



**THE SACCO SOCIETIES REGULATORY AUTHORITY
(SASRA)**

BUSINESS PLAN OUTLINE AND TEMPLATES

November 2010

1. EXECUTIVE SUMMARY

- 1.1 Background information about the Sacco society
- 1.2 Products and Services
- 1.3 Market operations
- 1.4 Financial summaries – *Key financial highlights including capital adequacy, loan portfolio and quality, non earning assets, deposits, Investments, external borrowing if any*

2. SACCO PROFILE

- 2.1 Sacco description
 - *Membership trend*
 - *Description of the common bond, FOSA customers*
- 2.2 Vision, Mission and objectives
- 2.3 Physical location of the head office and branches
- 2.4 Key Management team
 - *Summary of the resume of key management staff and the board including academic and professional experience (can be in appendices)*
 - *Organization and governance Structure (organogram)*

3. ICT AND INFRASTRUCTURE

- 3.1 Physical Infrastructure
 - *including space, type of the building, accessibility, security features, amenities and the available basic infrastructural requirement for banking business.*
- 3.2 Management Information System (type and capacity)
 - *Features and specifications of the system*
 - *System challenges*
- 3.3 Branch network (inter connectivity and shared operations)

4. MARKET ANALYSIS

4.1 Market analysis

An examination of the primary target market for product and services, including:

- *Geographic location,*
- *Demographics*
- *Sacco's target market*
- *Target market's needs and how these needs are being met currently.*

4.2 Competitors analysis

- *An evaluation of the Saccos direct and indirect competitors, with an assessment of their competitive advantage and an analysis of how the Sacco will overcome challenges from the competition.*

4.3 Marketing strategies

- *A detailed explanation of marketing strategy, pricing plan, proposed advertising and educational activities.*
- *Future expansion and market penetration strategies*

- *SWOT analysis*

5. PRODUCTS AND SERVICES

- 5.1 Detailed illustration of Savings and Loan Products and services offered in BOSA and FOSA. Should include such services as Mobile banking, ATM, Agency banking etc
- 5.2 Pricing, fee of the products
- 5.3 Loan portfolio analysis including delinquency, aging and provisioning. This should be on a consolidated basis for the Sacco Society.
- 5.4 Future products and services

6. RISK AND INTERNAL CONTROL

- 6.1 The risk management framework must address the following key considerations:
 - *Highlight of the risk management policy and procedures instituted by the Sacco society*
 - *Roles and responsibilities of the Board and Management in development, implementation and review of risks management systems*
 - *Detailed risks management framework in the following format*

Types of risks	likelihood	impact	Mitigating factors	Timeframe	Person Responsible
Compliance Risks					
Liquidity					
Credit Risks					
Operational risks					
Strategic Risks					
Reputational risks					
Interest rate risks					

7. CAPITAL, LIQUIDITY, INVESTMENTS AND LOAN PORTFOLIO ANALYSIS

- 7.1 Analysis of current financial position compared to the prudential requirements
- 7.2 Plans for financial growth and compliance thereof
- 7.3 Sources of capital
- 7.4 Strategies for liquidity management
- 7.5 Loan portfolio analysis and aging schedule
- 7.6 Investment management plans including divestiture where necessary

8. FINANCIAL PLAN

- 8.1 Important assumptions
- 8.2 A four year projected balance sheet, income statement, capital adequacy and investments as per the appendices below
- 8.3 A four year projected cash flow statement

Note: The plan should focus on the general Sacco business with a projection of the contribution of FOSA to the consolidated Sacco business. The outline is not exhaustive but contains minimum information that should be captured in the plan.

APPENDIX 1A: PROFORMA BALANCE SHEET

		Base Year	Year 1	Year 2	Year 3	Year 4
		KShs.'000'	KShs.'000'	KShs.'000'	KShs.'000'	KShs.'000'
RefNo	ASSETS					
1.0	Cash & Cash Equivalent	-	-	-	-	-
2.0	Prepayments & Sundry Receivables	-				-
3.0	Financial Investments	-				-
3.1	Government Securities - Treasury Bills/bonds,					
3.2	Other Securities - Commercial papers/Bonds					
3.3	Other Investments - shares/stocks, CFP deposits					
4.0	Net Loan Portfolio	-				-
	Gross Loan Portfolio					
	Allowance for Loan Loss					
5.0	Accounts Receivables	-				-
5.1	Tax Recoverable					
5.2	Deferred Tax Assets					
5.3	Retirement Benefit Assets					
6.0	Property & Equipment	-				-
6.1	Investment Properties					
6.2	Property & Equipment					
6.3	Prepaid Lease rentals					
6.4	Intangible Assets					
6.5	Other Assets					
	Total Assets	-				-
	LIABILITIES					
7	Savings Deposits - Withdrawable deposits - FOSA)					
8	Short Term Deposits (e.g Fixed deposits, special savings)					
9	Non withdrawable deposits (BOSA member deposits)					
10	Accounts Payable & Other Liabilities					
10.1	Tax Payable					
10.2	Dividends Payable					
10.3	Deferred Tax Liability					
10.4	Retirement Benefits Liability					
10.5	Other Liabilities					
10.6	External Borrowings					
	Total Liabilities	-				-
	EQUITY					
11	Share Capital (Members share capital per Bylaws)					
12	Grants & Donations					
13	Retained Earnings					
13.1	Prior Years' Retained Earnings					
13.2	Current Year's Surplus					
14	Other Equity Accounts					
	Statutory Reserve					
	Other Reserves					
	Revaluation Reserves					
	Proposed Dividends					
	Adjustment to Equity					
	Total Equity	-				-
	Total Liabilities and Equity	-				-

APPENDIX 1B: PROFORMA INCOME STATEMENT

Ref No.	INCOME AND EXPENSE ITEMS	Base year	Year 1	Year 2	Year 3	Year 4
		KShs.'000'	KShs.'000'	KShs.'000'	KShs.'000'	KShs.'000'
1	Financial Income	-	-	-	-	-
2	Financial Income from Loans Portfolio	-	-	-	-	-
2.1	Interest on Loan Portfolio	-	-	-	-	-
2.2	Fees & Commission on Loan Portfolio	-	-	-	-	-
3	Financial Income from Investments	-	-	-	-	-
3.1	Government Securities	-	-	-	-	-
3.2	Deposit with Banks and Other Financial Inst.	-	-	-	-	-
3.3	Other Investments - dividend & Interest incomes from investments	-	-	-	-	-
3.4	Other Operating Income- Salary processing fees, transaction fees, membership fees	-	-	-	-	-
4	Financial Expense	-	-	-	-	-
4.1	Financial Expense on Funding Liabilities	-	-	-	-	-
4.2	Interest Expense on Deposits	-	-	-	-	-
4.3	Cost of External Borrowings	-	-	-	-	-
4.4	Dividend Expenses	-	-	-	-	-
4.5	Other Financial Expense	-	-	-	-	-
4.6	Fees & Commission Expense	-	-	-	-	-
4.7	Other Expense	-	-	-	-	-
5	Net Financial Income / (Loss)	-	-	-	-	-
6	Allowance for Loan Loss	-	-	-	-	-
6.1	Provision for Loan Losses	-	-	-	-	-
6.2	Value of Loans Recovered	-	-	-	-	-
7	Operating Expenses	-	-	-	-	-
7.1	Personnel Expenses	-	-	-	-	-
7.2	Governance Expenses	-	-	-	-	-
7.3	Marketing Expenses	-	-	-	-	-
7.4	Depreciaion and Amortization Charges	-	-	-	-	-
7.5	Administrative Expenses	-	-	-	-	-
8	Net Operating Income	-	-	-	-	-
9	Net Non- Operating Income/ (Expense)	-	-	-	-	-
9.1	Non- Operating Income	-	-	-	-	-
9.2	Non- Operating Expense	-	-	-	-	-
10	Net Income (Before Taxes and Donations)	-	-	-	-	-
11	Taxes (<i>Incomes taxes & Other payable to KRA</i>)	-	-	-	-	-
12	Net Income (After Taxes before Donations)	-	-	-	-	-
13	Donations	-	-	-	-	-
14	Net Income / (After Taxes and Donations)	-	-	-	-	-

APPENDIX 1C: PROFORMA CAPITAL ADEQUACY

		Base year	Year 1	Year 2	Year 3	Year 4
1	CAPITAL COMPONENTS					
1.1	CORE CAPITAL					
1.1.1	Share Capital	-	-	-	-	-
1.1.2	Statutory Reserves	-	-	-	-	-
1.1.3	Retained earnings/Accumulated losses	-	-	-	-	-
1.1.4	Net Surplus after tax , current year to-date (50%)	-	-	-	-	-
1.1.5	Capital Grants	-	-	-	-	-
1.1.6	General reserves	-	-	-	-	-
1.1.7	Other reserves	-	-	-	-	-
1.1.8	Sub-Total (1.1.1 to 1.1.7)	-	-	-	-	-
	LESS DEDUCTIONS					
1.1.9	Investments in Subsidiary and Equity instruments of other Institutions	-	-	-	-	-
1.1.10	Other Deductions	-	-	-	-	-
1.1.11	Total Deductions (1.1.9 to 1.1.10)	-	-	-	-	-
1.1.12	CORE CAPITAL (1.1.8 Less 1.1.11)	-	-	-	-	-
1.1.13	INSTITUTIONAL CAPITAL (1.1.12 Less 1.1.1)	-	-	-	-	-
2	ON - BALANCE SHEET ASSETS					
2.1	Cash (Local + Foreign Currency)	-	-	-	-	-
2.2	Government Securities	-	-	-	-	-
2.3	Deposits and Balances at Other Institutions	-	-	-	-	-
2.4	Loans and Advances	-	-	-	-	-
2.5	Investments	-	-	-	-	-
2.6	Property and Equipment (net of depreciation)	-	-	-	-	-
2.7	Other assets	-	-	-	-	-
2.8	TOTAL (2.1 to 2.7)	-	-	-	-	-
2.9	Total Assets (Per Balance Sheet)					
3.0	Difference (2.8 Less 2.9)*	-	-	-	-	-

Continued next page

APPENDIX 1C: PROFORMA CAPITAL ADEQUACY (Continued)

4	CAPITAL RATIO CALCULATIONS					
4.1	Total Asset value of on-balance sheet items as per 2.8 above	-	-	-	-	-
4.2	Total Asset value of off-balance sheet items as per 3 above	-	-	-	-	-
4.3	Total Assets (4.1 + 4.2)	-	-	-	-	-
4.4	Total Deposits Liabilities (As per Balance Sheet)					
4.5	Core capital to Assets Ratio (1.1.12/4.3%)					
4.6	Minimum Core Capital to Assets Ratio Requirement					
4.7	Excess (deficiency) (4.5 less 4.6)					
4.8	Institutional Capital to Assets Ratio(1.1.13/4.3)%					
4.9	Minimum Institutional to Assets Ratio requirement					
4.10	Excess/(Deficiency) (4.8 less 4.9)					
4.11	Core capital to Deposits Ratio (1.1.12/4.4%)					
4.12	Minimum Core Capital to Deposits Requirement					
4.13	Excess (Deficiency) (4.11 less 4.12)					

APPENDIX 1D: PROFORMA INVESTMENTS

	Name of the Sacco Society	CS/No.				
	Appendix 1d: Investment projection and analysis					
Ref. No.		Base year	Year 1	Year 2	Year 3	Year 4
1.1	Core Capital					
1.2	Total Assets					
1.3	Total Deposits					
1.4	Non earning assets (Land, Buildings, Vehicles, Equipment etc)					
1.5	Financial Investments					
1.6	Land & Building (Per balance sheet)					
2.0	Land & Buildings to total Assets Ratio (1.6/1.2)%					
2.1	Maximum Land & Building to Total Asset requirement					
2.2	Excess (deficiency) (2.0 less 2.1)					
3.0	Financial investments to Core capital (1.5/1.1)%					
3.1	Maximum financial investments to Core capital	40%	40%	40%	40%	40%
3.2	Excess (deficiency) (3.0 less 3.1)					
4.0	Financial investments to Total Deposits liabilities Ratio (1.5/1.3)%					
4.1	Maximum financial investments to Total Deposits liabilities Ratio (1.5/1.3)%	5%	5%	5%	5%	5%
4.2	Excess (deficiency) (4.0 less 4.1)					
5.0	Non earning assets to Total assets ratio (1.4/1.2)%					
5.1	Maximum Non earning assets to Total assets ratio (%)	10%	10%	10%	10%	10%
5.2	Excess (deficiency) (5.0 less 5.1)					