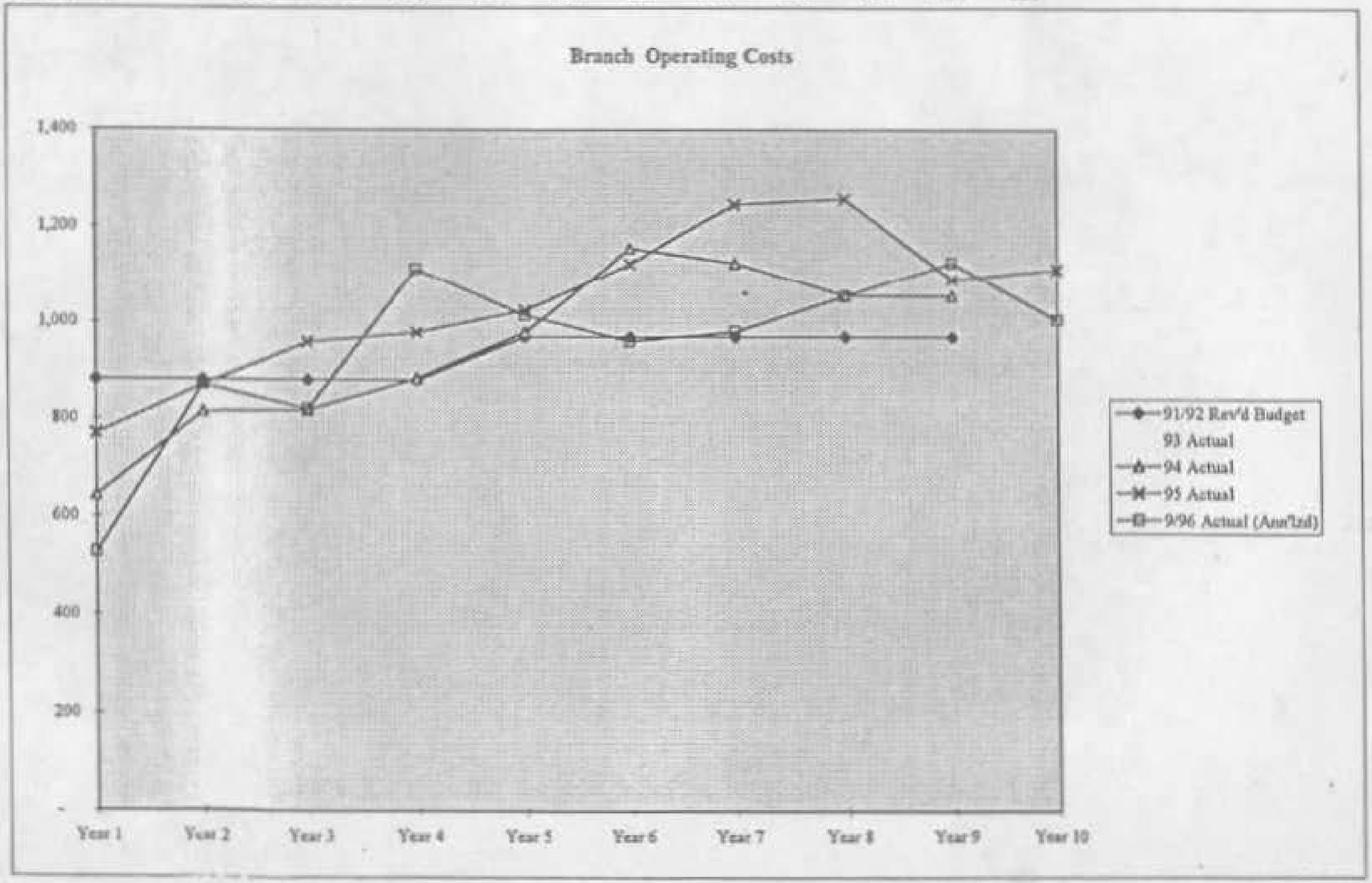


BRANCH OPERATING COST by BRANCH AGE: Budgets v. Actual Performance

(incl. Salaries, Travel, Util., Stat., Maint., Staff Trg, Depr., Int. on Svgs, RM/HO costs-- not Loan Loss Prov'n or 9% HO Fund)

(Tk 000)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
89 Proj Document	899	899	899	899	899	899	899	899	899		
91/92 Rev'd Budget	880	880	880	880	970	970	970	970	970		
93 Actual	679	880	881	1,034	1,125	1,221	1,206	1,236			
94 Actual	643	815	818	884	980	1,156	1,126	1,056	1,056		
95 Actual	770	870	959	979	1,025	1,123	1,247	1,259	1,091	1,112	
9/96 Actual (Ann'lzd)	528	869	821	1,112	1,015	961	981	1,056	1,125	1,005	1,095
9/96 Actual	396	652	616	834	761	721	736	792	844	754	821

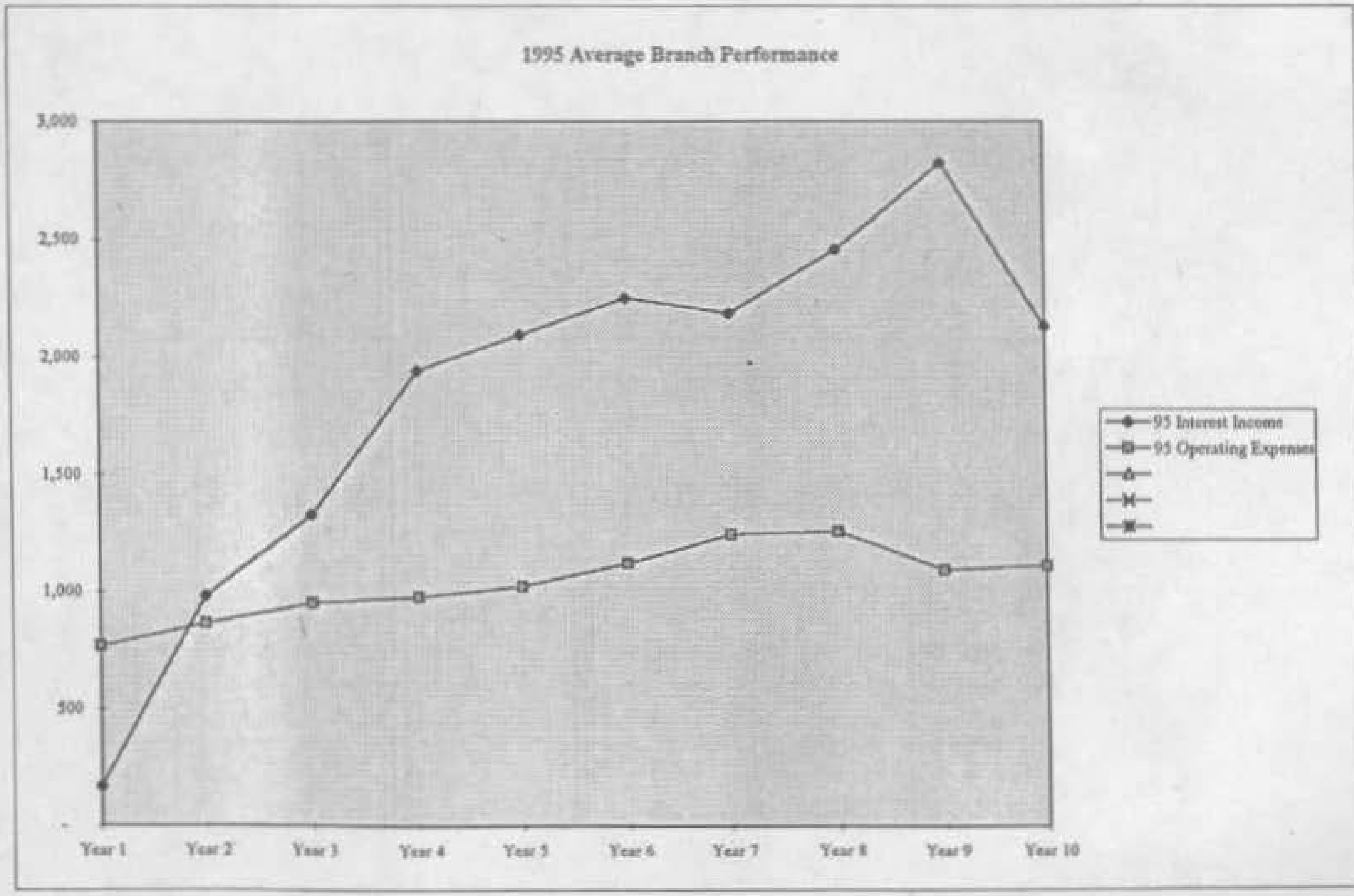


1995 AVERAGE BRANCH PERFORMANCE by BRANCH AGE: Income v. Operating Expenses

(incl. Salaries, Travel, Util., Stat., Maint., Staff Trg, Depr., Int. on Svgs, RM/HO costs-- not Loan Loss Provision or 9% HO Fund)

(Tk 000)

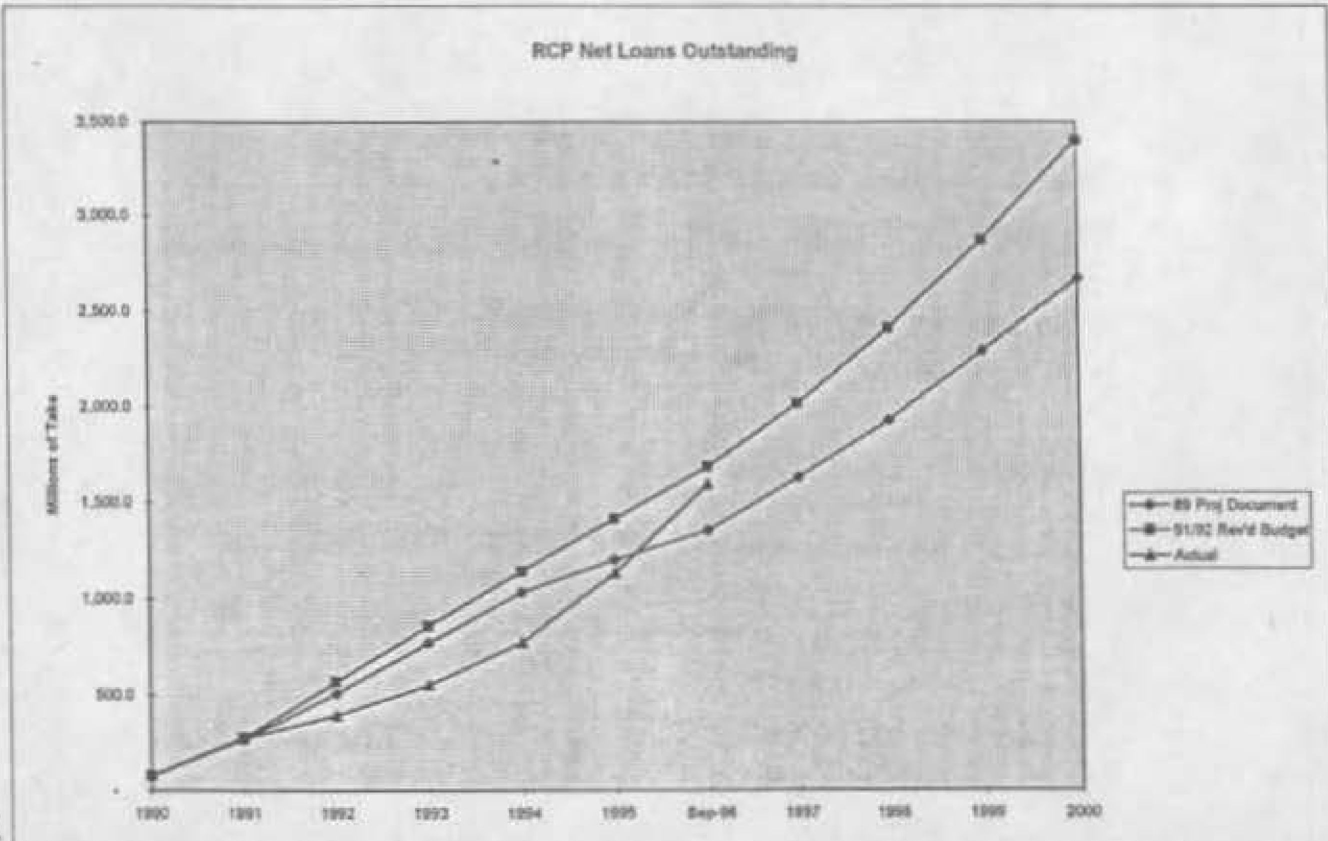
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	22%	114%	139%	198%	204%	201%	175%	195%	259%	192%
95 Interest Income	168	988	1,330	1,943	2,095	2,252	2,185	2,456	2,827	2,130
95 Operating Expenses	770	870	957	979	1,025	1,123	1,247	1,259	1,091	1,112



RCP NET LOANS OUTSTANDING: Budgets v. Actual Performance

(Tk Millions)

	1990	1991	1992	1993	1994	1995	Sep-96	1997	1998	1999	2000
89 Proj Document	76.0	268.0	509.0	770.5	1,032.8	1,204.3	1,357.3	1,633.5	1,931.6	2,292.0	2671.4
91/92 Rev'd Budget	81.7	275.0	568.2	858.5	1,144.0	1,417.7	1,687.7	2,017.5	2,411.6	2,870.0	3398.1
Actual	81.7	272.5	394.0	552.6	774.1	1,134.0	1,597.4				



Big HBAC Model 07-Dec-96
In millions of taka
File Name:HCPM61.wk1

	Actual 1990	Actual 1991	Actual 1992	Actual 1993	Actual 1994	Actual 1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS																					
Cash	2.3	2.9	5.5	6.3	21.2	22.2	19.7	22.5	26.1	30.3	32.8	37.7	40.5	43.2	45.9	48.4	50.9	53.3	55.8	58.2	60.6
Investments	90.4	289.2	550.5	599.3	406.9	248.5	281.3	286.5	225.0	165.7	362.2	500.2	820.0	1242.6	1638.6	2024.5	2446.0	2809.9	3326.2	3518.4	3870.3
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 0%	0.0	0.0	0.0	31.8	50.2	121.5	150.0	120.0	90.0	60.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory deposits 5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	4.2	79.4	15.9	38.8	58.1	35.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One Year Loans	59.7	204.9	297.1	587.0	808.3	1213.3	1384.0	1604.5	2073.7	2592.7	2827.2	3153.4	3175.7	3136.1	3098.6	3070.5	2996.4	2986.6	2984.5	2983.7	2983.3
Medium/Long Term Loans	25.4	86.3	127.3	18.2	51.6	63.9	42.8	49.6	64.1	80.2	87.4	97.5	98.2	97.0	95.8	95.0	92.7	92.4	92.3	92.3	92.3
Total Loans	85.1	297.2	424.5	605.2	859.9	1277.1	1426.8	1654.2	2137.8	2672.9	2914.6	3250.9	3273.9	3233.0	3194.4	3165.9	3089.1	3078.9	3076.8	3076.0	3075.6
Less Loan Loss Reserve	-3.4	-14.8	-30.5	-52.6	-85.7	-142.8	-139.9	-193.0	-261.8	-347.8	-441.2	-545.6	-650.8	-754.2	-856.5	-957.8	-1056.4	-1155.2	-409.1	-1352.3	-1451.0
Net Loans	81.7	272.5	394.0	552.6	774.2	1134.3	1286.9	1461.2	1876.0	2325.1	2473.4	2705.3	2623.1	2478.8	2338.0	2208.1	2032.7	1923.8	2667.7	1723.7	1624.6
Housing loan	0.0	0.0	0.0	0.0	0.0	0.0	120.0	150.0	170.0	200.0	220.0	260.0	280.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Fixed Assets	13.2	38.4	49.8	114.9	213.5	228.4	240.7	261.3	291.6	325.3	352.4	378.5	389.5	409.1	432.8	448.6	464.4	467.5	467.5	467.5	467.5
Less Depreciation	-1.7	-4.1	-8.5	-13.0	-19.0	-30.7	-41.5	-53.1	-66.2	-81.1	-96.9	-113.9	-130.9	-147.9	-164.9	-181.9	-198.9	-215.9	-232.9	-249.9	-266.9
Net Fixed Assets	11.5	34.3	41.3	101.8	194.5	197.7	199.2	208.2	225.4	244.3	255.5	264.6	258.6	261.2	268.0	266.7	265.5	251.6	234.6	217.6	200.6
TOTAL ASSETS	198.5	678.5	1027.3	1330.6	1505.0	1760.7	1967.1	2248.4	2612.5	3025.3	3385.0	3767.0	4052.2	4325.8	4590.4	4847.7	5095.1	5330.6	5584.3	5827.5	6064.0
LIABILITIES																					
Net Members own contribution	17.7	69.2	96.7	101.9	200.5	385.7	326.7	418.4	552.9	699.4	796.0	905.1	938.5	965.2	986.5	1003.4	1017.1	1028.1	1036.8	1043.7	1049.4
Net Group Tax Deposits	5.5	24.7	46.7	61.1	83.1	38.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	6.1	27.9	37.9	85.0	96.6	139.2	424.8	563.7	762.9	1004.3	1230.3	1484.8	1695.1	1902.1	2106.5	2309.2	2506.5	2703.0	2901.0	3098.3	3295.5
Net Total Deposits	29.3	121.8	181.3	248.1	380.2	562.9	751.5	982.1	1315.7	1703.7	2027.1	2389.9	2633.6	2867.3	3093.0	3312.7	3523.6	3731.8	3937.8	4142.0	4345.0
TOTAL LIABILITIES	29.3	121.8	181.3	248.1	380.2	562.9	751.5	982.1	1315.7	1703.7	2027.1	2389.9	2633.6	2867.3	3093.0	3312.7	3523.6	3731.8	3937.8	4142.0	4345.0
Current liabilities	4.7	15.4	37.8	55.4	46.5	30.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HBAC Loan	167.7	528.3	753.3	940.2	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rtained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	0.0	-5.2	12.8	54.7	86.7	137.8	216.4	275.2	325.8	356.3	381.1	417.1	456.7	476.7	516.0	554.0	591.0	626.7	661.2	700.0	738.2
Current Net Profit/Loss	-5.2	18.0	41.9	32.0	51.1	78.4	58.7	50.6	30.5	24.8	36.0	39.3	40.0	39.2	38.1	37.0	35.7	34.5	38.8	38.2	32.7
Stock holder equity	-5.2	12.8	54.7	86.7	137.8	216.4	275.2	325.8	356.3	381.1	417.1	456.7	476.7	516.0	554.0	591.0	626.7	661.2	700.0	738.2	770.9
TOTAL LIABILITIES AND CAPITAL	198.5	678.3	1027.1	1330.3	1505.0	1750.4	1967.1	2248.4	2612.5	3025.2	3384.7	3767.1	4050.8	4323.7	4587.5	4844.1	5090.8	5333.5	5578.3	5820.4	6056.3

APPENDIX 12

12a

INCOME STATEMENT	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
INTEREST REVENUE											
Investment Income	1.8	21.3	36.0	51.9	42.2	28.9	29.2	28.3	27.7	20.4	23.5
Loan interest income	8.7	40.0	89.7	109.5	159.2	278.6	302.7	343.5	417.2	525.1	599.8
Interest on Housing loan 6%	0.0	0.0	0.0	0.0	0.0	0.0	3.9	8.4	9.6	11.1	12.9
TOTAL INTEREST REVENUE	10.5	61.3	125.7	161.3	201.4	307.6	335.7	380.2	454.4	556.7	636.2
INTEREST EXPENSE											
Interest on deposits	1.5	0.0	17.4	21.2	15.9	28.1	39.4	52.0	68.9	90.6	111.9
Interest on Debenture/loan	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INTEREST EXPENSE	4.2	0.0	17.4	21.2	15.9	28.1	39.4	52.0	68.9	90.6	111.9
NET INTEREST INCOME	6.3	55.3	108.3	140.1	185.5	279.4	296.3	328.2	385.5	466.1	524.3
OPERATING EXPENSES											
Branch operating expenses	7.2	34.2	45.4	77.1	90.9	127.5	151.2	182.8	235.1	292.8	327.1
Regional operating expenses	0.7	1.6	5.0	5.4	4.8	12.8	9.6	11.3	14.5	18.1	20.2
Head office operating expense	0.3	2.3	2.7	2.3	4.7	6.9	4.7	5.2	6.2	6.8	7.7
Branch depreciation	0.4	1.1	1.9	2.1	4.4	6.6	7.0	7.3	7.8	8.5	8.8
Regional office depreciation	0.0	0.2	0.3	0.3	0.5	0.2	2.9	3.8	4.4	5.5	6.1
Head office depreciation	0.2	0.3	0.9	0.9	1.2	0.9	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	1.6	4.9	7.9	15.4	24.3	42.2	45.8	53.1	68.9	86.0	93.4
Staff Training	0.1	0.7	2.2	3.6	1.8	2.6	11.4	13.5	17.3	21.6	24.1
TOTAL OPERATING EXPENSE	11.5	25.3	66.4	108.1	134.4	200.8	237.6	277.6	355.0	441.2	488.2
NET OPERATING PROFIT (LOSS)	-5.2	18.0	41.9	32.0	51.1	78.6	58.7	50.6	30.5	24.8	36.1
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	-5.2	18.0	41.9	32.0	51.1	78.6	58.7	50.6	30.5	24.8	36.1
KEY RATIOS											
Total Deposits to Total Asset	13%	18%	18%	19%	25%	32%	38%	44%	50%	56%	60%
Total Loans to Total Deposits	379%	224%	217%	223%	204%	202%	189%	164%	254%	148%	133%
Investments/Total Deposits	334%	237%	304%	242%	107%	44%	34%	29%	17%	10%	10%
External Debt/Tot. Investment	202%	225%	170%	190%	325%	606%	952%	671%	1002%	1395%	819%
Total capital/Total Liabiliti	-10%	11%	30%	35%	36%	30%	37%	32%	27%	22%	21%
Total capital/Assets	-3%	7%	5%	7%	9%	12%	14%	14%	14%	13%	12%
(Capital+RDAC)/Assets	83%	80%	79%	77%	72%	66%	62%	56%	50%	44%	40%
Liquid assets/Total liabiliti	8%	7%	3%	3%	6%	4%	3%	7%	7%	7%	7%
Interest Income/Total Assets	5.3%	9.0%	12.7%	12.1%	13.4%	17.5%	17.1%	16.9%	17.4%	18.4%	18.8%
Interest Expense/Total Assets	2.1%	1.2%	1.7%	1.6%	1.1%	1.6%	2.0%	2.3%	2.6%	3.0%	3.3%
Net Interest Margin	3.2%	7.9%	10.3%	10.5%	12.3%	15.9%	15.1%	14.6%	14.8%	15.4%	15.5%
Operating Expense/Total Asset	5.8%	5.2%	6.5%	8.1%	8.9%	11.4%	12.1%	12.3%	12.6%	14.6%	14.4%
Net Profit/Total Assets	-2.6%	2.7%	4.1%	2.4%	3.4%	4.3%	3.0%	2.3%	1.2%	0.8%	1.2%

INCOME STATEMENT	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
INTEREST REVENUE										
Investment Income	24.5	53.7	82.9	115.2	146.5	178.8	210.2	205.4	234.2	296.2
Loan interest income	647.3	666.1	637.7	602.1	568.3	530.1	494.6	573.9	540.9	418.5
Interest on Housing loan 6%	14.7	16.8	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL INTEREST REVENUE	696.5	736.1	738.6	735.3	732.8	726.9	722.8	797.4	801.1	732.8
INTEREST EXPENSE										
Interest on deposits	132.5	150.7	165.0	178.8	192.2	205.1	217.7	230.1	242.4	254.6
Interest on Debenture/loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INTEREST EXPENSE	132.5	150.7	165.0	178.8	192.2	205.1	217.7	230.1	242.4	254.6
NET INTEREST INCOME	564.0	585.4	573.6	556.5	540.6	521.8	505.1	567.3	558.7	478.2
OPERATING EXPENSES										
Branch operating expenses	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9
Regional operating expenses	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Head office operating expense	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Branch depreciation	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Regional office depreciation	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Head office depreciation	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	104.6	105.2	103.5	102.2	101.4	98.6	98.6	98.6	98.6	98.6
Staff Training	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9
TOTAL OPERATING EXPENSE	544.4	545.7	534.3	520.4	503.3	486.0	470.3	529.4	520.4	485.4
NET OPERATING PROFIT (LOSS)	19.6	40.1	39.3	38.2	37.1	35.8	34.6	38.9	38.3	32.8
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	19.6	40.1	39.3	38.2	37.1	35.8	34.6	38.9	38.3	32.8
KEY RATIOS										
Total Deposits to Total Asset	63%	65%	66%	67%	68%	69%	70%	71%	71%	72%
Total Loans to Total Deposits	124%	111%	97%	85%	76%	66%	60%	75%	49%	44%
Investments/Total Deposits	21%	32%	42%	53%	61%	69%	75%	59%	85%	89%
External Debt/Tot. Investment	664%	431%	306%	246%	210%	183%	166%	210%	144%	136%
Total capital/Total Liabiliti	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Total capital/Assets	12%	12%	12%	12%	12%	12%	12%	13%	13%	13%
(Capital+RDAC)/Assets	37%	35%	34%	33%	33%	31%	30%	29%	29%	28%
Liquid assets/Total liabiliti	7%	7%	7%	1%	1%	1%	1%	1%	1%	1%
Interest Income/Total Assets	18.5%	18.2%	17.1%	16.0%	15.1%	14.3%	13.5%	14.3%	13.7%	12.1%
Interest Expense/Total Assets	3.5%	3.7%	3.8%	3.9%	4.0%	4.0%	4.1%	4.1%	4.2%	4.2%
Net Interest Margin	15.0%	14.4%	13.3%	12.1%	11.3%	10.3%	9.5%	10.2%	9.6%	7.9%
Operating Expense/Total Asset	14.4%	13.5%	12.4%	11.3%	10.4%	9.5%	8.8%	9.5%	8.9%	7.3%
Net Profit/Total Assets	0.52%	0.99%	0.91%	0.83%	0.76%	0.70%	0.63%	0.70%	0.66%	0.54%

ASSUMPTIONS TABLE	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
New BCP Branches	18	20	20	19	21	30	29	25	47	53	30	35	0	0	0	0	0	0			

Input Disb Growth : 100%
(100% = Table 2 base case)

Branch Operating Cost Inflatn 0%
(100% = Table 9 base case)

Allowance per VO per Year 0

Annual Inflation 0%

BRAC Loan : 0%
(Additional BRAC Investment in 1996
(connects to Balance Sheet)

% Rate on BRAC Loan : 0%
(connects to Income Statement)

% Rate on Deposits : 6%
(connects to Income Statement)

% Rate of Interest on Investm 8%
(connects to Income Statement)

% Rate of Interest on Loan : 35%
(connects to Income Statement)

Withdrawal Rate (Bch Yr 5 +) : 20%
Withdrawal Rate (Bch Yr 1-4) : 10%
(for Group Tax and Forced Savings: Table 3)
Savings Rate 80%
(for Own Savings: Table 5)
Taka/wk 3.74 From 1995
(for Own Savings: Table 5)

Taka/wk 2 From 1996
(for Own Savings: Table 5)

BCP branches lease the Land & 327 million
Building from 1996

Loan Loss Reserve (Table 6)
Method 1 or Method 2? 1
Method 1 = % Disb = 3%
Method 2 = Max % O/S = 5%

MODEL BRANCH		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20	
Term Mix:	Long	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
	Medium	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
	Short	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%

12c

Big BRAC Model 07-Dec-96
In millions of taka
File Name:RCP962.wk1

	Actual 1990	Actual 1991	Actual 1992	Actual 1993	Actual 1994	Actual 1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
ASSETS																				
Cash	2.3	2.9	3.5	6.3	21.2	25.2	20.2	25.3	27.4	32.0	36.1	40.3	43.9	47.3	50.3	53.4	56.1	59.2	62.2	65.1
Investments	98.4	289.2	550.5	599.3	456.9	248.2	96.1	216.0	153.7	101.2	336.4	588.0	899.3	1377.0	1838.0	2286.1	2772.9	3194.5	3631.4	4033.3
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	0.0	0.0	0.0	31.0	50.2	121.5	150.0	120.0	90.0	60.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory deposits 5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	4.3	79.4	15.9	38.9	58.1	35.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One Year Loans	59.7	201.0	297.1	587.0	808.3	1212.2	1522.4	1765.0	2281.0	2852.0	3109.9	3468.0	3493.2	3449.7	3408.3	3378.0	3296.1	3235.1	3203.0	3232.1
Medium/Long Term Loans	25.6	86.2	127.3	18.3	51.6	62.9	47.1	54.6	70.5	88.2	96.2	107.3	108.0	106.7	105.4	104.5	101.9	101.6	101.5	101.5
Total Loans	85.3	287.2	424.5	605.3	859.9	1277.1	1569.3	1819.6	2351.6	2940.2	3206.1	3574.0	3601.3	3556.3	3513.9	3482.5	3398.0	3336.8	3304.5	3333.6
Less Loan Loss Reserve	-3.6	-14.8	-30.5	-52.6	-85.7	-142.8	-148.3	-206.9	-282.6	-377.2	-480.0	-594.8	-710.6	-824.3	-936.7	-1048.2	-1156.7	-1265.2	-409.2	-1482.2
Net Loans	81.7	272.5	394.0	552.6	774.2	1134.3	1421.0	1612.7	2069.0	2563.0	2726.1	2981.3	2890.9	2732.1	2577.2	2434.3	2241.3	2121.6	2975.4	1901.4
Housing loan	0.0	0.0	0.0	0.0	0.0	0.0	130.0	150.0	170.0	200.0	220.0	260.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Fixed Assets	13.2	38.6	69.8	114.9	213.3	228.4	240.7	261.3	291.6	325.3	352.4	378.5	389.5	409.1	432.0	448.6	464.4	467.5	467.5	467.5
Less Depreciation	-1.7	-4.1	-8.3	-13.0	-19.0	-30.7	-43.5	-53.1	-66.2	-81.1	-96.9	-113.9	-130.9	-147.9	-164.9	-181.9	-198.9	-215.9	-232.9	-249.9
Net Fixed Assets	11.5	34.5	61.5	101.8	194.5	197.7	197.2	208.2	225.4	244.2	255.5	264.6	258.6	261.2	268.0	266.7	265.5	251.6	234.6	217.6
TOTAL ASSETS	198.5	678.5	1027.3	1330.6	1505.0	1760.7	2016.3	2330.3	2737.5	3202.5	3614.3	4055.2	4392.7	4718.3	5033.5	5340.5	5636.1	5927.0	6223.6	6517.5
LIABILITIES																				
Net Members own contribution	17.3	69.2	96.7	101.9	200.5	385.7	344.8	443.8	587.8	744.1	847.7	962.9	998.4	1036.8	1049.4	1067.5	1082.0	1093.7	1103.0	1110.5
Net Group Tax Deposits	5.5	24.7	46.7	61.1	83.1	38.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	6.1	27.9	37.9	85.0	96.6	139.2	456.3	609.2	828.3	1093.9	1342.5	1622.5	1853.8	2081.5	2306.4	2529.3	2746.3	2963.3	3180.3	3397.3
Net Total Deposits	29.3	121.8	181.3	248.1	380.2	562.9	801.3	1053.1	1416.1	1837.9	2190.2	2585.4	2852.2	3108.3	3355.8	3596.8	3828.4	4057.0	4283.3	4507.6
TOTAL LIABILITIES	29.3	121.8	181.3	248.1	380.2	562.9	801.3	1053.1	1416.1	1837.9	2190.2	2585.4	2852.2	3108.3	3355.8	3596.8	3828.4	4057.0	4282.3	4507.6
Current liabilities	4.7	15.4	32.8	55.6	46.5	30.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BRAC Loan	169.7	528.3	752.2	940.2	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	0.0	-5.2	12.8	54.7	86.7	137.8	216.4	274.7	336.7	380.9	425.9	483.2	528.6	598.3	667.2	734.1	799.2	862.4	922.7	992.0
Current Net Profit/Loss	-5.2	18.0	41.9	32.0	51.1	78.6	58.3	62.0	44.2	45.1	59.2	45.5	69.9	68.7	66.9	65.2	63.1	61.3	69.2	68.4
Stock holder equity	-5.2	12.8	54.7	86.7	137.8	216.4	274.7	336.7	380.9	425.9	483.2	528.6	598.3	667.2	734.1	799.2	862.4	922.7	992.0	1061.4
TOTAL LIABILITIES AND CAPITAL	198.5	678.3	1027.1	1330.5	1505.0	1750.4	2016.5	2330.3	2737.4	3202.3	3613.8	4054.5	4391.2	4716.8	5030.3	5336.5	5631.2	5921.2	6216.7	6509.5

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INCOME STATEMENT	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
INTEREST REVENUE										
Investment Income	1.8	21.2	36.0	51.9	42.2	28.9	25.8	22.1	22.1	15.2
Loan Interest Income	8.7	40.0	89.7	109.5	159.2	278.6	319.4	379.2	460.2	579.0
Interest on Housing loan 6%	0.0	0.0	0.0	0.0	0.0	0.0	3.9	8.4	9.6	11.1
TOTAL INTEREST REVENUE	10.5	61.2	125.7	161.3	201.4	307.6	349.1	409.7	491.9	605.3
INTEREST EXPENSE										
Interest on deposits	1.5	8.0	17.4	21.2	15.9	28.1	40.9	55.6	74.1	97.6
Interest on Debenture/Loan	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INTEREST EXPENSE	4.2	8.0	17.4	21.2	15.9	28.1	40.9	55.6	74.1	97.6
NET INTEREST INCOME	6.3	53.1	108.3	140.1	185.5	279.4	308.2	354.1	417.8	507.6
OPERATING EXPENSES										
Branch operating expenses	7.7	24.2	45.4	77.1	90.9	137.5	163.0	192.1	246.8	308.5
Regional operating expenses	0.7	1.6	5.0	5.4	6.8	12.8	9.6	11.3	14.5	18.1
Head office operating expense	0.8	2.3	2.7	2.3	4.7	6.9	4.7	5.2	6.2	6.8
Branch depreciation	0.4	1.1	1.9	3.1	4.4	6.6	7.0	7.3	7.8	8.5
Regional office depreciation	0.0	0.2	0.3	0.3	0.3	0.2	2.9	3.4	4.4	5.5
Head office depreciation	0.2	0.3	0.9	0.9	1.2	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	1.6	4.9	7.9	15.4	24.3	42.2	50.4	58.4	75.7	94.6
Staff Training	0.1	0.7	3.3	3.6	1.8	2.6	11.4	13.2	17.3	21.6
TOTAL OPERATING EXPENSE	11.5	35.3	66.4	108.1	134.4	200.8	249.9	292.0	373.7	464.6
NET OPERATING PROFIT (LOSS)	-5.2	18.0	41.3	32.0	51.1	78.6	58.3	62.0	44.2	43.1
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	-5.2	18.0	41.3	32.0	51.1	78.6	58.3	62.0	44.2	43.1
KEY RATIOS										
Total Deposits to Total Asset	15%	38%	18%	19%	25%	32%	40%	45%	52%	57%
Total Loans to Total Deposits	279%	224%	317%	223%	204%	302%	194%	147%	158%	150%
Investments/Total Deposits	536%	237%	304%	242%	107%	44%	12%	22%	11%	6%
External Debt/Tot. Investment	202%	225%	170%	190%	325%	606%	1013%	925%	1514%	2697%
Total capital/Total Liabiliti	-18%	11%	30%	35%	36%	30%	34%	32%	27%	23%
Total capital/Assets	-5%	2%	5%	7%	9%	12%	14%	14%	14%	13%
(Capital+BRAC)/Assets	82%	80%	79%	77%	72%	44%	60%	55%	48%	42%
Liquid assets/Total liabiliti	8%	7%	3%	3%	6%	4%	3%	2%	2%	2%
Interest Income/Total Assets	5.3%	9.4%	12.2%	12.1%	13.4%	17.5%	17.3%	17.6%	18.0%	18.9%
Interest Expense/Total Assets	2.1%	1.2%	1.7%	1.6%	1.1%	1.6%	2.0%	2.4%	2.7%	3.0%
Net Interest Margin	3.2%	7.9%	10.5%	10.5%	12.3%	15.9%	15.3%	15.2%	15.3%	15.9%
Operating Expense/Total Asset	5.8%	5.2%	6.5%	8.1%	8.9%	11.4%	12.4%	12.5%	13.6%	14.5%
Net Profit/Total Assets	-2.6%	2.7%	4.1%	2.4%	3.4%	4.5%	2.9%	2.7%	1.6%	1.3%

INCOME STATEMENT	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
INTEREST REVENUE										
Investment Income	39.6	33.8	54.2	91.1	129.6	165.0	202.4	238.7	225.8	267.4
Loan Interest Income	641.2	713.4	734.0	702.9	662.7	626.4	584.5	545.4	637.1	609.6
Interest on Housing loan 6%	12.9	14.7	16.8	18.0	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL INTEREST REVENUE	694.0	762.9	807.2	812.0	810.3	809.4	804.9	802.1	881.0	895.0
INTEREST EXPENSE										
Interest on deposits	120.8	145.3	163.1	178.8	193.9	208.6	222.8	236.6	250.2	263.7
Interest on Debenture/Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INTEREST EXPENSE	120.8	145.3	163.1	178.8	193.9	208.6	222.8	236.6	250.2	263.7
NET INTEREST INCOME	573.2	618.7	644.0	633.1	616.4	600.8	582.1	565.5	630.8	631.3
OPERATING EXPENSES										
Branch operating expenses	343.5	384.2	384.2	384.2	384.2	384.2	384.2	384.2	384.2	384.2
Regional operating expenses	30.2	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Head office operating expense	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Branch depreciation	8.8	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Regional office depreciation	6.1	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Head office depreciation	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	102.3	114.8	115.7	113.8	112.4	111.5	108.5	108.5	108.5	108.5
Staff Training	24.1	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9
TOTAL OPERATING EXPENSE	513.9	573.2	574.0	564.3	549.4	533.5	520.8	504.1	549.3	562.7
NET OPERATING PROFIT (LOSS)	59.2	45.3	70.0	68.8	67.3	65.2	63.3	61.5	69.4	68.6
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	59.2	45.3	70.0	68.8	67.3	65.2	63.3	61.5	69.4	68.6
KEY RATIOS										
Total Deposits to Total Asset	61%	64%	65%	66%	67%	67%	68%	68%	69%	69%
Total Loans to Total Deposits	135%	125%	112%	98%	86%	76%	66%	60%	76%	49%
Investments/Total Deposits	15%	39%	32%	44%	55%	64%	72%	79%	63%	89%
External Debt/Tot. Investment	931%	693%	422%	294%	234%	198%	172%	156%	197%	135%
Total capital/Total Liabiliti	22%	20%	21%	21%	22%	22%	22%	23%	23%	24%
Total capital/Assets	13%	13%	14%	14%	15%	15%	15%	14%	14%	16%
(Capital+BRAC)/Assets	39%	36%	35%	34%	33%	33%	32%	31%	31%	31%
Liquid assets/Total liabiliti	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%
Interest Income/Total Assets	19.2%	18.8%	18.4%	17.2%	16.1%	15.2%	14.3%	13.5%	14.3%	13.7%
Interest Expense/Total Assets	3.3%	3.5%	3.7%	3.8%	3.9%	3.9%	4.0%	4.0%	4.0%	4.0%
Net Interest Margin	15.9%	15.3%	14.7%	13.4%	12.2%	11.3%	10.3%	9.5%	10.3%	9.7%
Operating Expense/Total Asset	14.3%	14.1%	13.1%	12.0%	10.9%	10.0%	9.2%	8.5%	9.1%	8.4%
Net Profit/Total Assets	1.6%	1.13%	1.59%	1.46%	1.33%	1.22%	1.12%	1.04%	1.13%	1.05%

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Big BRAC Model 07-Dec-96
In millions of taka
File Name:BCP963.wk1

	Actual 1990	Actual 1991	Actual 1992	Actual 1993	Actual 1994	Actual 1995	1996	1997	1998	1999
ASSETS										
Cash	2.3	2.9	3.5	6.3	21.2	22.2	19.2	21.6	24.6	27.9
Investments	98.4	209.2	550.5	599.3	456.9	248.3	268.7	246.5	266.6	175.0
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	0.0	0.0	0.0	31.3	30.2	121.5	150.0	120.0	90.0	60.0
Statutory deposits 5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	4.7	79.6	15.9	38.8	58.3	35.8	0.0	0.0	0.0	0.0
One Year Loans	59.7	301.0	297.1	587.0	808.3	1333.2	1245.6	1444.1	1866.3	2333.4
Medium/Long Term Loans	25.4	86.2	127.3	18.2	51.6	43.9	38.5	44.7	57.7	72.2
Total Loans	85.1	387.2	424.5	605.2	859.9	1377.1	1284.1	1488.8	1924.0	2405.6
Less Loan Loss Reserve	-3.6	-14.0	-30.3	-52.6	-85.7	-142.8	-132.3	-179.1	-241.0	-318.5
Net Loans	81.7	373.5	394.0	552.6	774.2	1234.3	1152.8	1309.7	1683.0	2087.2
Housing loan	0.0	0.0	0.0	0.0	0.0	0.0	130.0	150.0	170.0	200.0
Fixed Assets	13.2	38.4	69.8	114.9	213.5	228.4	240.7	261.3	291.6	325.3
Less Depreciation	-1.7	-4.1	-8.5	-13.0	-19.0	-30.7	-41.5	-53.1	-66.2	-81.1
Net Fixed Assets	11.5	34.3	61.3	101.8	194.5	197.7	199.2	208.2	225.4	244.2
TOTAL ASSETS	198.5	678.3	1027.3	1330.6	1505.0	1760.7	1919.9	2156.0	2459.7	2795.1
LIABILITIES										
Net Members own contribution	17.7	69.2	96.7	101.9	200.5	385.7	326.7	418.4	552.9	639.4
Net Group Tax Deposits	5.5	24.7	46.7	61.1	83.1	38.0	0.0	0.0	0.0	0.0
Net Compulsory savings	6.1	27.9	37.9	85.0	96.6	139.2	393.1	518.1	697.4	914.6
Net Total Deposits	29.3	121.8	181.3	248.1	380.2	562.9	719.8	936.5	1250.2	1614.0
TOTAL LIABILITIES	29.5	121.0	181.3	248.1	380.2	562.9	719.8	936.5	1250.2	1614.0
Current liabilities	4.7	15.4	37.8	55.4	46.5	30.6	0.0	0.0	0.0	0.0
BRAC Loan	169.7	528.3	753.3	940.2	940.4	940.4	940.4	940.4	940.4	940.4
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	0.0	-5.2	12.8	54.7	86.7	137.8	216.4	259.7	279.0	268.9
Current Net Profit/Loss	-5.2	18.0	41.9	32.0	51.1	78.6	43.3	19.3	-10.1	-28.4
Stock holder equity	-5.2	12.8	54.7	86.7	137.8	216.4	259.7	279.0	268.5	240.5
TOTAL LIABILITIES AND CAPITAL	198.5	678.3	1027.1	1330.5	1505.0	1750.4	1919.9	2156.0	2459.6	2795.0

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
ASSETS										
Cash	30.3	33.5	35.3	37.0	38.7	40.2	41.9	43.4	44.9	46.4
Investments	301.3	362.4	582.8	881.3	1166.5	1445.6	1739.4	2024.8	2315.2	2533.2
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory deposits 5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One Year Loans	2544.5	2838.1	2858.1	2822.4	2788.7	2763.9	2696.8	2687.9	2686.1	2685.4
Medium/Long Term Loans	78.7	87.8	88.4	87.3	86.3	85.5	83.4	83.1	83.1	83.1
Total Loans	2623.2	2925.8	2946.5	2909.7	2875.0	2849.3	2780.2	2771.0	2769.2	2768.4
Less Loan Loss Reserve	-402.5	-496.4	-591.1	-684.2	-776.2	-867.4	-956.2	-1045.0	-409.1	-1222.5
Net Loans	2220.7	2429.4	2355.4	2225.5	2098.8	1981.9	1824.0	1726.1	2560.0	1545.9
Housing loan	230.0	260.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Fixed Assets	352.4	378.5	389.5	409.1	432.8	448.6	464.4	467.5	467.5	467.5
Less Depreciation	-96.9	-113.9	-130.9	-147.9	-164.9	-181.9	-198.9	-215.9	-232.9	-249.9
Net Fixed Assets	255.5	264.6	258.6	261.2	268.0	266.7	265.5	251.6	234.6	217.6
TOTAL ASSETS	3067.9	3350.8	3532.1	3705.0	3871.9	4034.5	4195.7	4345.8	4494.8	4643.1
LIABILITIES										
Net Members own contribution	796.8	905.1	938.5	965.2	986.3	1002.4	1017.1	1028.1	1036.8	1042.7
Net Group Tax Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	1118.1	1347.1	1536.4	1722.7	1906.7	2089.1	2266.6	2444.2	2621.7	2799.2
Net Total Deposits	1914.9	2252.3	2474.9	2687.9	2893.2	3092.4	3283.8	3472.3	3658.5	3842.9
TOTAL LIABILITIES	1914.9	2252.3	2474.9	2687.9	2893.2	3092.6	3283.8	3472.3	3658.5	3842.9
Current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BRAC Loan	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	240.5	212.2	157.4	115.2	74.4	35.4	-2.0	-37.5	-71.3	-109.1
Current Net Profit/Loss	-28.3	-54.8	-42.2	-40.8	-39.0	-37.4	-35.5	-33.8	-37.8	-36.7
Stock holder equity	212.2	157.4	115.2	74.4	35.4	-2.0	-37.5	-71.3	-109.1	-145.8
TOTAL LIABILITIES AND CAPITAL	3067.5	3350.1	3530.6	3702.8	3869.0	4031.0	4186.7	4341.4	4489.9	4637.6

Big BRAC Model 07-Dec-96
In millions of taka
File Name:BCP963.wk1

	Actual 1990	Actual 1991	Actual 1992	Actual 1993	Actual 1994	Actual 1995	1996	1997	1998	1999
ASSETS										
Cash	2.3	2.9	5.5	6.3	21.7	23.2	19.2	21.6	24.4	27.9
Investments	98.4	289.2	550.5	599.3	406.3	240.3	260.7	346.5	356.6	175.8
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	0.0	0.0	0.0	31.8	50.3	121.5	150.0	120.0	90.0	60.0
Statutory deposits 5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	4.7	79.6	15.9	38.8	58.1	35.8	0.0	0.0	0.0	0.0
One Year Loans	59.7	201.0	297.1	587.0	808.3	1213.3	1245.6	1444.1	1866.3	2333.4
Medium/Long Term Loans	25.6	86.2	127.3	18.2	51.6	63.9	38.5	44.7	57.7	72.2
Total Loans	85.3	287.2	424.5	605.2	859.9	1277.1	1284.1	1488.8	1924.0	2405.6
Less Loan Loss Reserve	-3.6	-14.8	-30.5	-52.6	-85.7	-142.8	-131.3	-179.1	-241.0	-318.5
Net Loans	81.7	273.5	394.0	552.6	774.2	1134.3	1152.8	1309.7	1683.0	2087.1
Housing loan	0.0	0.0	0.0	0.0	0.0	0.0	130.0	150.0	170.0	200.0
Fixed Assets	13.2	38.4	69.8	114.9	213.5	228.4	240.7	261.3	291.6	325.3
Less Depreciation	-1.7	-4.1	-8.5	-13.0	-19.0	-30.7	-41.5	-53.1	-66.2	-81.1
Net Fixed Assets	11.5	34.3	61.3	101.8	194.5	197.7	199.2	208.2	225.4	244.2
TOTAL ASSETS	198.5	678.5	1027.3	1330.6	1505.0	1760.7	1919.9	2156.0	2459.7	2795.1
LIABILITIES										
Net Members own contribution	17.7	49.2	96.7	101.9	200.5	385.7	326.7	418.4	552.9	699.4
Net Group Tax Deposits	5.5	24.7	46.7	61.1	83.1	38.0	0.0	0.0	0.0	0.0
Net Compulsory savings	6.1	27.9	37.9	85.0	96.6	139.2	393.1	518.1	697.4	914.6
Net Total Deposits	29.3	121.8	181.3	248.1	380.2	562.9	719.8	936.5	1250.2	1614.0
TOTAL LIABILITIES	29.3	121.8	181.3	248.1	380.2	562.9	719.8	936.5	1250.2	1614.0
Current liabilities	4.7	35.4	37.8	55.4	46.5	30.6	0.0	0.0	0.0	0.0
BRAC Loan	169.7	320.3	753.3	940.2	940.4	940.4	940.4	940.4	940.4	940.4
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	0.0	-5.2	12.8	54.7	86.7	137.8	216.4	259.7	279.0	260.9
Current Net Profit/Loss	-5.2	18.0	41.9	32.0	51.1	78.6	43.3	19.3	-18.1	-20.4
Stock holder equity	-5.2	12.8	54.7	86.7	137.8	216.4	259.7	279.0	260.5	240.5
TOTAL LIABILITIES AND CAPITAL	198.5	678.3	1027.3	1330.5	1505.0	1750.4	1919.9	2156.0	2459.6	2795.0

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
ASSETS										
Cash	30.7	33.5	35.3	37.0	38.7	40.1	41.9	43.4	44.9	46.4
Investments	301.8	563.4	582.8	881.3	1166.5	1445.6	1759.4	2024.8	1555.3	2533.2
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory deposits 5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One Year Loans	2544.5	2838.1	2858.1	2822.4	2788.7	2763.9	2696.8	2687.9	2686.1	2685.4
Medium/Long Term Loans	78.7	87.8	88.4	87.3	86.2	85.5	83.4	83.1	83.1	83.1
Total Loans	2623.2	2925.8	2946.5	2909.7	2875.0	2849.3	2780.2	2771.0	2769.1	2768.4
Less Loan Loss Reserve	-402.5	-496.4	-591.1	-684.3	-776.2	-867.4	-956.2	-1045.0	-409.1	-1222.5
Net Loans	2220.7	2429.4	2355.4	2225.5	2098.8	1981.9	1824.0	1726.1	2360.0	1545.9
Housing loan	230.0	260.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Fixed Assets	352.4	378.5	389.5	459.1	432.8	448.6	464.4	467.5	467.5	467.5
Less Depreciation	-96.9	-113.9	-130.9	-147.9	-164.9	-181.9	-198.9	-215.9	-232.9	-249.9
Net Fixed Assets	255.5	264.6	258.6	311.2	268.0	266.7	265.5	251.6	234.6	217.6
TOTAL ASSETS	3067.9	3350.0	3532.1	3705.0	3871.9	4024.5	4190.7	4345.0	4494.0	4643.1
LIABILITIES										
Net Members own contribution	796.8	905.1	938.5	965.2	986.5	1003.4	1017.1	1028.1	1036.8	1043.7
Net Group Tax Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	1118.1	1347.1	1536.4	1722.7	1906.7	2089.1	2266.6	2444.2	2621.7	2799.3
Net Total Deposits	1914.9	2252.2	2474.9	2687.9	2893.2	3092.6	3283.8	3472.3	3658.5	3842.9
TOTAL LIABILITIES	1914.9	2252.3	2474.9	2687.9	2893.2	3092.6	3282.8	3472.3	3658.5	3842.9
Current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BRAC Loan	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	240.5	212.2	157.4	115.2	74.4	35.4	-2.0	-37.5	-71.3	-109.1
Current Net Profit/Loss	-28.3	-54.8	-42.2	-40.8	-39.0	-37.4	-35.5	-33.8	-37.8	-36.7
Stock holder equity	212.2	157.4	115.2	74.4	35.4	-2.0	-37.5	-71.3	-109.1	-145.8
TOTAL LIABILITIES AND CAPITAL	3067.5	3350.1	3530.6	3702.8	3869.0	4031.0	4186.7	4341.4	4489.9	4637.6

INCOME STATEMENT	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
INTEREST REVENUE																				
Investment Income	1.8	21.3	36.0	51.9	42.2	28.9	32.7	34.2	31.7	22.5	21.5	26.6	37.8	58.4	81.9	104.5	120.2	151.4	143.2	162.5
Loan interest Income	8.7	40.0	89.7	109.5	159.2	278.6	285.9	307.8	374.1	471.3	538.5	581.3	598.1	572.6	540.5	510.1	471.7	443.8	510.8	488.2
Interest on Housing Loan 61	0.0	0.0	0.0	0.0	0.0	0.0	3.9	8.4	9.6	11.1	12.9	14.7	16.8	18.0	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL INTEREST REVENUE	10.5	61.3	125.7	161.3	201.4	307.6	322.5	350.4	415.4	504.9	572.8	622.5	652.7	649.2	640.4	632.6	621.9	613.1	672.0	669.7
INTEREST EXPENSE																				
Interest on deposits	1.5	8.0	17.4	21.2	15.9	28.1	38.5	49.7	65.6	85.9	105.9	125.0	141.8	154.9	167.4	179.6	191.3	202.7	212.9	225.0
Interest on Debenture/Loan	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INTEREST EXPENSE	4.2	8.0	17.4	21.2	15.9	28.1	38.5	49.7	65.6	85.9	105.9	125.0	141.8	154.9	167.4	179.6	191.3	202.7	212.9	225.0
NET INTEREST INCOME	6.3	53.3	108.3	140.1	185.5	279.4	284.0	300.7	349.8	419.0	467.0	497.5	510.9	494.3	473.0	453.0	430.6	410.4	459.0	444.7
OPERATING EXPENSES																				
Branch operating expenses	7.7	24.2	45.4	77.1	90.9	127.5	163.0	192.1	246.8	308.5	343.5	384.2	384.2	384.2	384.2	384.2	384.2	384.2	384.2	384.2
Regional operating expenses	0.7	1.6	5.0	5.4	6.8	12.8	9.6	11.3	14.5	18.1	20.2	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Head office operating expenses	0.8	2.3	2.7	2.3	4.7	6.9	4.7	5.2	6.2	6.8	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Branch depreciation	0.4	1.1	1.9	2.1	4.4	6.6	7.9	7.3	7.8	8.3	8.0	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Regional office depreciation	0.0	0.2	0.3	0.3	0.3	0.7	2.9	3.4	4.4	5.5	6.1	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Head office depreciation	0.2	0.3	0.9	0.9	2.2	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	1.6	4.9	7.9	15.0	24.3	43.2	43.3	47.8	62.0	77.4	84.0	93.9	94.6	93.1	92.0	91.2	88.8	88.8	88.8	88.8
Staff Training	0.1	0.7	2.3	5.6	1.8	2.6	11.4	13.5	17.2	21.6	24.1	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9
TOTAL OPERATING EXPENSE	11.5	35.3	66.4	108.1	134.4	200.8	240.7	281.4	359.9	447.4	495.3	552.3	553.0	535.0	512.0	490.3	466.1	444.2	496.7	481.4
NET OPERATING PROFIT (LOSS)	-5.2	18.0	41.9	32.0	51.1	78.6	43.3	19.3	-10.1	-28.4	-28.3	-54.8	-42.1	-40.7	-38.9	-37.3	-35.5	-33.8	-37.7	-36.6
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	-5.2	18.0	41.9	32.0	51.1	78.6	43.3	19.3	-10.1	-28.4	-28.3	-54.8	-42.1	-40.7	-38.9	-37.3	-35.5	-33.8	-37.7	-36.6
KEY RATIOS																				
Total Deposits to Total Assets	15%	18%	18%	19%	15%	32%	37%	43%	51%	58%	62%	67%	70%	73%	75%	77%	78%	80%	81%	83%
Total Loans to Total Deposits	279%	224%	217%	223%	204%	202%	178%	156%	148%	142%	170%	119%	107%	94%	82%	74%	65%	58%	73%	48%
Investments/Total Deposits	356%	237%	304%	242%	107%	44%	37%	37%	21%	11%	16%	16%	24%	33%	40%	47%	54%	58%	43%	64%
External Debt/Tot. Investments	202%	225%	170%	198%	325%	686%	628%	542%	822%	1452%	949%	879%	506%	412%	329%	279%	240%	218%	296%	189%
Total capital/Total Liabilitie	-18%	11%	30%	35%	36%	30%	36%	30%	22%	15%	11%	7%	5%	3%	1%	0%	-1%	-2%	-3%	-4%
Total capital/Assets	-3%	2%	5%	7%	9%	12%	14%	12%	11%	9%	7%	5%	3%	2%	1%	0%	-1%	-2%	-2%	-3%
(Capital+BRAC)/Assets	82%	80%	79%	77%	72%	64%	63%	57%	49%	42%	38%	33%	30%	27%	25%	23%	22%	20%	18%	17%
Liquid assets/Total liabilitie	8%	3%	3%	3%	4%	4%	3%	3%	3%	3%	2%	1%	1%	1%	1%	1%	1%	1%	1%	2%
Interest Income/Total Assets	5.3%	9.0%	12.2%	12.1%	13.4%	17.5%	16.8%	16.3%	16.9%	18.1%	18.7%	18.6%	18.5%	17.5%	16.3%	15.7%	14.8%	14.1%	14.9%	14.4%
Interest Expense/Total Assets	2.1%	1.2%	1.7%	1.6%	1.1%	1.6%	2.0%	2.3%	2.7%	3.1%	3.5%	3.7%	4.0%	4.2%	4.3%	4.5%	4.6%	4.7%	4.8%	4.8%
Net Interest Margin	3.2%	7.8%	10.5%	10.5%	12.3%	15.9%	14.8%	13.9%	14.2%	15.0%	15.2%	14.8%	14.5%	13.3%	12.0%	11.2%	10.2%	9.4%	10.2%	9.6%
Operating Expense/Total Assets	5.8%	5.2%	6.5%	8.1%	8.9%	11.4%	12.5%	13.2%	14.6%	15.9%	16.1%	16.5%	15.7%	14.4%	13.2%	12.2%	11.1%	10.2%	11.0%	10.4%
Net Profit/Total Assets	-2.6%	2.7%	4.1%	2.4%	3.4%	4.5%	2.2%	0.9%	-0.4%	-1.0%	-0.7%	-1.62%	-1.19%	-1.10%	-1.01%	-0.92%	-0.85%	-0.78%	-0.84%	-0.79%

Big BRAC Model 07-Dec-96
In millions of taka
File Name:BCP964.wk1

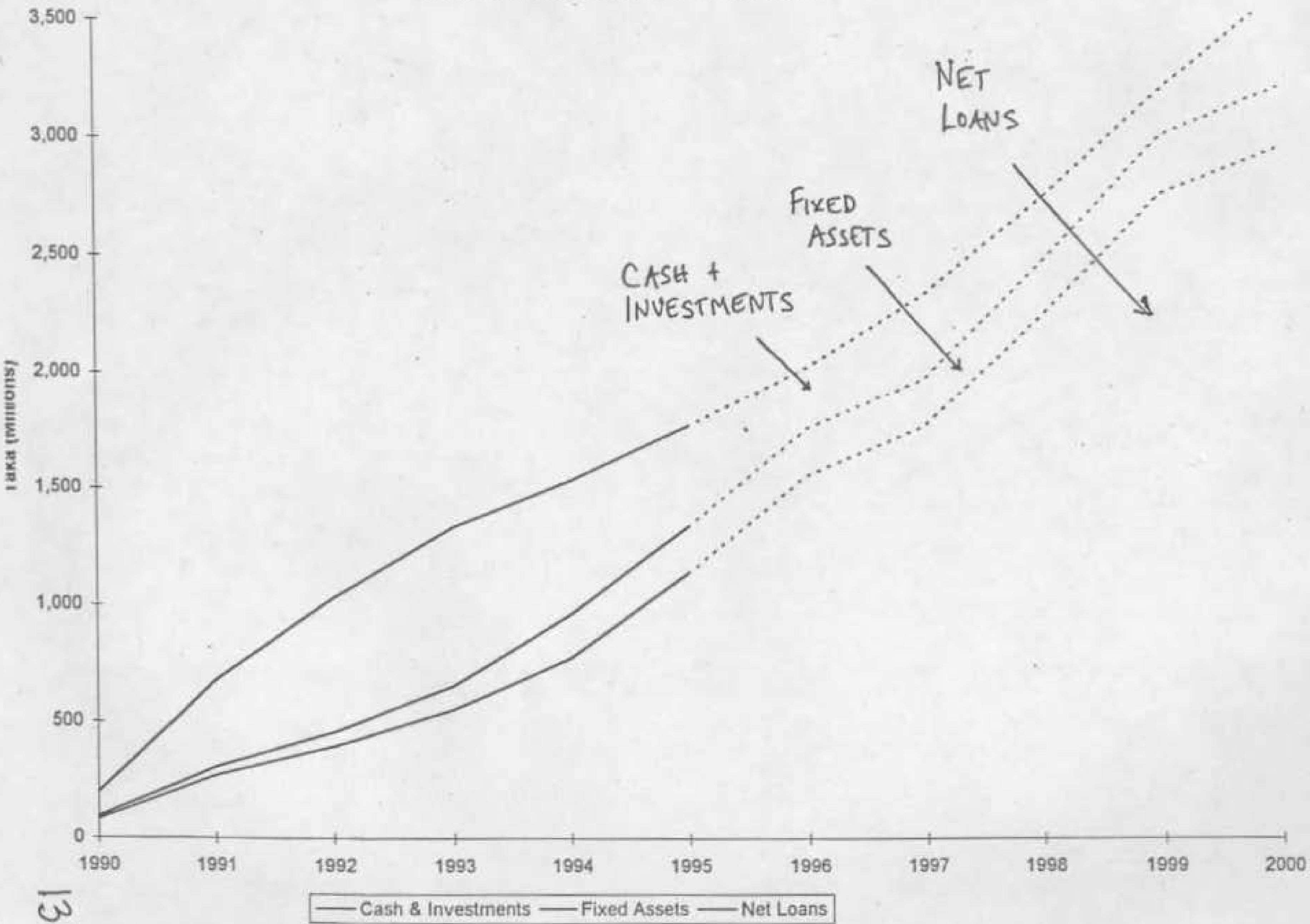
	Actual 1990	Actual 1991	Actual 1992	Actual 1993	Actual 1994	Actual 1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS																					
Cash	2.3	2.9	5.5	6.3	21.2	23.2	34.2	29.6	36.7	44.8	52.3	60.6	67.4	74.2	81.0	87.2	94.4	101.3	108.4	115.6	122.9
Investments	98.4	289.2	550.5	599.3	406.9	248.5	224.9	541.0	691.2	894.2	1424.5	1942.4	2631.9	3547.9	4291.0	5228.9	6125.6	6957.4	6605.0	8670.8	9541.9
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	0.0	0.0	0.0	31.8	50.2	121.5	150.0	120.0	90.0	60.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory deposits 5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	4.7	79.6	15.9	58.8	58.1	35.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One Year Loans	59.7	201.0	297.1	587.0	808.3	1213.3	1799.2	2085.9	2695.8	3370.5	3675.4	4099.4	4129.4	4076.9	4028.2	3992.2	3895.4	3882.5	3879.9	3870.9	3878.3
Medium/Long Term Loans	35.6	86.2	127.3	18.2	51.6	63.9	55.6	64.5	83.4	104.3	113.7	126.8	127.7	126.1	124.6	123.5	120.3	120.1	120.0	120.0	119.9
Total Loans	95.3	287.2	424.5	605.2	859.9	1277.1	1854.7	2150.4	2779.2	3474.8	3789.0	4226.2	4256.1	4203.0	4152.8	4115.7	4013.8	4002.6	3999.9	3990.8	3998.3
Less Loan Loss Reserve	-5.6	-14.8	-30.5	-52.6	-85.7	-142.8	-165.6	-234.6	-324.1	-436.8	-557.4	-693.1	-829.8	-964.3	-1097.2	-1229.0	-1357.2	-1485.4	-409.1	-1741.8	-1870.1
Net Loans	89.7	272.5	394.0	552.6	774.2	1134.3	1689.2	1915.8	2455.0	3038.0	3231.6	3533.1	3426.3	3238.7	3055.6	2886.8	2656.7	2517.2	2390.8	2257.0	2128.2
Housing loan	0.0	0.0	0.0	0.0	0.0	0.0	150.0	150.0	170.0	200.0	250.0	260.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Fixed Assets	13.2	38.4	69.8	114.9	215.5	228.4	240.7	261.5	291.6	325.5	352.4	370.5	389.5	409.1	432.8	448.6	464.4	467.5	467.5	467.5	467.5
Less Depreciation	-1.7	-4.1	-8.5	-13.0	-19.0	-30.7	-41.5	-53.1	-66.2	-81.1	-96.9	-112.9	-130.9	-147.9	-164.9	-181.9	-198.9	-215.9	-232.9	-249.9	-266.9
Net Fixed Assets	11.5	34.3	61.3	101.8	196.5	197.7	199.2	208.2	225.4	244.3	255.5	264.6	258.6	261.2	268.0	266.7	265.5	251.6	234.6	217.6	200.6
TOTAL ASSETS	198.5	678.5	1027.3	1330.6	1505.0	1760.7	2427.5	2964.6	3668.3	4482.1	5234.0	6060.7	6744.2	7422.0	8095.4	8770.0	9444.2	10127.5	10836.8	11561.0	12295.7
LIABILITIES																					
Net Members own contribution	17.7	69.2	96.7	181.9	200.5	385.7	584.5	789.9	1047.8	1347.7	1591.6	1843.6	1980.0	2102.8	2211.7	2309.5	2399.0	2479.7	2551.9	2615.7	2676.0
Net Group Tax Deposits	5.5	24.7	46.7	61.1	83.1	38.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	4.1	27.9	37.9	85.0	96.4	129.2	601.8	810.9	1113.4	1479.1	1816.9	2197.5	2505.1	2807.7	3106.8	3403.2	3691.7	3980.2	4268.7	4557.2	4845.7
Net Total Deposits	29.3	121.8	181.3	248.1	380.2	562.9	1186.3	1600.8	2161.2	2846.8	3410.5	4041.1	4485.1	4910.5	5318.4	5712.8	6090.7	6459.9	6820.6	7172.9	7521.7
TOTAL LIABILITIES	29.3	121.8	181.3	248.1	380.2	562.9	1186.3	1600.8	2161.2	2846.8	3410.5	4041.1	4485.1	4910.5	5318.4	5712.8	6090.7	6459.9	6820.6	7172.9	7521.7
Current liabilities	4.7	15.4	37.8	55.4	46.3	38.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BRAC Loan	167.7	528.3	753.2	948.2	948.4	948.4	1029.1	1126.1	1232.2	1348.3	1475.4	1614.4	1756.5	1953.0	2115.2	2314.5	2532.7	2771.2	3032.5	3318.3	3631.0
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rtained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	0.0	-5.2	12.8	54.7	86.7	137.8	216.4	212.2	237.8	254.9	286.9	348.1	405.2	492.6	578.4	661.8	742.8	820.8	896.2	983.7	1069.8
Current Net Profit/Loss	-5.2	18.0	41.9	32.0	51.1	78.6	-4.2	25.6	17.2	32.0	61.2	57.0	87.4	85.9	83.3	81.0	78.1	75.4	87.6	86.1	71.2
Stock holder equity	-5.2	12.8	54.7	86.7	137.8	216.4	212.2	237.8	254.9	286.9	348.1	405.2	492.6	578.4	661.8	742.8	820.8	896.2	983.7	1069.8	1141.0
TOTAL LIABILITIES AND CAPITAL	198.5	678.3	1027.1	1330.5	1505.0	1750.4	2427.3	2964.6	3668.3	4482.1	5234.0	6060.7	6744.2	7422.0	8095.4	8770.0	9444.2	10127.5	10836.8	11561.0	12295.7

INCOME STATEMENT	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
INTEREST REVENUE																					
Investment Income	1.8	21.3	36.8	51.9	42.2	28.9	31.1	41.6	56.5	68.7	95.5	135.1	185.4	249.6	317.6	384.8	454.2	523.3	547.4	611.0	728.3
Loan Interest Income	8.7	40.0	89.7	109.5	159.2	278.6	352.9	455.6	546.3	686.7	783.8	845.6	869.9	833.1	786.8	742.8	692.2	647.0	763.5	721.0	548.2
Interest on Housing loan 4%	0.0	0.0	0.0	0.0	0.0	0.0	3.9	8.4	9.6	11.1	12.9	14.7	16.8	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL INTEREST REVENUE	10.5	61.3	125.7	161.3	201.4	307.6	388.2	499.7	612.4	766.0	892.2	995.4	1072.1	1100.7	1122.3	1145.6	1165.4	1188.3	1323.9	1359.9	1294.7
INTEREST EXPENSE																					
Interest on deposits	1.5	0.0	17.4	21.2	15.9	28.1	52.5	85.6	113.5	150.8	187.7	223.5	255.8	281.9	304.9	330.9	354.1	376.5	398.0	419.8	443.0
Interest on Debenture/loan	2.7	0.0	0.0	0.0	0.0	0.0	88.6	97.0	106.1	116.1	127.1	139.0	152.1	166.5	182.2	199.3	218.1	238.7	261.2	285.8	312.7
TOTAL INTEREST EXPENSE	4.2	0.0	17.4	21.2	15.9	28.1	141.1	180.6	219.6	267.0	314.8	362.6	407.9	448.3	487.0	530.3	572.2	615.2	659.6	705.6	755.6
NET INTEREST INCOME	6.3	53.3	108.3	140.1	185.5	279.4	247.1	319.1	392.9	499.1	577.5	632.8	664.2	652.4	635.3	615.3	593.2	573.1	664.3	654.3	541.1
OPERATING EXPENSES																					
Branch operating expenses	7.7	24.2	45.4	77.1	90.9	127.5	155.2	182.3	225.1	293.8	327.1	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9
Regional operating expenses	0.7	1.6	5.0	5.4	6.8	22.8	9.6	13.3	14.5	18.6	20.2	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Head office operating expenses	0.8	2.3	2.7	2.3	4.7	6.9	4.7	5.2	6.2	6.8	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Branch depreciation	0.4	1.1	1.9	3.1	4.4	6.6	7.8	7.3	7.8	8.5	8.8	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Regional office depreciation	0.0	0.2	0.3	0.2	0.3	0.2	2.9	3.4	4.4	5.5	6.1	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Head office depreciation	0.2	0.3	0.9	0.9	1.2	0.9	0.9	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	1.6	4.9	7.9	15.4	24.3	43.2	59.6	69.0	89.5	111.8	121.4	133.7	136.7	134.5	132.9	131.0	128.2	128.3	129.2	128.2	128.2
Staff Training	0.1	0.7	2.3	3.6	1.8	2.6	11.4	13.5	17.3	21.6	24.1	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9	26.9
TOTAL OPERATING EXPENSE	11.5	35.3	66.4	108.1	134.4	200.8	251.3	293.5	375.7	467.1	516.3	575.7	576.8	566.5	550.0	534.3	515.1	497.7	576.9	568.2	469.9
NET OPERATING PROFIT (LOSS)	-5.2	18.0	41.9	32.0	51.1	78.6	-4.2	25.6	17.2	32.0	61.2	57.0	87.4	85.9	85.3	81.0	78.1	75.4	87.4	86.1	71.2
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	-5.2	18.0	41.9	32.0	51.1	78.6	-4.2	25.6	17.2	32.0	61.2	57.0	87.4	85.9	85.3	81.0	78.1	75.4	87.4	86.1	71.2
KEY RATIOS																					
Total Deposits to Total Assets	15%	10%	10%	19%	25%	32%	49%	54%	59%	64%	63%	67%	67%	66%	66%	65%	64%	64%	63%	67%	61%
Total Loans to Total Deposits	379%	324%	257%	223%	204%	202%	153%	129%	120%	114%	101%	94%	83%	77%	63%	56%	49%	44%	57%	36%	32%
Investments/Total Deposits	536%	257%	304%	242%	107%	44%	26%	34%	32%	31%	42%	48%	60%	72%	83%	92%	101%	100%	97%	121%	127%
External Debt/Tot. Investments	302%	225%	170%	199%	325%	606%	943%	504%	474%	467%	341%	291%	232%	193%	169%	154%	141%	133%	149%	121%	117%
Total capital/Total Liabilitie	-18%	11%	20%	25%	34%	20%	18%	15%	12%	10%	10%	10%	11%	12%	12%	13%	13%	14%	14%	15%	15%
Total capital/Assets	-3%	2%	5%	7%	9%	17%	9%	8%	7%	6%	7%	7%	7%	8%	8%	8%	9%	9%	9%	9%	9%
(Capital+SBBC)/Assets	82%	80%	79%	77%	72%	66%	51%	46%	41%	36%	35%	33%	33%	34%	34%	35%	36%	36%	37%	38%	39%
Liquid assets/Total liabilitie	8%	2%	3%	3%	6%	4%	2%	2%	2%	2%	2%	1%	3%	3%	3%	2%	3%	3%	3%	2%	2%
Interest Income/Total Assets	5.3%	9.0%	12.2%	12.1%	15.4%	17.5%	16.0%	16.9%	16.7%	17.1%	17.0%	16.4%	15.9%	14.8%	13.9%	13.1%	12.3%	11.7%	12.2%	11.8%	10.3%
Interest Expense/Total Assets	2.1%	1.2%	1.7%	1.6%	1.1%	1.6%	5.8%	6.1%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.1%	6.1%	6.1%	6.1%	6.1%
Net Interest Margin	3.2%	7.9%	10.5%	10.5%	12.3%	15.9%	10.2%	10.8%	10.7%	11.1%	11.0%	10.4%	9.8%	8.8%	7.8%	7.0%	6.2%	5.7%	6.1%	5.7%	4.4%
Operating Expense/Total Assets	5.8%	5.7%	6.5%	8.1%	8.9%	11.4%	10.4%	9.9%	10.2%	10.4%	9.9%	9.5%	8.4%	7.6%	6.8%	6.2%	5.5%	4.9%	5.3%	4.9%	3.8%
Net Profit/Total Assets	-2.6%	2.7%	4.1%	2.4%	3.4%	4.5%	-0.2%	0.9%	0.5%	0.7%	1.2%	0.94%	1.20%	1.16%	1.02%	0.92%	0.82%	0.74%	0.81%	0.74%	0.58%

RCP Financial Relationships											
(Taka Millions)											
1989 RCP Project Proposal - Liabilities	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Retained Earnings	0.2	3.0	29.2	80.1	137.7	200.4	267.7	325.1	373.2	408.3	431.4
Total Member Deposits (Own + Comp'y + GTF)	33.0	108.2	202.4	319.0	459.3	588.7	733.9	944.3	1,178.3	1,456.5	1,768.1
BRAC Loan (=Donors)	156.0	416.0	774.0	976.0	976.0	976.0	976.0	976.0	976.0	976.0	976.0
1989 RCP Project Proposal - Liabilities (Accumulated)	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Total Member Deposits (Own+Comp'y+GTF+Curr.Liab.)	189.2	527.2	1,005.6	1,375.1	1,573.0	1,765.1	1,977.6	2,245.4	2,527.5	2,840.8	3,175.5
Retained Earnings	156.2	419.0	803.2	1,056.1	1,113.7	1,176.4	1,243.7	1,301.1	1,349.2	1,384.3	1,407.4
BRAC Loan (=Donors)	156.0	416.0	774.0	976.0	976.0	976.0	976.0	976.0	976.0	976.0	976.0
1989 Project Proposal - Assets	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Cash & Investments	100.0	228.7	450.6	545.3	469.3	483.0	536.7	509.2	475.8	409.3	351.2
Net Loans	76.0	268.0	509.0	770.5	1,032.8	1,204.3	1,357.3	1,633.5	1,931.6	2,292.0	2,671.4
Fixed Assets	13.2	30.6	46.0	59.4	70.9	77.9	83.6	102.8	120.2	139.5	153.0
1989 Project Proposal - Assets (Accumulated)	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Cash & Investments	189.2	527.3	1,005.6	1,375.2	1,573.0	1,765.2	1,977.6	2,245.5	2,527.6	2,840.8	3,175.6
Fixed Assets	89.2	298.6	555.0	829.9	1,103.7	1,282.2	1,440.9	1,736.3	2,051.8	2,431.5	2,824.4
Net Loans	76.0	268.0	509.0	770.5	1,032.8	1,204.3	1,357.3	1,633.5	1,931.6	2,292.0	2,671.4
							Base	**Base**	**Base**	**Base**	**Base**
Actual - Assets	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Cash & Investments	105.4	371.7	571.9	676.2	569.1	428.8	266.3	359.3	273.1	195.2	402.5
Net Loans	81.7	272.4	394.0	552.5	774.1	1,134.3	1,551.0	1,762.7	2,239.0	2,763.0	2,956.1
Fixed Assets	11.4	34.3	61.3	101.8	185.2	197.7	199.2	208.2	225.4	244.3	255.5
							Base	**Base**	**Base**	**Base**	**Base**
Actual - Assets (Accumulated)	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Cash & Investments	198.5	678.4	1,027.2	1,330.5	1,528.4	1,760.8	2,016.5	2,330.2	2,737.5	3,202.5	3,614.1
Fixed Assets	93.1	306.7	455.3	654.3	959.3	1,332.0	1,750.2	1,970.9	2,464.4	3,007.3	3,211.6
Net Loans	81.7	272.4	394.0	552.5	774.1	1,134.3	1,551.0	1,762.7	2,239.0	2,763.0	2,956.1
							Base	**Base**	**Base**	**Base**	**Base**
Actual - Liabilities	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Cumulative Net Profit	-5.1	12.8	54.7	86.8	162.8	226.4	274.7	336.7	380.9	423.9	483.2
Total Deposits (Own+Comp'y+GTF+Curr.Liab.)	34.0	137.2	219.1	303.5	425.7	593.5	801.3	1,053.1	1,416.1	1,837.9	2,190.2
BRAC Loan (Donors)	169.5	528.3	753.3	940.2	940.0	940.0	940.4	940.4	940.4	940.4	940.4
							Base	**Base**	**Base**	**Base**	**Base**
Actual - Liabilities (Accumulated)	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Total Deposits (Own+Comp'y+GTF+Curr.Liab.)	198.4	678.3	1,027.1	1,330.5	1,528.5	1,759.9	2,016.4	2,330.2	2,737.4	3,202.2	3,613.8
Cumulative Net Profit	164.4	541.1	808.0	1,027.0	1,102.8	1,166.4	1,215.1	1,277.1	1,321.3	1,364.3	1,423.6
BRAC Loan (Donors)	169.5	528.3	753.3	940.2	940.0	940.0	940.4	940.4	940.4	940.4	940.4

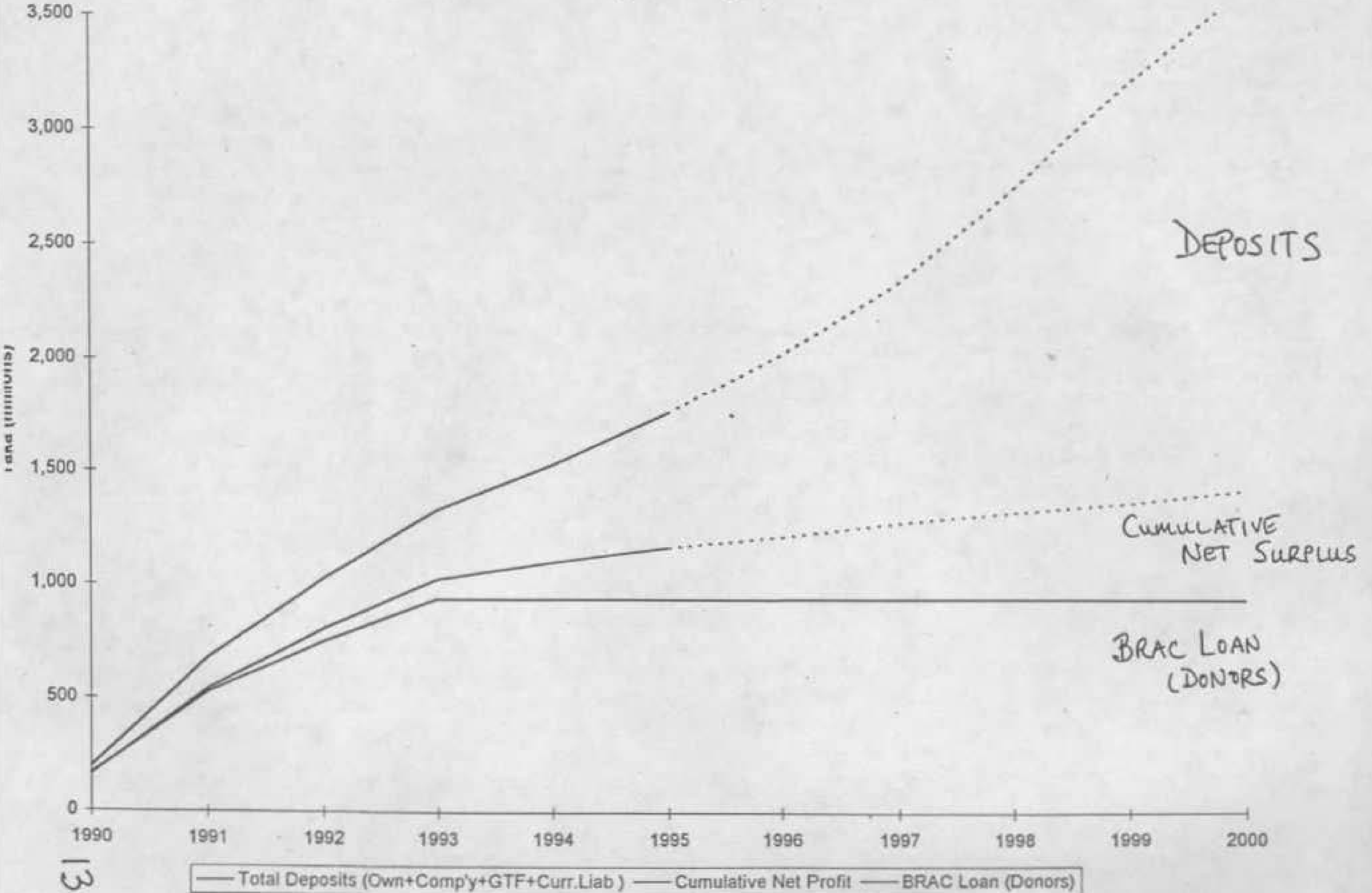
APPENDIX 13

RCP Assets
Actual + Most Likely Case Projection



13b

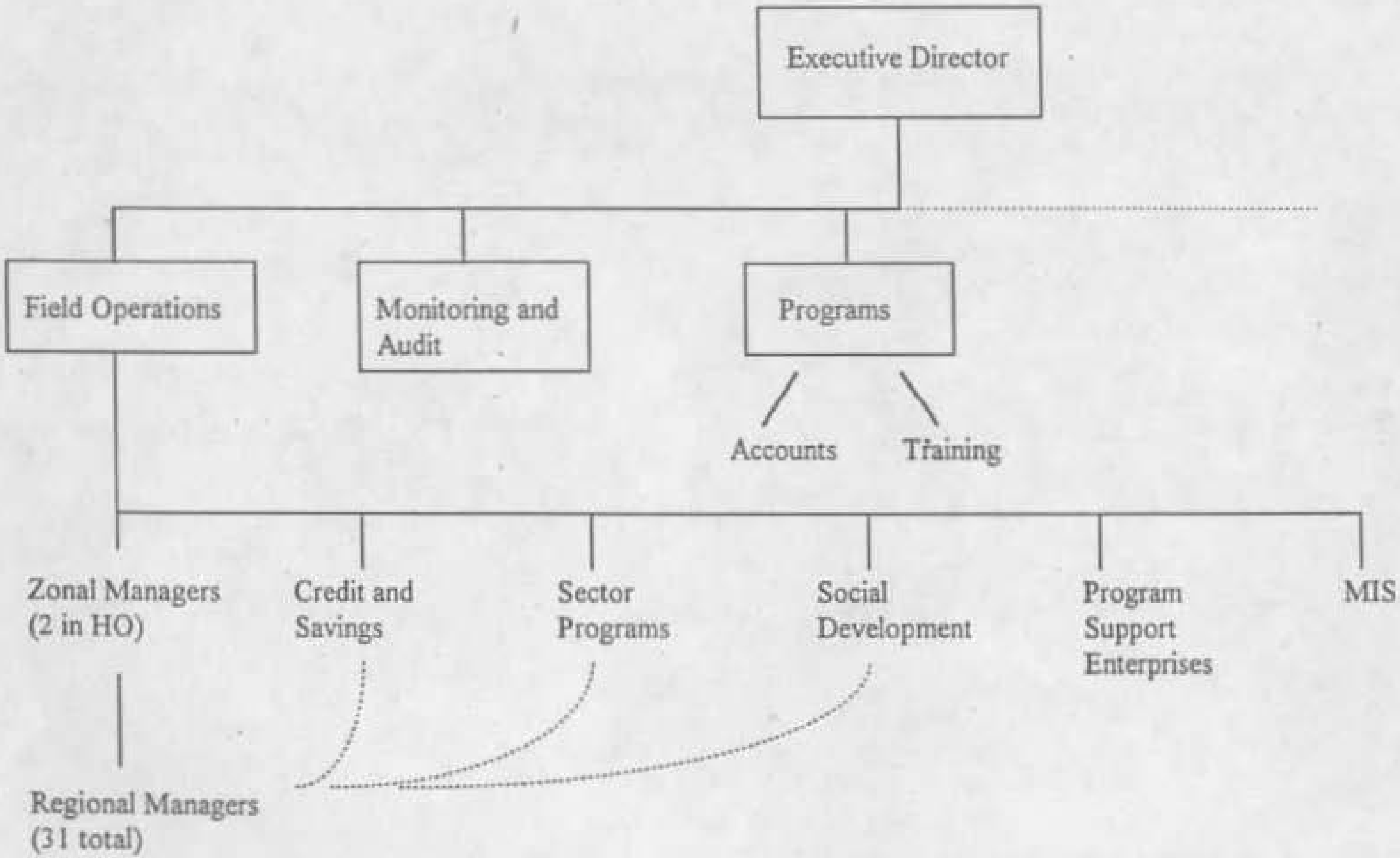
RCP Funding Sources (Liabilities)
Actual + Most Likely Case Projection



13c

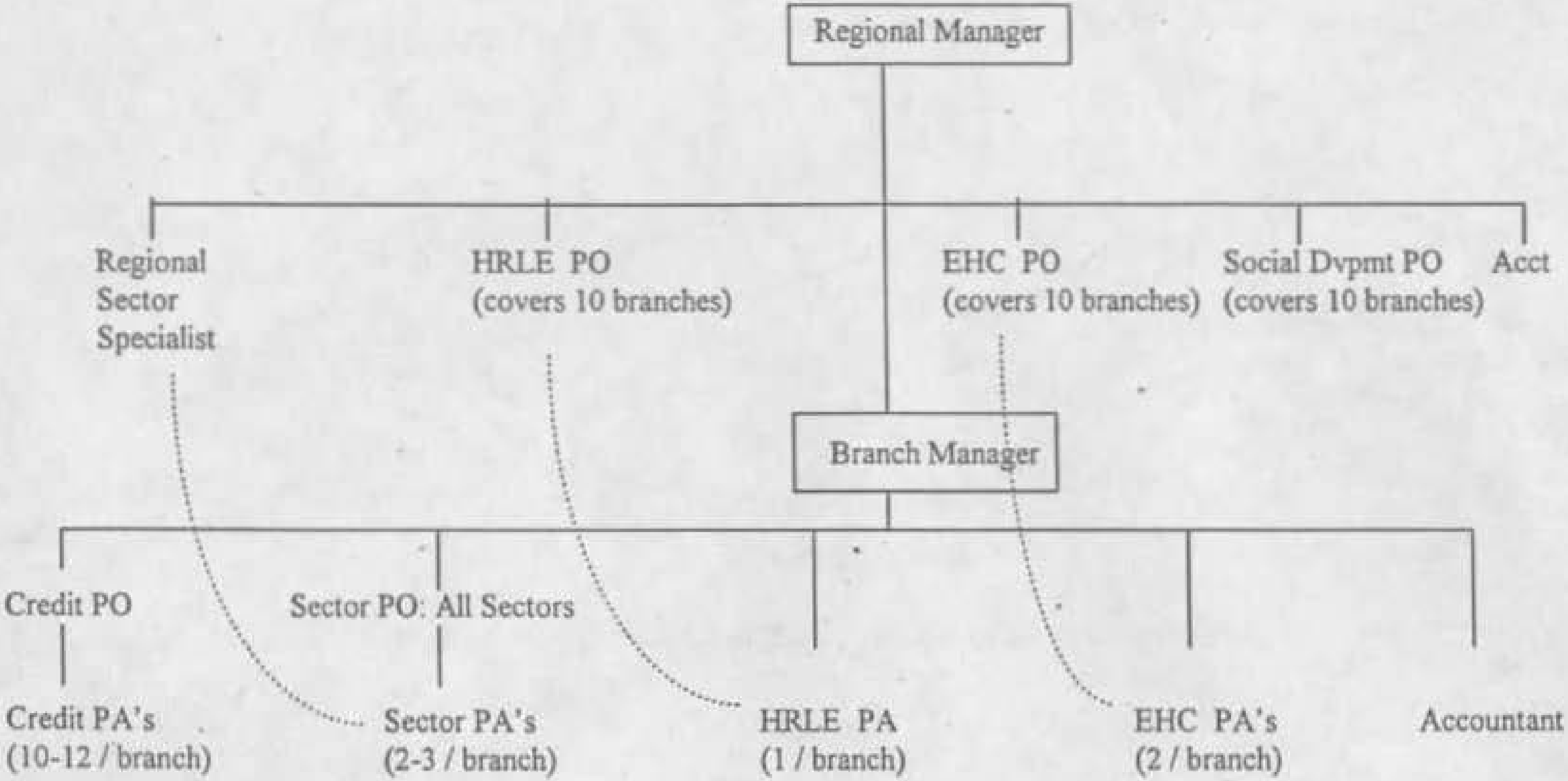
APPENDIX 14

BRAC RDP Structure

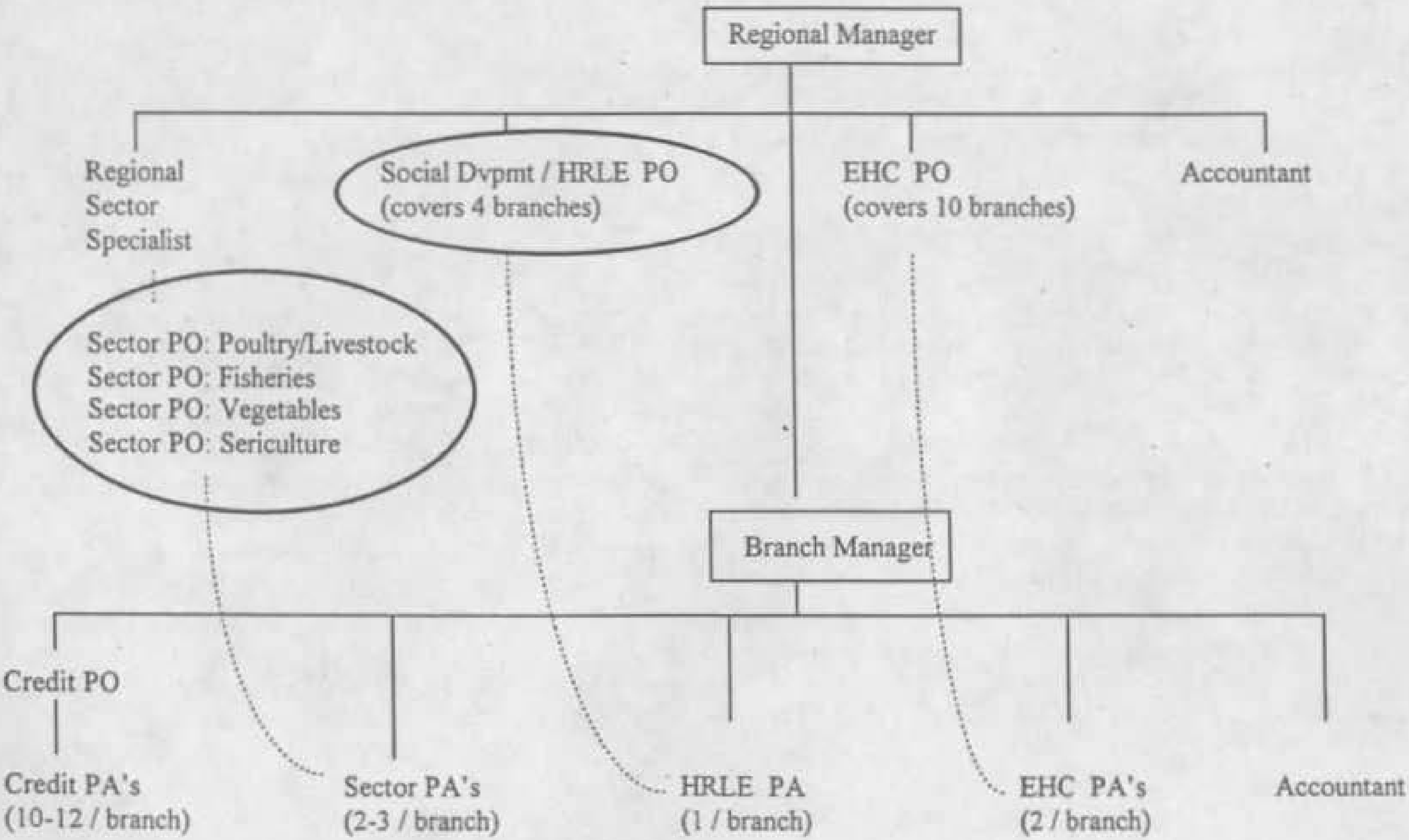


14a

BRAC Field Staffing
(As of December 1995)



BRAC Field Staffing
(As of January 1996)



14c

APPENDIX 15

BRAC Center (HO Building)
Funding and Actual Costs

Item	Donor Funding (Taka million)	RCP Funds	BRAC Own Sources	Actual Cost (Taka million)
Land and land development	20.0 RDP II (1989)			18.5
Building construction		150.0 RCP (1993)	30.0	181.5
Principal Management Training Center	24.1 RDP II (1989) 40.0 RDP III (5/94)			24.1 40.0
Furniture & Equipment	20.0 RCP III (5/94) 5.2 FPFP (1994) U.S. AID		21.7	26.0 (paid) 20.9 (payable)
TOTAL	109.3	150.0	51.7	311.0

APPENDIX 16

BRAC RURAL DEVELOPMENT PROGRAMME
Balance sheet
As at 31st Dec 1995

RDPAN95

		Taka
PROPERTY AND ASSETS		
Fixed Assets:		
Land		72,105,056
Building		366,327,183
Vehicle		44,261,734
Motor Cycle		43,211,798
Bi-Cycle		1,623,569
Furniture & Fixture		59,641,808
Equipment		53,266,016
Computer Extension		19,587,660
Telephone Instalation		1,177,026
		661,201,850
Less:Acc.Depreciation		(69,748,983)
		591,452,867
Loans to group members		742,869,065
Less: Loan loss reserve		(52,360,938)
		690,508,127
Housing loan to Staff		90,178,185
Current Assets:		
Stock and stores		34,419,050
Advances,deposits and prepayments		14,877,170
Sundry debtors/accounts receivable		54,517,610
Current accounts with field offices		60,345,633
Cash in hand and at bank		268,315,268
Bank Over draft		0
Total		1,804,613,910
FUND AND LIABILITIES		
Capital fund	1,209,134,334	
Add: Internal Resource	9,574,733	
		1,218,709,067
Motor cycle replacement fund		30,450,587
Current liabilities:		
For Expenses (incl. Insurance Fund Tk 10)		290,199,236
For Group saving deposits		244,829,491
For Group trust fund		15,311,744
For Group current and project accounts		5,113,785
Total		1,804,613,910

BRAC

RURAL DEVELOPMENT PROGRAMME

Statement of Income and Expenditure

for the year ended 31st Dec 1995

Income:	Taka
Donation	833,326,393
Interest Income	88,152,634
Training Income	11,137,940
Service charge realised	26,770,650
Total	959,387,617
Expenditure:	
Salaries and benefits	247,035,354
Travelling and transportation	39,317,138
Staff training and Development	25,937,223
Office and staff accomodation	13,561,599
Utilities	3,774,008
Stationery	8,477,388
Mainteanace and general expenses	14,045,022
Teacher's salary	69,915,842
Teacher's training	9,828,427
Consultant	936,515
School rent and maintenance	22,587,091
Program material supplies	160,133,328
V O Members training	54,607,633
Loan loss provision	22,482,734
H O Logistics and management support	60,183,238
	752,822,540
Surplus of income over expenditure transferred to capital fund	206,565,077
	959,387,617

RDPAN96S

BRAC
RURAL DEVELOPMENT PROGRAMME
Balance Sheet
As at September 30, 1996

PROPERTY AND ASSETS	Total	Branch	RM Office	Head Office
Fixed Assets:				
Land	82,440,354	62,826,644	0	19,613,710
Building	215,061,333	165,574,192	1,143,155	48,343,986
Vehicle	28,950,415	0	0	28,950,415
Motor Cycle	34,843,436	25,874,373	6,661,941	2,307,122
Bi-Cycle	1,144,046	989,169	89,987	64,890
Furniture & Fixture	50,848,189	19,322,954	1,728,689	29,756,546
Equipment	40,724,724	12,475,776	803,399	27,445,549
Computer Extension	21,264,306	0	0	21,264,306
Telephone Instalation	1,177,026	0	0	1,177,026
	476,413,829	287,063,108	10,427,171	178,923,550
Less:Acc.Depreciation	(57,812,704)	(12,476,679)	(873,910)	(44,462,115)
	418,601,125	274,586,429	9,553,261	134,461,435
Loans to group members	703,898,538	703,898,538	0	0
Less: Loan loss reserve	(60,031,931)	(41,237,482)	0	(18,794,449)
	643,866,607	662,661,056	0	(18,794,449)
Current Assets:				
Stock and stores	42,984,820	32,992,285	(1,508,492)	11,501,027
Advances,deposits and prepayments	20,783,787	8,719,188	1,044,792	11,019,807
Sundry debtors/accounts receivable	132,182	132,182		
Current accounts with field offices	63,444,609	(2,326,955,711)	(46,147,239)	2,436,547,559
Cash in hand and at bank	49,274,281	48,418,480	855,801	
Fund Control	305,315,373	0	0	305,315,373
Total	1,544,402,784	(1,299,446,091)	(36,201,877)	2,880,050,752
FUND AND LIABILITIES				
Capital fund	1,091,453,356	(1,649,580,050)	(36,268,335)	2,777,301,741
Motor cycle replacement fund	33,731,426	0	0	33,731,426
Current liabilities:				
For Expenses	98,280,349	29,196,306	66,458	69,017,585
For Group saving deposits	311,541,037	311,541,037	0	0
For Group trust fund	5,250,702	5,250,702	0	0
For Group current and project accoun	4,145,914	4,145,914	0	0
Total	1,544,402,784	(1,299,446,091)	(36,201,877)	2,880,050,752

BRAC

RURAL DEVELOPMENT PROGRAMME

Statement of Income and Expenditure

for the period ended September, 30 ~~1995~~ 1996

Income:	Total	Branch	RM Office	Head Office
Donation	438,783,700	0	0	438,783,700
Interest Income	105,285,019	105,285,019	0	0
Lease value of RCP Branches	829,759	829,759	0	0
Service charge realised	15,490,991	15,490,991	0	0
Total	560,389,469	121,605,769	0	438,783,700
Expenditure:				
Salaries and benefits	149,130,547	136,082,143	5,849,580	7,198,824
Travelling and transportation	23,270,253	20,097,181	2,260,005	913,067
Staff training and Development	12,347,433	9,469,788	429,572	2,448,073
Office and staff accomodation	5,253,402	4,256,755	996,647	0
Utilities	2,249,468	1,653,480	595,628	360
Stationery	4,192,134	4,033,200	155,944	2,990
Mainteanace and general expenses	5,026,918	4,220,519	571,223	235,176
Consultant	859,098	186,514	0	672,584
Program material supplies	23,632,548	23,516,206	0	116,342
V O Members training	22,843,646	22,537,536	0	306,110
Depreciation	9,714,821	3,518,800	147,139	6,048,882
Loan loss provision	20,696,680	20,039,110	0	657,570
H O Logistics and management support	24,776,495	21,644,886	943,238	2,188,371
	303,993,443	271,256,118	11,948,976	20,788,349
Surplus of income over expenditure transferred to capital fund	256,396,026	(149,650,349)	(11,948,976)	417,995,351
	560,389,469	121,605,769	0	438,783,700

BRAC
RURAL CREDIT PROJECT
Statement of Income and Expenditure
For the year ending 31st December 1995

	GRAND TOTAL	BRANCH TOTAL	R.O. TOTAL	H.O. TOTAL
INCOME:	Taka	Taka	Taka	Taka
Interest Income on loan	278,629,879	278,629,879	0	0
Interest Income on Investment	28,923,279	0	0	28,923,279
Total:	307,553,158	278,629,879	0	28,923,279
EXPENDITURE:				
Salaries and benifits	107,740,547	96,620,417	7,745,031	3,375,099
Travelling and Transportation	13,680,772	10,799,326	1,657,446	1,224,000
Staff Training	2,604,880	1,891,826	713,054	0
Utilities	4,275,602	3,200,554	955,048	120,000
Stationeries	10,380,482	8,922,596	(99,175)	1,557,061
Maintenance & general expenses	8,131,899	7,247,137	713,342	171,420
Interest on deposits	28,123,936	28,123,936	0	0
Depreciation	7,725,258	6,564,465	215,859	944,934
Loan loss provision	43,200,807	43,200,807	0	0
Data processing and monitoring	900,000	0	0	900,000
Office and staff accomodation	2,202,903	954,159	1,128,744	120,000
Total	228,967,086	207,525,223	13,029,349	8,412,514
Surplus(Deficit) of income over expenditure transfered to capital fund	78,586,072	71,104,656	(13,029,349)	20,510,765

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BRAC
RURAL CREDIT PROJECT
Balance Sheet
As at September 30, 1996

PROPERTY AND ASSETS	Total Taka	Branch Office	Regional Office	Head Office
Fixed Assets:				
Land	24,325,708	24,325,708	0	0
Building	139,421,577	134,976,688	450,993	3,993,896
Vehicle	5,395,000	0	0	5,395,000
Motor Cycle	40,140,576	30,188,880	5,606,311	4,345,385
Bi-Cycle	2,340,278	2,302,218	38,060	0
Furniture & Fixture	18,434,886	16,968,452	1,140,084	326,350
Equipment	9,745,520	8,705,314	725,076	315,130
	239,803,545	217,467,260	7,960,524	14,375,761
Less:Acc.Depreciation	(35,396,147)	(41,587,289)	(899,131)	7,090,273
	204,407,398	175,879,971	7,061,393	21,466,034
Loans to group members	1,724,138,826	1,724,138,826	0	0
Less: Loan loss reserve	(126,726,880)	(197,950,605)	0	71,223,725
	1,597,411,946	1,526,188,221	0	71,223,725
Loan to BRAC (HO Building)	150,000,000	0	0	150,000,000
Current Assets:				
Investment	164,296,971	0	0	164,296,971
Advances,deposits and prepayments	1,496,011	870,139	620,645	5,227
Sundry debtors/accounts receivable	0			
Current accounts with field offices	69,485,935	(902,292,420)	(48,343,791)	1,020,122,146
Cash in hand and at bank	52,201,335	51,113,915	1,087,420	0
Fund Control	19,254,217	0	0	19,254,217
Total	2,258,553,813	851,759,826	(39,574,333)	1,446,368,320
FUND AND LIABILITIES				
Capital fund	1,425,647,865	45,403,570	(39,594,276)	1,419,838,571
Motor cycle replacement fund	25,390,638	0	0	25,390,638
Current liabilities:				
For Expenses	8,887,643	7,728,589	19,943	1,139,111
For Group saving deposits	744,568,815	744,568,815	0	0
For Group trust fund	39,535,890	39,535,890	0	0
For Group current and project accounts	14,522,962	14,522,962	0	0
Total	2,258,553,813	851,759,826	(39,574,333)	1,446,368,320

BRAC

RURAL CREDIT PROJECT

Statement of Income and Expenditure

for the period ended September 30, ~~1995~~ 1996

Income:	Total Taka	Branch Office	Regional Office	Head Office
Interest Income on loan	300,537,902	298,210,366	0	2,327,536
Interest Income on Investment	6,362,510	0	0	6,362,510
Rental Income	8,001,375	8,001,375	0	0
Total	314,901,787	306,211,741	0	8,690,046
Expenditure:				
Salaries and benefits	94,427,487	86,952,867	5,351,453	2,123,167
Travelling & Transportation	11,073,715	8,521,703	1,687,352	864,660
Staff Training	2,274,039	1,536,185	737,508	346
Office and staff accomodation	2,327,112	1,608,052	649,060	70,000
Utilities	3,571,194	2,837,211	653,983	80,000
Stationery	7,105,903	6,091,482	894,421	120,000
Maintenance & general expenses	5,923,207	5,429,941	413,266	80,000
Depreciation	4,789,354	4,288,379	118,507	382,468
Loan loss provision	41,047,863	41,047,863	0	0
Data processing and monitoring	600,000	0	0	600,000
	173,139,874	158,313,683	10,505,550	4,320,641
Surplus of income over expenditure transferred to capital fund	141,761,913	147,898,058	(10,505,550)	4,369,405
	314,901,787	306,211,741	0	8,690,046

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