

CREDIT RATING REPORT



CREDIT RATING AGENCY OF BANGLADESH LIMITED

Credit Rating Report (Surveillance)

BRAC

Ratings:

Long Term : AAA

Short Term : ST-1

Outlook : Stable

Previous Ratings

Date of Ratings	Long Term	Short Term	Outlook
31 August 2014	AAA	ST-1	Stable
31 October 2013	AAA	ST-1	Stable

Date of Rating : 12 November 2015

Validity : 30 June 2016

Rating Based on: Consolidated Audited financial statements up to 31 December 2014, Audited financial statement of Micro finance program up to 30 June 2015 and other relevant quantitative as well as qualitative information up to the date of rating declaration.

Methodology: CRAB's Rating Methodology (www.crab.com.bd)

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Highlights

BRAC (Micro Finance)	Jun-15	Dec-13	Dec-12
Amount in BDT Mil			
Loan Portfolio	103,695.01	71,447.88	59,960.14
Members Savings	36,100.89	29,034.85	24,907.28
Total Asset	118,333.23	78,608.69	62,863.13
Net Surplus	10,129.65	4,809.63	3,505.11
Portfolio Yield (%)	24.30	26.44	26.24
PaR >30 days (%)	4.71	6.12	5.88
Capital Adequacy (%)	30.95	30.21	30.23
ROAA (%)	9.55	6.80	5.95
Operational Self Sufficiency (%)	171.26	137.10	129.71

Table 1:

Particulars	2014	2013
Amount in BDT Mil		
Aarong:		
Revenue	5,344.24	4,748.62
Net surplus	846.17	774.29
BRAC Agro based Programme support enterprise		
Revenue	4,266.91	4,114.97
Net surplus	351.88	264.99
BRAC Dairy:		
Revenue	2,940.76	2,713.05
Net surplus	269.54	185.86

Rationale

Credit Rating Agency of Bangladesh Limited (CRAB) has retained 'AAA' (Pronounced Triple A) rating in the Long Term and ST-1 rating in short term of BRAC. MFIs rated 'AAA' have extremely strong capacity to meet their financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. 'AAA' rated entities are judged to be of the highest quality, with minimal credit risk. MFIs rated in this category are considered to have the highest capacity for timely repayment of obligations. MFIs rated in this category are characterized with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds. Rating is based on BRAC's large scale of operation; effective and efficient allocation and utilization of resources; contribution to uplift the socio economic condition of the country through education, health services, social and legal awareness with its services to underprivileged, micro credit loan programs for the poor people, strong financial and risk management practices. Ratings consider BRAC's major development works including micro finance operation, education, health, legal & social empowerment, agricultural and environment programs.

Active member of BRAC micro finance operation was 5.42 million as on 30 June 2015. Its loan outstanding was BDT 103,695.01 million which expanded 26.81% in the same period. However PaR [≥ 30 Days] was BDT 5,565.48 million, which was 4.71% of loan portfolio due to significant loan growth and write off. Due to loan write off, loss category (PaR > 350 days) loan reduced at 2.88% of loan portfolio in 2015. The organization kept BDT 5,633.30 million as provision according to Micro Credit Regulatory Authority regulation. Net surplus of this program was BDT 10,129.65 million in 2015. BRAC microfinance program was mainly funded by both member's savings (33.28%) and capital fund (33.14%). The organizations micro finance program had external borrowings as term loan shared 19.90% and overdraft 13.68% of total fund. However, Balance sheet liability to capital fund of micro finance program was 2.29 times (2014: 2.63 times) and borrowed fund to capital fund was 1.01 times (2014: 1.05 times).

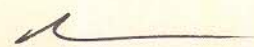
No. of BRAC pre primary school was 15,164 including 3,164 schools by UNICEF. BRAC pre-school graduates in the PSC exams pass rate were 99.99 per cent in 2014. BRAC had total 22,618 primary schools in 2014. There were 43,843 BRAC primary and pre primary school students (61.17 per cent girls) participated in the primary school certificate (PSC) exams in 2014. The pass rate was 99.97 per cent (99.90 per cent for girls), with 80.29 per cent of students achieved A- and above grade. Around 20 early childhood development (ECD) centers of BRAC were operating for children aged 3 and above to strengthen their health and enhance their learning abilities. There were 80 bridge schools which have been established for students who dropped out of classes 2 and 3. These bridge schools aim to help students move on to the next class by avoiding repetition of the earlier grades. Thus brings the dropped-out students to the same academic level as the rest of their classmates. There were a total of 607 boat schools currently operating with 17,791 students. In 2014, an additional 984 adolescent clubs were established to serve vulnerable adolescents, especially girls, bringing the total number of clubs to 9,000 Club.

BRAC health care serves in 47 districts and over 110 million people of Bangladesh. Total number of community health workers was 105,736 in 2014. To reach BRAC Millennium Development Goals (MDG) its community health workers reached 1,648,255 women with at least one antenatal care (ANC) check-ups. The program completed at least four ANC check-ups to 1,182,323 women during their pregnancy up to 2014. Women who received over four ANC check-ups increased to 75 per cent in the same duration. BRAC's 1,300 trained health workers supported safe deliveries at home to ensure skilled delivery care. Around 46 per cent of a total of 726,630 deliveries were attended by skilled providers. Total 328,747 women and children with maternal and child health complications were referred to formal healthcare facilities through BRAC's referral system. There are 1,385,581 children (91 per cent) completed the full course of vaccinations by the health workers who were actively involved until 2014.

BRAC Migration program helped safe migration to 798,741 prospective migrants in 2014. It facilitated migrants who had been exploited by recruiting agencies recover BDT 737,000 through the Bureau of Manpower Employment and Training (BMET). This program recovered BDT 50,000 through local courts and police stations in 2014.

BRAC initiated 'ideal ward', with the assistance of "Polli Shomaj" under its program named Community Empowerment Program (CEP). Total of 13,802 community-based organizations – commonly referred to as polli shomaj – consisting of 756,645 members participated in local community development activities. As recognition of their extraordinary accomplishments, the Government of Bangladesh accredited 786 CEP women – 31 per cent of the total number of winners – with Joyeeta Nari Awards in 2014. The winners include polli shomaj members, popular theatre performers and survivors of violence. In 2014, 3,856 incidents of violence against women were reported. Up to 2014 total of 4,836 survivors were provided need-based support. Radio Polli kontho, a community radio station operated by CEP, received the "Meena Media Award" from UNICEF in 2014.

Up to Dec 2014, BRAC WASH program covered 13.60 million households of Bangladesh. This program has operation in 250 sub-districts; the WASH program complements Government efforts to achieve sustainable access to safe drinking water and basic sanitation by 2015. Around 36.90 million people have been reached by providing grant support for the ultra poor, loan support for poor families, latrines for girls in over 5,000 secondary schools, rural sanitation centres and community motivation. Under this project, additional 2.30 million people have gained access to safe drinking water. A total of 83 per cent of people have access to improved water sources. As of 2014, WASH-related messages have



reached 66.40 million people through household visits. BRAC has social enterprises like AARONG, BRAC Dairy; Agro based program and Self Financing Social Development projects etc. In 2014, revenue from "AARONG" stood at BDT 5,344.24 million, registering a 3-year CAGR of 5.67%. Cost of service/ revenue in 2014 increased from previous year due to 12.54% revenue growth. Hence, its net surplus in 2014 stood at BDT 846.17 million registering 9.28% growths. AARONG's total capital fund increased to BDT 3,280.53 million. In 2014, 7.39% of total BRAC net surplus contributed by AARONG. It opened its 14th outlet and received the highest VAT payer award from the Bangladesh Govt.

BRAC Dairy project has a total of 1,496 farmers who are supplying milk to 42 DFT collection centers. Cost of Service as % of Revenue reduced to 92.00% in 2014. Net surplus stood at BDT 269.54 million experiencing 45.02% growth due to sales growth. In 2014, 2.36% of total BRAC net surplus was received from BRAC Dairy. During 2014, BRAC Dairy's capital fund stood at BDT 1,202.36 million grew due to internal capital generation.

BRAC Agro Based programs include "BRAC Seeds and Agro" which accounted for 4.70 per cent of the total grain production of Bangladesh, making it the largest aggregate seed supplier in the private sector. About 1.50 million farmers have purchased seeds from BRAC meeting 23 per cent of the hybrid rice seed demand and 31 per cent of hybrid maize seed demand nationally. Rich in vitamin A, orange-flesh sweet potatoes are still an unconventional crop variety for Bangladeshi rural farmers and the urban food market. In 2014, 16.81% and 3.08% of total net surplus came from BRAC self financed social development projects and Agro based program support enterprise. BRAC social enterprises allow 50 percent of the financial surplus used in BRAC development program.

Rating Scope

Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity or social impact of the programs of an NGO, although such considerations may affect CRAB's view on credit risk, such as access to capital or likelihood of refinancing. At the time of rating of BRAC, CRAB did not conduct any social research and survey on its programs. It is not within the purview of rating agency to carry out comprehensive impact study. However, CRAB at the time of rating of BRAC apart from its Micro Finance Operation and Business Enterprises, looked into various impact studies of BRAC's Health, Education, Environment and Legal programs and tried to understand how effectively and efficiently BRAC could link its program with its vision, mission and goals. CRAB's credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, dividends, and repayment of principal, insurance claims or counterparty obligations.

Table 2: AT A GLANCE

BRAC (Micro Finance)	June -2015	June 2014	Dec-2013	Dec-2012
No of Members	5.42 Mil	5.57Mil	5.72 Mil	5.84 Mil
No of Village Organization	283,785	282,671	281,336	279,175
No of Borrowers	4.73 Mil	4.47 Mil	4.60 Mil	4.19 Mil
Districed Covered	64	64	64	64
No of Branches	2,051	2,029	2,028	2,119
Loan Outstanding	BDT 103,695 Mil	BDT 81,773 Mil	BDT 71,889 Mil	BDT 60,067 Mil
Members Savings	BDT 36,100 Mil	BDT 30,925 Mil	BDT 29,034 Mil	BDT 24,907 Mill

Table 3: Eligibility Criteria of PKSF

ELIGIBILITY CRITERIA	As of 30 June 2015	
	Required	BRAC
Cumulative Loan Collection Ratio (On Total dues)	95%	99.86%
Loan collection Ratio on Current dues (on running 12 month basis)	92%-100%	99.12%
Minimum Liquidity Ratio	10%	27.28%
Minimum Current Ratio	2.0:1	1.44:1
Minimum Capital Adequacy	15%	30.95%
Minimum Debt Service Coverage Ratio	1.25:1	2.97:1
Debt Capital Ratio	9:1	1.01:1
Minimum Rate of Return on Capital	1%	32.81%

Table 4: Micro Finance Operations: Key Financial Ratios of 30 June'15

Capital Adequacy Ratio	Portfolio at Risk (>=30 Days)	Financial expense Ratio	Operational Self Sufficiency	Yield on Portfolio
30.95	4.71	4.84	171.26	24.30
Gearing Ratio (x)	Debt to Equity Ratio(x)	Portfolio per credit staff	Return on Avg. Equity	Total Expenses to Average Assets
2.29	1.01	76,98,154	32.81	13.31
Return on Average Assets	Savings Outstanding Ratio	Liquidity Ratio	Capital /Asset Ratio	Deposit to Loan Ratio
9.55	35.08	27.28	30.37	34.81
Risk Coverage Ratio	Gross Loan to Total Assets	Operating Expense Ratio	Current Ratio	Reserve Ratio
116.17	87.63	6.46	1.44	5.47

Notes:

1. All figures pertain to the organization's microfinance program as on 30/06/2015.
2. Active clients refer to those who save with BRAC MFI and attend centre meetings; active borrowers refer to the clients who have loans outstanding. Other income includes transfer from donor funds, interest on STD etc.
3. The PAR₃₀ and PAR₁₈₀ figures above are before write-offs in 30/06/2015
4. The loan repayment ratio has been calculated from MIS reports generated by BRAC.
5. Monetary assets and liabilities denominated in foreign currencies as at 30 June 2015 have been converted into taka at the exchange rates prevailing at that date. 1 USD = 77.80 Taka.



■ ORGANIZATIONAL BACKGROUND

BRAC was launched in Bangladesh in 1972 as a non government development organization which reaches more than 138 million people in Africa, Asia and Caribbean through its programs that address poverty, illiteracy, disease and social injustice by providing micro finance, self-employment opportunities, health services, education, gender, agriculture and food security and legal and human rights services. BRAC's vision is a world free from all forms of exploitation and discrimination where everyone has the opportunity to realize their potential. BRAC's work gives people a chance to transform their lives. BRAC invests in training and building human capacity in each country where it work. BRAC organize the most vulnerable, particularly poor women, for their own self-empowerment, rights, protection, work and collective voice, enabling them to fully develop themselves and contribute to their communities. BRAC, a national private development organization, was founded in 1972 by Sir Fazle Hasan Abed, KCMG. It is registered under the Societies Registration Act 1860. Sir Fazle Hasan Abed, BRAC's founder and chairperson, was announced as the winner of the 41st annual World Food Prize on 1 July 2015. Sir Fazle Hasan Abed has been recognized for his outstanding contribution to enhancing the world's production and distribution of food to those most in need. BRAC now operates in more than 69 thousand villages of Bangladesh through its development interventions that range from primary education, essential healthcare, agricultural support and human rights and legal services to microfinance and enterprise development. BRAC offers preventive, curative and reproductive health services to more than 92 million people. BRAC is now considered the largest non-profit development organization in the world – both by number of employees and people served. Its health programs serve more than 110 million people, its microfinance programs assist more than 8.00 million members, and its education programs reach more than 1.80 million children. BRAC tries to use funds from its social enterprises to pilot and spread other types of programs throughout Bangladesh. In Dec 2014, 99.41% of total BRAC net surplus was from BRAC program support enterprises (unrestricted fund) and microfinance program. BRAC's internal audit and financial monitoring department also smoothes the path for sustainable social enterprises. BRAC has computerized its entire microfinance program makes easier for it to closely monitor all of its loans and curtail ineffective practices. BRAC development program containing education, health, human rights and legal institutions, economic development, disaster management environment and climate change, agricultural and food security and water sanitation and hygiene. The major projects of BRAC have been discussed below.

■ BRAC AGRICULTURE AND FOOD SECURITY

BRAC's agriculture & food security program works with government to ensure food security. This project builds system of production, distribution and marketing of quality seeds at fair price, conduct research to develop better varieties and practices for the agriculture sector. The program also promoted use of efficient farming techniques and proven technologies. Using environmentally sustainable practices, BRAC is helping Bangladesh to become self sufficient in food production. Research and development unit has recently initiated agronomic management of hybrid rice to expedite its extension in unfavorable environments so that rice varieties are resistant to high temperatures can tiller under submerged conditions and can mature faster with improved quality.

Highlights of 2014:

- 77,839 farmers directly participated in new agriculture and aquaculture technology demonstration.
- 133,000 farmers were trained on improved technologies across 82 sub-districts.
- Homestead vegetables and dyke farming was introduced to 14,500 households.

■ BRAC EDUCATION PROGRAM (BEP)

BRAC's non-formal primary schools are designed to give a second chance at learning to disadvantaged children left out of the formal education system due to extreme poverty, violence, displacement or discrimination. BRAC education program complements the mainstream school system with innovative teaching methods and materials. At the secondary level, BEP provides needs-based training and support for both teachers and students. Its e-learning materials improve mainstream education, while BEP mobile libraries promote reading and access to IT facilities for the community. BEP have priorities on adolescents and youth, it is offering life skills and livelihood development training, savings, financial services, and much more .Up to 2014, total 11.20 million graduated from BRAC primary school.



Highlights in 2014:

- In 2014 total of 43,843 BRAC primary school and pre primary students (61.17 per cent girls) took the primary school certificate (PSC) exams. The pass rate was 99.97 per cent (99.9 per cent for girls), with 80.29 per cent of students achieving A- and above.
- The pass rate of BRAC pre-school graduates in the PSC exams was 99.99 per cent. Around 20 early childhood development (ECD) centers are operating for children aged 3 and above to strengthen their health and enhance their learning abilities.
- There are 80 bridge schools which have been established for students who dropped out of classes 2 and 3. These bridge schools aim to help students move on to the next class by avoiding repetition of the earlier grades. Thus brings the dropped-out students to the same academic level as the rest of their classmates.
- There are a total of 607 boat schools currently operating with 17,791 students. In 2014, an additional 984 adolescent clubs were established to serve vulnerable adolescents, especially girls, bringing the total number of clubs to 9,000. Club.

■ BRAC HEALTH NUTRITION & POPULATION

BRAC's health, nutrition and population program (HNPP) aims to improve reproductive, maternal, neonatal, child health and nutritional status; reduce vulnerability to communicable diseases; combat non-communicable diseases, and enhance the quality of life. Through a combination of preventive, curative and rehabilitative health services, BRAC serve disadvantaged and hard-to reach populations. The organization seeks to improve access, coverage and quality of health services in communities across the country.

Total number of community health workers was 105,736 in Dec 2014. To reach BRAC Millennium Development Goals (MDG) its community health workers reached 1,648,255 women with at least one antenatal care (ANC) check-ups. The program completed at least four ANC check-ups to 1,182,323 women during their pregnancy. Women who received over four ANC check-ups increased to 75 per cent in the same duration. BRAC's 1,300 trained health workers supported safe deliveries at home to ensure skilled delivery care. Due to combined efforts, around 46 per cent of a total of 726,630 deliveries were attended by skilled providers. Total 328,747 women and children with maternal and child health complications were referred to formal healthcare facilities through BRAC's referral system. There are 1,385,581 children (91 per cent) completed the full course of vaccinations by the health workers who were actively involved until 2014.

Highlights of 2014:

- BRAC Health Security Program (BHSP) is a community-based health security scheme aligned with the national health financing strategy to achieve universal health coverage in Bangladesh. It was launched in August 2014 in Gazipur, encouraging 25,000 households to voluntarily practice the norms of pre-payment and co-payment mechanism to ensure equitable access to healthcare services and protection from health shocks.

■ MIGRATION

Migration is an important sector, contributing significantly to the transformation of Bangladesh into a middle-income country. However, migrants are often exploited due to lack of information and support services. To address this, BRAC started an initiative to promote migrants' rights and ensure their safety. In 2006, projects were launched in 17 migration-prone districts, expanding to 33 districts in 2014. Under these projects, prospective migrants receive information on safe migration, remittance management, social and legal aid support, skills training, and social arbitration. Support for reintegration is also being provided to returnee migrant workers.

In 2014, the program disseminated information on safe migration to 798,741 prospective migrants. BRAC helped migrants who had been exploited by recruiting agencies recover BDT 737,000 through the Bureau of Manpower Employment and Training (BMET). BDT 50,000 was recovered through local courts and police stations. Additionally, BDT 240,000 was recovered with the support of BRAC's human rights and legal aid services program. Safe migration

facilitation centers recovered over BDT 4 million from dishonest middlemen through social arbitration. The program partnered with 80 selected community-based organizations to reduce exploitation and migrants' dependency on middlemen. BRAC assisted 20 migrants' families to obtain BDT 2,595,000 in death benefits from Bureau of Manpower, Employment and Training.

Highlights of 2014:

- BRAC collaborated with University of California at Berkeley and BRAC's research and evaluation division, on a study entitled, 'reducing the risks of migration: An evaluation of BRAC's safe migration program'. International Migrants' Day was celebrated on 18 December 2014 in solidarity with and recognizing the right of migrants around the world.

■ COMMUNITY EMPOWERMENT

BRAC's Community Empowerment Program (CEP) empowers the poor, especially women, by mobilizing communities to translate awareness into action. BRAC Polli shomaj (PS) is organized at the ward level, encompassing 3-4 villages. Membership is now open to all members of the community, not just VO members. Two types of meetings are held bimonthly. The general committee meeting is a platform for discussion, raising awareness, and planning and implementing initiatives. Total of 13,802 community-based organizations – commonly referred to as polli shomaj – consisting of 756,645 members participated in local community development activities. These activities include promoting grassroots women's leadership and political participation, and preventing violence, particularly against women.

Table 5:

Community Empowerment Program	Dec 2014	Dec 2013	Dec 2012	Dec 2011	June 2011
No. of Polli Shomaj	13,802	13,645	11,617	11,234	11,278
No. of Union Shomaj	1,215	1,220	1,218	1,217	1,089
No. of HRLS Graduates	3.90 Mil	3.80 Mil	3.80 Mil	3.70 mill	3.60 mill

Highlights of 2014:

- As recognition of their extraordinary accomplishments, the Government of Bangladesh accredited 786 CEP women – 31 per cent of the total number of winners – with Joyeeta Nari Awards in 2014. The winners include polli shomaj members, popular theatre performers and survivors of violence.
- In 2014, 3,856 incidents of violence against women were reported. A total of 4,836 survivors were provided need-based support.
- During 2014, total 20,162 shows were staged by popular theatre groups. Radio Polli kontho, a community radio station operated by CEP, received the "Meena Media Award" from UNICEF in 2014.

■ HUMAN RIGHTS AND LEGAL AID SERVICES (HRLS)

BRAC's human rights and legal aid services (HRLS) program is dedicated to protecting and promoting human rights of the poor and marginalized through legal empowerment. This program creates an enabling environment for vulnerable and excluded communities to seek justice through formal and informal systems.

Highlights in 2014:

- During 2014, total 57,585 women graduated from the course. Of the 22,332 complaints that were filed, 11,671 were resolved through Alternative Dispute Resolution (ADR).
- Approximate 3.90 million women completed human rights and legal education course up to 2014. In same duration 231,464 cases were received by legal aid clinics.



■ DISASTER, ENVIRONMENT AND CLIMATE CHNAGE

BRAC's disaster, environment and climate change (DECC) program enhances the organization's institutional capacity to respond to natural disasters, builds competence at the community level on disaster preparedness and increases coping ability during natural disasters with preventive and adaptive strategies. This program provides training, simulation sessions and situation reports to both staff and communities to improve preparedness.

Highlights of 2014:

In 2014, 16,000 women formed 640 groups which received leadership psychological and skill development training to help build resilient. Over 350 survivors of Rana Plaza garments building collapse received skill development training. 50 Rana Plaza survivors were supported through a health protection scheme, providing comprehensive medical services.

■ TARGETING THE ULTRA POOR (TUP)

BRAC's ultra poor program focuses on improving the economic and social situation of those who are living in extreme poverty, this group struggles to meet its minimal dietary requirements and faces difficulty to reach mainstream anti poverty program like microfinance.

Highlights of 2014:

- In December 2014, the Ultra Poor Program (TUP) reached 53,475 ultra poor households with a full grant basis.
- There are 36,975 households which were reached through a credit plus grant based approach in 35 districts.
- Planted 219,725 saplings to reduce bio diversity loss.

■ INTEGRATED DEVELOPMENT PROGRAM

BRAC's integrated development program (IDP) aims to address the need of the most marginalized and deprived communities who are socially and geographically excluded from the mainstream development interventions in specific areas of Bangladesh. IDP reaches its target group with a coordinated version of all BRAC interventions including health, education, microfinance, and overall social development. IDP grants the poor living in hard-to-reach areas with access to basic services, creates livelihood opportunities, mobilizes communities for their empowerment, and continually improves its services from research findings.

Highlights in 2014:

- IDP provided 7,951 ultra poor members with assets or soft loans followed by livelihood training.
- In Char areas 5,454 farmers were trained to cultivate fruits and vegetables.
- Total 7,480 borrowers were trained in other income generating activities.
- 32,056 ultra poor and poor households received and installed improved latrines up to 2014.

■ GENDER JUSTICE AND DIVERSITY (GJD)

Gender Justice & Diversity program works simultaneously within the organization and with the community to eliminate gender injustice. This program strives for equality, diversity and inclusiveness within BRAC; improves gender relations and empowers women at the household level across many of its programs and works to ensure that girls and boys are equitably nurtured to their full potential from pre primary through secondary school. The programs also promotes gender equality and tackles violence against women at a national level by influencing government policies and agendas, organizing public forums and events and leveraging national and international alliances for gender justice.

Highlights of 2014:

- In 2014, gender training along with policy orientation was provided to 17,000 staff.
- The gender equality goals contributed to increasing the female staff ratio to 25 per cent, including mid and senior leadership positions. The "Mon khule kotha bola" forum also brought about policy changes such as flexible office timing, sick leave and paid leave for pregnant and lactating mothers during political strike and unrest.
- GJD program introduced psychosocial counseling for staff along with capacity development: 77 staff members benefitted from these interventions.

■ WATER, SANITATION AND HYGIENE (WASH)

BRAC Water, Sanitation and Hygiene (WASH) program is aimed to reduce the proportion of people without access to safe drinking water and basic sanitation by half. This program has reached over 38 million people providing sustainable and integrated WASH services in rural and isolated areas, breaking the cycle of contamination caused by unsanitary latrines, contaminated water and unsafe hygiene practices. BRAC ensures sustainability of these interventions by encouraging community ownership, developing linkages with local governments and encouraging local entrepreneurs to supply low cost hardware.

Highlights of 2014:

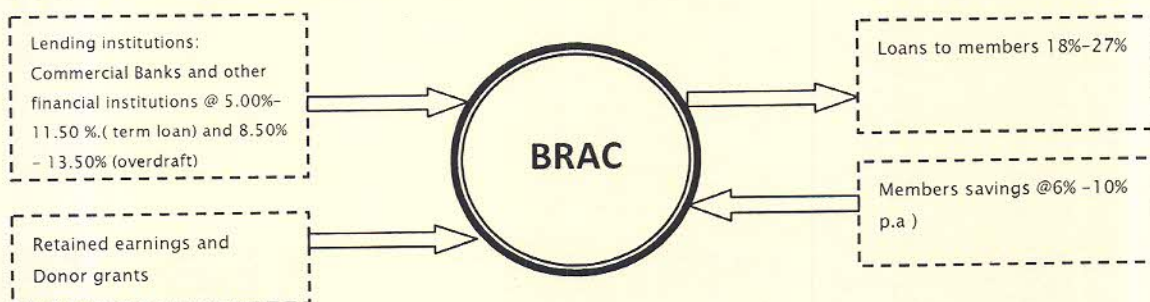
- This program is operating in 250 sub-districts; the WASH program complements Government efforts to achieve sustainable access to safe drinking water and basic sanitation by 2015. Around 36.9 million people have been reached by providing grant support for the ultra poor, loan support for poor families, latrines for girls in over 5,000 secondary schools, rural sanitation centres and community motivation.
- Under BRAC WASH projects, additional 2.30 million people have gained access to safe drinking water. This program provides sustainable and integrated services in rural and isolated areas. A total of 83 per cent of people have access to improved water sources. As of 2014, WASH-related messages have reached 66.4 million people through household visits. Additionally, over 44 million community cluster meetings have been held. Message dissemination across communities has also taken place through village WASH committees, schools, opinion leaders and local government representatives. In 2014, latrines were built for boys and piped water systems were installed to supply clean drinking water to schools in rural areas of Chittagong and Khulna. WASH is also providing urban schools with water and sanitation facilities, as well as hygiene education.

■ Advocacy for Social Change (ASC)

This program designs strategies based on rigorous research on social issues and government policies. It brings together stakeholders, from top government officials to those at the grassroots, to participate in reforming old and formulating new policies that drive progress on the millennium development goals. The program promotes behavioral change by influencing communities, organizations, government officials and policy makers. It also creates an enabling environment for BRAC's program by implementing projects with a special focus on five areas. The projects are: access promotion of the ultra poor (APUP); promote breast-milk substitutes code implementation (PBCI); reducing social obstacles in the hard-to-reach areas for promotion of primary school enrolment (RESHAPE); promoting safe road code (PSRC); promoting climate-adaptive technology through advocacy and communication (PCAT).

■ MICRO FINANCE (MF)¹

Credit operations of BRAC are carried out through a Revolving Loan Fund (RLF). The sources of RLF are retained earnings, Donors' funds, group savings, and loans from commercial banks. BRAC takes loan from other financial institution at 5%-11.50% interest rate.



Graph: Fund Flow

¹ BRAC's financial statement prepared in compliance with the requirement of Micro Finance Regulatory Authority Act (MRA), 2006:

BRAC micro finance loans are serviced by Village Organization (VO). Usually there are 30-40 members in each VO. Once a VO has a minimum of 20 members, activities may start. The VO serves as an informal guarantor through creating peer pressure to ensure timely payment. During each VO meetings borrowers repay their weekly or monthly installment and deposit savings. The Microfinance Program covers all 64 districts of Bangladesh with its 283,785 Village Organizations. There are 5.42 million members in 2015. BRAC microfinance program has 3 loan products details given in (Annexure 1). At the end of 2015 BRAC's loan portfolio grew by 26.81% to BDT 103,695.01 million compared to 2014.

Table 6:

Summary of Micro Finance Program	2015	2014	2013	2012
No of members	5,425,900	5,578,229	5,640,684	5,835,861
Number of Groups	283,785	282,671	281,782	279,175
Number of Borrowers	4,738,114	4,474,631	4,239,936	4,193,218
Number of Districts covered	64	64	64	64
Number of Branches	2,051	2,029	2,028	2,119
Loan Outstanding (Mill BDT)	103,695.01	81,773.54	71,889.57	60,067.48
Deposit Outstanding (Mill BDT)	36,100.89	30,925.76	29,034.85	24,907.28

Savings: BRAC has 03 types of savings namely (a) Compulsory savings (b) Voluntary savings (c) Term deposits. Average rate of interest paid in respect of savings deposits by members was 6%-10% per annum. A member can withdraw his/her entire amount of savings after fully repaid of loan outstanding balance including service charge on loan after giving a 07 days written notice. BRAC can adjust the amount of bad loan balance with the savings balance of the default borrower. In 2015 BRAC members saving grew 16.73% to BDT 36,100.89 million than 2014. (Annexure1)

Loan Portfolio Analysis

BRAC provides loans to its members to initiate different income generating activities. Loans to members have to bear annual service charge (18%-27%) declining balance method). Repayments of loans are made in weekly or monthly installment. BRAC micro finance program has three segments; one is named as "Dabi" (combining Dabi and Unnoti) second "Progoti" and newly introduced loan named "Borga chashi". BRAC micro finance program shared 69.86% of total BRAC net surplus. BRAC's outstanding loan amount registered a growth of 26.81% to BDT 103,695.01 million. The Organization's micro finance loan was mainly concentrated in Dabi (51.81%) followed by Progoti loan (43.70%), and Borga chashi loan (4.49%). Average loan size was 25,851 taka in 2015.

Table 7:

Sector wise loan outstanding	30-Jun-15	% in Total	30-Dec-14	% in Total
Amount in BDT				
Dabi	53,729.56	51.81	46,713.57	51.20
Progoti	45,310.00	43.70	40,468.43	44.35
Borga chashi	4,655.45	4.49	4,062.67	4.45
Total	103,695.01	100.00	91,244.67	100.00

FINANCIAL ANALYSIS

The indicators presented in this report are categorized into five main classes: portfolio quality, efficiency and productivity, financial management, profitability and sustainability. There are other aspects like performance of micro-finance institutions; various important indicators are taken together, provide a reasonable overview of the performance, risk and financial condition of BRAC.



PORTFOLIO QUALITY

Table 8:

Particulars	Jun-15	Dec-14	Dec-13	Dec-12
Loan outstanding (BDT Mill)	103,695.01	90,535.53	71,447.88	59,960.14
Loan Growth (%)	26.81	26.72	24.82	13.92
Portfolio at Risk (BDT Mill)	5,565.48	5,292.65	5,523.38	4,616.22
PaR Growth (%)	0.76	(4.18)	19.65	-10.78

Portfolio at Risk (PaR): BRAC is a micro finance institution, whose loans are typically not backed by bankable collateral, the quality of the portfolio is absolutely crucial. The most widely used measure of portfolio quality in the micro finance industry is Portfolio at Risk (PaR), which measures the portion of the loan portfolio "contaminated" by arrears as a percentage of the total portfolio. The number 30 and 180 indicate days of arrear above or equal to the indicated days. BRAC's PaR [≥ 30 Days] stood at BDT 4,849.34 million, which was 4.71% of total loan portfolio and 87.13% of total PaR.

Table 9:

Loan Outstanding on 30 June 2015						
Loan Classification	Days in Arrear	Rate of Provision	Principal Outstanding	Proportion of Loan	Required Provision as per MRA	Provision kept by BRAC
Amount in BDT mill						
Regular	Current	1%	97,358.84	94.59	973.59	1,947.18
Watch list	1-30 days	5%	716.14	0.70	35.81	35.81
Substandard	31-180 Days	25%	1,454.31	1.41	363.58	363.58
Doubtful	181-350 Days	75%	433.14	0.42	324.86	324.86
Loss	Over 350 Days	100%	2,961.88	2.88	2,961.88	2,961.88
Total			102,924.32	100.00	4,659.71	5,633.30
Provision Surplus						973.59

Of the total PaR loans, 2.88% loans belonged to loss category followed by substandard (1.41% of total loan) and watch list (0.70% of total loan). BRAC has surplus loan loss provision fund of BDT 973.59 million. BRAC disbursed micro finance and agriculture loan in remote areas including coastal areas of Bangladesh. Due to riskiness of these loans BRAC has kept 1% surplus loan loss provision. In 2015 risk coverage ratio was 116.10% (Dec 2014: 121.72%). During 2014-15 BRAC has write off BDT 1,776.57 million and recovered BDT 55.97 million.

Table 10:

Financial Structure				
For the Year Ended June				
	2015	2014	2013	2012
Capital/Asset Ratio (%)	30.37	27.51	29.37	29.07
Debt to Equity Ratio (X)	1.01	1.05	0.94	1.08
Deposits to Loans (%)	34.81	37.82	40.39	41.54
Deposits to Assets (%)	30.51	32.96	36.94	39.62
Loan Portfolio to Assets (%)	87.63	87.16	91.45	95.38

Capitalization & Funding Strategy

In 2015 BRAC microfinance program was funded by both member's savings and capital fund. Of the total funding 33.28% was from members savings followed by capital fund 33.14%. BRAC micro finance fund mix shared by commercial bank loan 19.90% and bank overdraft 13.68%. During 2015 capital fund grew by 39.24% backed by internal capital generation mainly. Of the total loan taken from commercial bank & others, 88.72% was borrowed from commercial bank only (details given in Annexure2), 11.28% was from Bangladesh Bank. The organization has three types of members' savings plan (details given in Annexure1), through which it has collected BDT 36,100.89 million savings. BRAC has expanded its micro finance program mainly with the support of member's savings and internal capital generation. However, BRAC has external borrowings too which may creates pressure on its margin. BRAC micro finance program's balance sheet liability to capital fund was 2.29 times (2014: 2.63 times) and borrowed fund to capital fund was 1.01 times (2014: 1.05 times).



Table 11:

Funding Mix (Micro Finance)					
Year Ended June 30					
(Mil. BDT)	2015			2014	
	Amount	Total (%)	Growth	Amount	Total (%)
Capital Fund	35,942.00	33.14	39.24	25,812.35	32.42
Donor fund	2,000.09	1.84	-	2,000.09	2.51
Retained surplus	33,941.92	31.29	42.54	23,812.27	29.91
Loan from commercial Banks	21,582.83	19.90	59.60	13,522.67	16.98
Members' Savings	36,100.89	33.28	16.73	30,925.76	38.84
Short Term Loan	14,840.07	13.68	58.47	9,364.82	11.76
Total	108,465.79	100.00	36.22	79,625.60	100.00

Financial Performance

In 2015, of the total income 96.94% was interest income from loan. Fund based income and net interest income increased by 24.68% and 32.53% respectively due to loan portfolio growth. Net surplus increased significantly by 92.22% due to increased net interest income and operational expenses in 2015. Loan loss provision expense decreased by 5.75% in 2015 due to reduced PaR> 365 days (Bad loan category).

Table 12:

Segregation of Revenue (Micro finance)			
For the year Ended 30 June			
Year	2015	Growth	2014
(BDT in Mil)			
Fund Based Income (a)	24,175.67	24.68	19,389.72
Interest income on loan	23,504.84	24.72	18,845.45
Interest income on bank deposit	670.83	23.25	544.28
Interest & Finance Charges (b)	5,135.74	2.24	5,023.27
On Borrowings	2,807.30	0.16	2,802.72
On Deposits	2,328.44	4.86	2,220.55
Net Interest Income (a-b)	19,039.93	32.53	14,366.46
Other income	70.73	2.74	68.85
Total Income (a+c)=d	24,246.40	24.61	19,458.57
Gross Surplus (d-b)	19,110.66	32.39	14,435.31
Expenses			
Personnel Expenses	5,353.65	(0.08)	5,357.85
Administrative & Other Expenses	1,503.40	(3.27)	1,554.28
Total expense	11,992.79	0.48	11,935.39
Provision For Loan Loss	2,123.96	(5.75)	2,253.44
Net Surplus	10,129.65	92.22	5,269.74

SUSTAINABILITY

Operating Self Sufficiency: Operating self-sufficiency ratio of BRAC (micro finance program) on 30 June 2015 stood at 171.26%, (30 June 2014: 136.65%). It shows the ability of BRAC to cover costs of operations with internally generated income. BRAC earned 171.26% revenue to cover the organization costs.

Financial Indicators

At the end of 2015, portfolio yield decreased by 0.40 percentage points to 24.30% due to increased loan portfolio. ROA increased by 3.44 percentage point due to enhanced net surplus (by 92.22%). In 2015, operating expense ratio that indicates efficiency of the organization, which decreased by 1.61 percentage points due to moderate operating expenses. At the end of 2015, capital adequacy stood 30.95% which was 28.00% in 2014.




Table 13

Key Financial Indicators

	Year ended 30 June			
	2015	2014	2013	2012
Profitability & Efficiency				
² Portfolio Yield (%)	24.30	24.70	26.44	26.20
Return on Assets (ROA) (%)	9.55	6.11	6.80	5.95
³ Operating Expense Ratio (%)	7.39	9.01	9.77	10.31
Fund Cost				
Avg. cost of deposit & borrowing (%)	7.87	9.24	8.90	10.15
Capitalization				
Borrowed Fund to Equity (Times)	1.01	1.05	0.78	0.91
⁴ Capital Adequacy Ratio (%)	30.95	28.00	30.21	30.23
Liquidity				
Liquid assets to Deposit & Borrowing (%)	3.79	3.38	4.93	5.72

■ BRAC SOCIAL ENTERPRISES

BRAC social enterprises are both financially and socially profitable ventures in sectors like craft, dairy, poultry, fisheries and seed. Each of its 16 enterprises has a clear social mission, ranging from helping farmers develop improved breeds of livestock to empowering rural artisans to rise above poverty. These social enterprises designed to benefit the poor, to fulfill BRAC's social mission at a greater scale - by supporting micro-enterprise development, generating livelihood opportunities, training entrepreneurs to improve their skills. BRAC social enterprises help community members to become buoyant producers, and ensure market access or marketability of their products and services.

"AARONG" was set up in 1978 as a fair trade organization by BRAC; "AARONG" plays a crucial role in promoting local crafts. It employs 65,000 artisans of which 80% are women. In 2014, revenue from "AARONG" stood at BDT 5,344.24 million, registering a 3-year CAGR of 5.67%

Table 14: AARONG

Particulars	Amount in BDT mill			
	2014	2013	2012	2011
Total Revenue	5,344.24	4,748.62	4,529.85	4,150.03
Growth (%)	12.54	4.83	9.15	22.16
Net surplus for the year	846.17	774.29	676.23	693.43
Growth (%)	9.28	14.50	-2.48	-1.49
Cost service provided as % of Revenue	84.24	83.78	85.69	82.97

Cost of service increased from previous year due to revenue growth. Hence, its net surplus in 2014 stood at BDT 846.17 million registering 9.28% growths.

² Portfolio Yield = Interest income / Avg. Gross Outstanding Portfolio.

³ Operating Expense Ratio = Operating Expense / Avg. Gross Outstanding Portfolio

⁴ Capital Adequacy Ratio = Total Equity / (Total Assets - Cash and Bank Balance).

Table15: AARONG

Particulars	Amount in BDT mill			
	2014	2013	2012	2011
Total Asset	3,814.16	3,343.87	2,994.22	2,573.58
Growth	14.06%	11.68%	16.34%	18.12%
Total Liabilities	533.63	503.08	540.57	458.06
Net Assets -- Capital fund	3,280.53	2,840.79	2,453.65	2,115.53
Growth	15.48%	15.78%	15.98%	19.60%
ROAA	23.64	24.43	24.29	29.62%
Total Liabilities to net surplus (x)	63.06	64.97	79.94	66.06%
Total Liabilities to Asset	13.99	15.04	18.05	17.80%
Efficiency ratio	84.24	84.25	85.69	82.97%
EBITDA / Sales	15.76	20.66%	14.93	16.71%

AARONG's total asset stood at BDT 3,814.16 million registering a growth of 14.06% in 2014. AARONG's total capital fund increased to BDT 3,280.53 million which was allocated to other BRAC programs. In 2014, 7.39% of total BRAC net surplus received from AARONG. It opened its 14th outlet and received the highest VAT payer award from the Bangladesh Govt.

BRAC DAIRY

BRAC Dairy reached over 50,000 farmers in 2014, collecting 38 million litres of milk worth BDT 16,700,000. The digital fat testing (DFT) initiative, which is a joint effort with CARE and funded by the Gates Foundation, was also scaled up in 2014. This initiative will help ensure transparency, accountability and fair prices for dairy farmers. 1,681 farmer leaders have been trained on improved farm management and DFT systems. Currently, a total of 1,496 farmers are supplying milk to 42 DFT collection centers. Cost of Service as % of Revenue reduced to 92.00% in 2014. Net surplus stood at BDT 269.54 million experiencing 45.02% growth due to sales growth. In 2014, 2.36% of total BRAC net surplus was received from BRAC Dairy.

Table16: BRAC DAIRY

Particulars	Amount in BDT mill			
	2014	2013	2012	2011
Revenue	2,940.76	2,713.05	2,469.76	2,385.27
Growth (%)	8.39	9.85	3.54	26.13
Net surplus for the year	269.54	185.86	194.81	231.38
Growth (%)	45.02	(4.59)	(15.80)	41.69
Cost service as % of Revenue	92.00	93.59	92.54	90.91

The ratios indicate profitability enhanced in 2014 which attributed to the revenue growth, net surplus, and cost control. As of 2014, BRAC Dairy's capital fund stood at BDT 1,202.36 million grew due to net surplus.

Table17: BRAC DAIRY

Particulars	Amount in BDT mill			
	2014	2013	2012	2011
Total Asset	1,347.32	1,059.61	988.20	859.38
Growth (%)	27.15	7.23	14.99	16.93
Total Liabilities	144.96	126.80	148.31	116.90
Growth (%)	14.32	(14.51)	26.87	7.25
Net Asset - Capital Fund	1,202.36	932.82	839.89	742.48
Growth (%)	28.90	11.06	13.12	18.62
ROA (%)	22.40	18.15	19.71	29.03
Total Liability/Net Surplus(x)	0.54	0.68	0.76	0.51
Total Liability to Asset (%)	10.76	11.97	15.01	13.60



BRAC Agro based program

BRAC Seeds and Agro accounted for 4.7 per cent of the total grain production in Bangladesh, making it the largest aggregate seed supplier in the private sector. About 1.5 million farmers have purchased seeds from BRAC so far this year, meeting 23 per cent of the hybrid rice seed demand, and 31 per cent of hybrid maize seed demand nationally. Rich in vitamin A, orange-flesh sweet potatoes are still an unconventional crop variety for Bangladeshi rural farmers and the urban food market. In 2014, 16.81% and 3.08% of total net surplus came from BRAC self financed social development projects and Agro based program support enterprise.

BRAC INVESTMENTS

The BRAC Investments unit comprises of financially profitable investments and financial service businesses that are geared toward generating financial returns while adhering to underlying socially causes such as low-income housing, microfinance, small enterprise loans, information technology, clean development mechanism (CDM) etc. Dividends from BRAC Investments support the financial sustenance of both BRAC Enterprises and Development Programs by acting as a hedge or safety net against future liquidity crisis. The synergetic effect of this integrated model has contributed significantly in reducing BRAC's dependency on donors and external funding. As at December 31, 2014, 30.41% of BRAC's total income composition was shared by Donor fund while the remaining 69.59% income is internally generated by BRAC from social enterprise, program support enterprise, service charges on micro finance loan, interest income, investment income, income from house property and other income.

Table 18: BRAC Investments in Related Undertakings

Related Undertakings (%)	2014	2013	Principal activities
BRAC Bank Ltd.	44.64	44.64	Banking Business
BRAC Industries Ltd.	99.99	99.90	Cold Storage
BRAC BD Mail Network Ltd.	20.00	20.00	Internet service provider
BRAC IT Services Ltd.	48.67	100.00	Software development
BRAC Service	100.00	100.00	Hospitality
Delta BRAC Housing Finance Corp. Ltd.	18.39	18.39	Housing finance
BRAC Karnophull Tea Company Ltd.	99.94	99.94	Tea Plantation
BRAC Kaiyachara Tea Estate	99.85	99.85	Tea Plantation
BRAC Banskhalia Tea Company Ltd.	99.92	99.92	Tea Plantation
BRAC Kodala Tea Company Ltd.	99.12	99.12	Tea Plantation
Bangladesh Netting Factory	93.94	93.94	Poultry processing
BRAC Asset Management Company Ltd.	26.00	26.00	Management of Assets & Portfolio investment
BRAC impact venture Ltd.	51.00	51.00	Sustainable conscious, green and ethical investment
BRAC Environmental Enterprise Ltd.	90.00	90.00	Waste management service.

■ BRAC INTERNATIONAL

BRAC has spread its development works to different countries of the world including Philippines, Haiti Pakistan, Afghanistan, Liberia, Sierra Leone, South Sudan, Tanzania, Uganda and Myanmar. Besides BRAC has independent charity in USA and UK.

■ OTHER DIVISIONS

INFORMATION AND COMMUNICATION TECHNOLOGY:

This ICT unit is a technology-based solution hub that ensures technological interventions for BRAC. It improves the model of service for owns clients by creating innovative solutions to aid global and local development. As part of the ICT for development initiative, the department works with program to innovate their operations and service delivery models. BRAC particularly focus on real-time data collection to monitor program operations and make strategic decisions. Through continuous effort in 2014, ICT and HNPP jointly introduced e-health for maternal and child health program, thereby benefiting from real-time data collection. To manage and visualize field operations, geo positions



and unique codes of all branch offices are mapped and connected with the MIS data bank. As a part of its paperless and business process automation initiative, workflows and documents are stored in an internet accessible central location through a one stop log in solution. During 2014 was a milestone year for BRAC's internet and network coverage. There are 30 remote locations across the country which are now connected to a central network cloud where email stands as a major communication

ADMINISTRATION AND RISK MANAGEMENT

BRAC administration and risk management department (ARM) has an administration unit which primarily works to obtain approval from the director general of the NGO affairs bureau for foreign donated projects. ARM undertakes internal audits including risk based audit and compliance, through its internal audit unit in order to maintain transparency and accountability of the organization based on international standard.

HUMAN RESOURCE DIVISION

The Human Resource Division's (HRD) main objective is to recruit suitable employees, while developing and retaining key human resources to ensure the highest productivity. At present, HRD is managing the activities of 42,826 regular employees. In 2013 year, the female to male ratio among BRAC staff has increased by 1.19 per cent. During 2014, a new performance assessment system was implemented to assess staff based on their performances against SMART objectives and compliance with BRAC values. BRAC Learning Division (BLD) was merged with HRD to ensure effective skills development within the organization. In order to increase BRAC's effectiveness and efficiency, the organizational structure of all program and departments was reviewed and standardized. A representative from HR has been embedded in each program to facilitate human resources-related activities. HRD redesigned the young professionals' program for its sixth batch of participants. More leadership, managerial and hands-on training have been incorporated into the one-year training program, with more emphasis on job development and performance. Health insurance was also introduced for BRAC staff as part of its efforts to improve staff benefits. The HR Help Desk was launched to provide one-stop human resources services. Staff can now dial 4400, send a text message, email or Skype to seek solutions on any relevant issue.

FINANCE AND ACCOUNTS

BRAC's finance and accounts department is responsible for financial planning, record-keeping, and managing costs, assets and liabilities. The department also finances investments, analyses cash-flow, profitability, and prepares budgets and financial frameworks for programs, divisions and departments. This department is accountable for donor grants, property, provident funds, as well as employee gratuity, salary, tax and loans. Through this FA department BRAC ensure effective financial control and transparency of the financial data of all projects and enterprises, garnering trust and confidence from all those with whom the organization work. In 2014, the department prepared and maintained accurate control over the budget for BRAC's program. BRAC also produced timely reports for our donors, regulatory authorities and other relevant stakeholders.

■ GOVERNANCE

GOVERNING BODY: The Governing Body comprises of 10 members. Sir Fazle Hasan Abed, the Founder is the Chair Person of the Governing Body. All the other members of the Governing Body are distinguished, well reputed individuals in business and professions with pro-poor mindset have been elected to the Governing Body and bring their diverse skills and wise counsel in the governance of BRAC. During 2014, the Governing Body and Annual General Meeting of the General Body were held.

OMBUDSPERSON: BRAC has established the office of the Ombudsperson with a comprehensive mandate to investigate any incident of misadministration and misuse of power within BRAC. This includes grievances, such as corruption, abuse of power or discretion, negligence, oppression, nepotism, rudeness, arbitrariness, unfairness and discrimination especially in the context of gender. Ahmed Ataul Hakeem FCMA, Ex- Comptroller & Auditor General, has been appointed as the Fourth Ombudsperson for BRAC for the period from 01 December 2013 to November 30, 2016.

FINANCE & AUDIT COMMITTEE: BRAC's governing body constitutes of the Finance and Audit Committee with the following members in 2014:

1. Kazi Aminul Huque, Member, BRAC Governing Body (On leave)
2. Ahmed Mushtaque Raza Chowdhury, Vice Chairperson, BRAC Governing Body Chair
3. Tahrunnesa Abdullah, Member, BRAC Governing Body Member
4. Parveen Mahmud, FCA (Independent) Member.


Mr. S N Kairy, CFO, acts as the Secretary of the committee. The primary function of the finance and audit committee is to assist the BRAC governing body in fulfilling its oversight responsibilities for: • Financial reporting and budgeting processes • System of internal controls and risk assessment • Compliance with legal and regulatory requirements • Qualifications, independence, and performance of the external and internal auditors. In 2014, two meetings were held on 15 June 2014 and 22 November 2014.

Investment Committee

The investment committee oversees BRAC investments. The governing body constitutes of BRAC's investment committee and the following members: 1. Sir Fazle Hasan Abed Chairperson, BRAC Governing Body Chairperson 2. Dr Ahmed Mushtaque Raza Chowdhury Vice Chairperson, BRAC Governing Body Member 3. Latifur Rahman Member, BRAC Governing Body Member 4. Rokia A Rahman Member, BRAC Governing Body Member 5. Luva Nahid Choudhury Member, BRAC Governing Body Member S N Kairy, Chief Financial Officer, acts as secretary of the committee. In 2014, two meetings of the investment committee were held.

■ STRATEGIC PARTNERS

The strategic partnership arrangement (SPA) is a partnership between BRAC, the UK Government and the Australian Government, based on shared goals, clear results and mutual accountability. Core funding provided through the SPA helps BRAC deliver tangible results for the poor in Bangladesh, while developing plans to reduce its reliance on external donor funds, the SPA strengthens its internal systems, and seeks ways to work more closely with the Government of Bangladesh. BRAC's organizational strategy shapes its efforts to complement the Government's plans to achieve its MDGs. For these reasons, from 2012, two of BRAC's major donors – DFID and Department of Foreign Affairs and Trade (DFAT), Australia (formerly known as Aus Aid) entered into a strategic partnership arrangement with BRAC to support the effectiveness of its efforts in reducing poverty. Through engaging in a partnership, DFID and DFAT hope to reduce the transaction costs of aid and facilitate greater focus on high-level outcomes rather than inputs. Through the provision of core funding, it enables BRAC to develop a flexible response to learning and a more holistic response to poverty reduction.



ANNEXURE 1:

Table 1.1: Classification of loan

Segment	Dabi	Progoti	Borga chashi
Loan term	12 Months	12-18 Months	12 Months
Loan size	12-85 thousand	80 thousand to 6 lakh and above	15 thousand to 120,000 lakh
Interest rate	27%	27%	18%
Repayment policy	Weekly/Monthly	Monthly	Monthly
Loan processing fee	N/A	N/A	N/A
Any other fee	N/A	N/A	N/A
Penalty if any	N/A	N/A	N/A

Table 1.2: Members savings

Members Savings	Frequency	Amount Saved	Interest Rate
Amount in BDT Mill			
Compulsory Savings	Monthly	20,813.68	6%
Voluntary Savings	Monthly	3,444.00	8.25%
Term deposit	6 Month to 7.5 years	4,777.17	10.41%

Table 1.3: Other indicators (micro finance)

Particulars	2015	2014	2013	2012
Borrowers per Branch (Number)	2,310	2,181	2,091	1,979
Borrowers per loan officers (Number)	354	310	306	298
Loan outstanding per Branch (Mill BDT)	50.56	39.87	35.45	28.35
Loan outstanding per loan officers (Mill BDT)	7.70	5.63	5.18	4.27

Table 1.4: Grant Composition of BRAC

Name of Donor	2014	
	USD million	%
DFID	89.05	46.52
DFAT(Aus Aid)	46.46	24.27
The Global Fund	21.13	11.04
NOVIB/EKN	9.45	4.94
BRAC USA	5.89	3.08
EACI,QATAR	2.97	1.55
UNICEF	2.91	1.52
Family Health International 360	2.40	1.25
Others	11.17	5.84
Total	191.44	100.00

ANNEXURE 2: LOAN FACILITY OF BRAC MICRO FINANCE PROGRAM

Table 2.1

Bank Overdraft of Micro finance program	
	June 2015
	Amount in BDT
AB Bank Ltd.	624,504
Agrani Bank Ltd.	2,626,300,506
Bank Alfalah Ltd.	187,343,877
Bank Asia Ltd.	1,833,571,897
Dhaka Bank Ltd.	-
Dutch Bangla Bank Ltd.	1,058,487
Eastern Bank Ltd.	280,637,684
HSBC Bank Ltd.	1,690,889
IFIC Bank Ltd.	43,668,562
Jamuna Bank Ltd.	969,576,414
Janata Bank Ltd.	47,619,909
Mutual Trust Bank Ltd.	947,295,036
Prime Bank Ltd.	1,570,962,896
Pubali Bank Ltd.	3,615,770,787
Rupali Bank Ltd.	22,640,948
Sonali Bank Ltd.	293,310,165
Southeast Bank Ltd.	3,198,887
Standard Bank Ltd.	25,863,818
The Trust Bank Ltd.	910,986,153
United Commercial Bank Ltd.	40,485,627
Uttara Bank Ltd.	1,417,462,240
Total	14,840,069,286

Table 2.1(a)

Bank Term loan of Micro finance program	
	June 2015
	Amount in BDT
Bangladesh Bank	4,108,520,000
Bank Alfalah Ltd.	200,000,000
BASIC Bank Ltd.	1,069,144,062
BRAC Bank Ltd.	2,899,822,088
Commercial Bank of Cylone Ltd.	950,000,000
Dhaka Bank Ltd.	419,654,669
Eastern Bank Ltd.	2,102,106,770
HSBC Bank Ltd.	315,000,000
IFIC Bank Ltd.	1,101,375,188
Prime Bank Ltd.	2,000,000,000
Rajshahi Krishi Unnyon Bank (RAKUB)	375,000,000
Shahjalal Islami Bank Ltd.	1,478,207,174
Standard Chartered Bank (SCB)	3,814,000,000
The Premier Bank Ltd.	750,000,000
Total	21,582,829,951
Grand Total (OD+Term loan)	36,422,899,237



Table 2.2

BRAC Governing Body	
Sir Fazle Hasan Abed KCMG	Chairperson
Dr. Ahmed Mastaqur Raza Chowdhury	Vice Chairperson
Ms. Tahrunnesa Abdullah	Member
Ms. Rokia Afzal Rahman	Member
Mr. Latifur Rahman	Member
Ms. Luva Nahid Choudhury	Member
Dr. Martha Alter Chen	Member
Mr. Adeeb H. Khan	Member
Advocate Syeda Rizwana Hasan	Member
Mr. Syed S. Kaiser Kabir	Member



**LONG-TERM CREDIT RATING:
MICRO FINANCE INSTITUTIONS (MFIs)**

RATING	DEFINITION
AAA Triple A	Extremely Strong Capacity & Highest Quality. MFIs rated 'AAA' have extremely strong capacity to meet their financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. AAA is judged to be of the highest quality, with minimal credit risk.
AA ₁ , AA ₂ , AA ₃ * Double A	Very Strong Capacity & Very High Quality. MFIs rated 'AA' have very strong capacity to meet their financial commitments. They differ from the highest-rated MFIs only to a small degree. AA is judged to be of very high quality and is subject to very low credit risk.
A ₁ , A ₂ , A ₃ Single A	Strong Capacity & High Quality. MFIs rated 'A' have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than MFIs in higher-rated categories. A is judged to be of high quality and are subject to low credit risk.
BBB ₁ , BBB ₂ , BBB ₃ Triple B	Adequate Capacity & Medium Quality. MFIs rated 'BBB' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the MFIs to meet their financial commitments. BBB rated MFIs are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
BB ₁ , BB ₂ , BB ₃ Double B	Inadequate Capacity & Substantial Credit Risk. MFIs rated 'BB' are less vulnerable in the near term than other lower-rated MFIs. However, they face major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which might lead to inadequate capacity to meet their financial commitments. BB is judged to have speculative elements and is subject to substantial credit risk.
B ₁ , B ₂ , B ₃ Single B	Weak Capacity & High Credit Risk. MFIs rated 'B' are more vulnerable than the MFIs rated 'BB', but the MFIs currently have the capacity to meet their financial commitments. Adverse business, financial, or economic conditions are likely to impair the capacity or willingness to meet their financial commitments. B is considered speculative and weak capacity and is subject to high credit risk.
CCC ₁ , CCC ₂ , CCC ₃ Triple C	Very Weak Capacity & Very High Credit Risk. MFIs rated 'CCC' are currently vulnerable, and are dependent upon favorable business, financial, and economic conditions to meet their financial commitments. CCC is judged to be of very weak standing and is subject to very high credit risk.
CC Double C	Extremely Weak Capacity & Extremely High Credit Risk. MFIs rated 'CC' are currently highly vulnerable. CC is highly speculative and is likely in, or very near, default, with some prospect of recovery of principal and interest.
C Single C	Near to Default. A 'C' rating is assigned to MFIs that are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest.
D	Default. MFIs rated 'D' are in default. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

NOTE: CRAB APPENDS NUMERICAL MODIFIERS 1, 2, AND 3 TO EACH GENERIC RATING CLASSIFICATION FROM AA THROUGH CCC. THE MODIFIER 1 INDICATES THAT THE OBLIGATION RANKS IN THE HIGHER END OF ITS GENERIC RATING CATEGORY; THE MODIFIER 2 INDICATES A MID-RANGE RANKING; AND THE MODIFIER 3 INDICATES A RANKING IN THE LOWER END OF THAT GENERIC RATING CATEGORY.

- The Rating Committee of CRAB is the final authority to award a rating. The Rating Committee of CRAB is comprised of external independent persons who are not members of the Board of the Company and they ensure the independence of rating



▪ **SHORT-TERM CREDIT RATING: MICRO FINANCE INSTITUTIONS (MFIs)**

RATING	DEFINITION
ST-1 Highest Grade	MFIs rated in this category are considered to have the highest capacity for timely repayment of obligations. MFIs rated in this category are characterized with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-2 High Grade	MFIs rated in this category are considered to have strong capacity for timely repayment. MFIs rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-3 Average Grade	MFIs rated in this category are considered to average capacity for timely repayment of obligations, although such capacity may impair by adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterized with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-4 Below Average Grade	MFIs rated in this category are considered to have below average capacity for timely repayment of obligations. Such capacity is highly susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories. MFIs rated in this category are characterized with average liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-5 Inadequate Grade	MFIs rated in this category are considered to have inadequate capacity for timely repayment of obligations susceptible to adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-6 Lowest Grade	MFIs rated in this category are considered to have obligations which have a high risk of default or which are currently in default. MFIs rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.

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