BUSINESS PLAN

Introduction

Banks, like any organization, should have a business/strategic plan which sets forth the objectives and strategies of the board of directors. The plan should provide basic priorities and guidance for internal management and should be approved by the board of directors. The plan should not be a static document but should allow for change and flexibility as circumstances may require. Changes in objectives or strategic goals should be approved by the board of directors and then incorporated into an amended plan. The Reserve Bank will review an institution's business or strategic plan at periodic examinations or when other regulatory issues arise. Organizing groups applying for a banking licence must submit for review a detailed business plan as part of the application process. When establishing a branch or making a significant change in operations, an institution may also be requested to submit an amended business plan. A suggested format for preparing a business plan is attached; however, any alternative format may be used provided all pertinent information is included. The plan should identify the proposed market(s) to be served, products and services to be offered, projected profitability, capital adequacy, and managerial resources and capabilities. The plan should include at least three years' operating projections and should contain sufficient information to demonstrate a reasonable likelihood of success. Appendix A ("Business Plan Checklist") provides a list of factors which will be assessed and is enclosed for guidance. The Reserve Bank may request additional information depending on the adequacy of the original materials submitted and/or on the results of any review or examination.

Suggested Format

I. Identifying Information.

(a) **Name and location.** State the name and location of the institution including location(s) of any branches.

(b) **Corporate structure.** Describe and provide a diagram of the institution's corporate structure including any parent company, subsidiaries, or affiliated entities.

(c) **Origin and basis.** Briefly discuss how the organizing group came together and the reasons for wanting to start a bank.

II. Market Analysis.

(a) **Market.** Identify the market(s) to be served by the proposed institution.

(b) **Economy.** Describe the economic characteristics of the target market(s). Include any anticipated changes in the market, factors influencing such changes, and possible effect(s) on the institution.

III. Business Strategy and Objectives.

(a) **Services.** Briefly describe the services to be offered by the institution. Distinguish among depository services, credit services, fiduciary services, etc.

(b) **Assumptions.** List major assumptions upon which projections are based. Include, at a minimum: market growth rates, competition, interest rates, cost of funds, overhead, asset-liability mix, returns on assets and equity, dividends, and capital ratios (both leverage and risk based ratios).

(c) **Pro forma statements.** Provide pro forma balance sheets and income (profit and loss) statements for three years. Show expected asset-liability mixes, volume of each type of service to be offered, fixed asset investment, and compensation to be given to management and staff.

(d) **External audits.** Indicate the provisions made for an annual external audit as is required by the Banking Act.

IV. Leadership and Management.

(a) **Officers and compensation.** Provide a list of officers showing the fees, salaries, and other forms of compensation or benefits to be given each individual.

(b)**Insider agreements.** Describe any agreements for leases or services the institution intends to enter into with any of its directors, executive officers, or principal shareholders, or with any organization or affiliate controlled by a director, executive officer, or principal shareholder. Provide copies of any such agreements including specific details of rates and terms and comparative market data upon which the rates and terms are based.

V. Capitalization and Additional Sources.

(a)**Capital plan.** Describe plans for financing growth, internally or externally, over the first three years of operation.

(b)**Additional capital sources.** Describe what sources of additional capital are available should the need arise.

Pro Forma Statements			
Balance Sheet Projections			
	(K'000)		
Assets	**Year 1**	**Year 2**	**Year 3**
Cash and Due From Banks			
Investments and Securities			
Loans and Leases			
Less: Allowances			
Fixed Assets			
Other Assets (list if over 10% of total)			
Total Assets			
Liabilities & Capital			
Deposits:			
i.Demand			
ii.Savings			
iii.Time			
iv.Forex			
Total Deposits			
Due to Other Banks			
Other Liabilities (list if over 10% of total)			
Total Liabilities			

Pro Forma Statements			
Capital:			
i. Shares Paid up			
ii. Share Premium			
iii. Revaluation Reserves			
iv. Retained Earnings			
v. Year to Date Income(after taxes and dividends)			
Total Capital			
Total Liabilities and Capital			
Leverage Capital Ratio	**%**	**%**	**%**
Tier 1 Risk Based	**%**	**%**	**%**
Capital Ratio			
Total Risk Based	**%**	**%**	**%**

Pro Forma Statements			
Income & Expenses			
Interest Income:	**Year 1**	**Year 2**	**Year 3**
i. Loans and Leases			
ii. Securities			
iii. Deposit Balances			
Total Interest Income			
Interest Expense:			
i. Deposits			
ii. Borrowings			
Total Interest Expense			
Net Interest Income			
Provision for Loan and Lease Losses			
Non-Interest Income:			
i. Service Charges and Fees			
ii. Forex Commissions			
iii. Other			
Total Non-Interest Income			
Non-Interest Expense:			
i. Management Salaries and Benefits			
ii. Staff Salaries and Benefits			

iii. Administrative Costs			
iv. Expenses of Premises and Fixed Assets			
Total Non-Interest Expenses			
Net Income before Tax			
Less : Taxes			
Net Income after Tax			
Less: Dividends			
Other Adjustments			
Profit/Loss			
Retained Earnings: (Beginning of Period)			
Retained Earnings: (End of Period)			

APPENDIX A

Assessment Factors

I. Identifying Information

(a) 1. Name of proposed bank.

2.Location of main office.

3.Location(s) of any proposed branch(es).

(b) 1. Name and address of parent company, if applicable.

Name and address of subsidiaries, if applicable.

Name and address of affiliated institution(s), if applicable.

(c) 1. Explanation of genesis of the proposed bank and its organising group.

2.Reasons for wanting to start a new bank.

II. Market Analysis

(a) Target market(s) to be served.

(b) 1. Supporting market research, such as target market, demographics, economics, and competition.

2.Changes which may affect the selected market area(s).

3.Possible impact on proposed new bank.

III. Business Strategy and Objectives

(a) Services to be provided are listed and adequately described.

(b) 1. Strategies are consistent with stated objectives, and all assumptions are clearly stated.

2.Profitability expectations and assumptions are reasonable and show that targeted market area(s) can reasonably produce 75 per cent of the business in light of the bank's resources and targeted consumer base.

(c) 1. Pro forma balance sheet and income (profit and loss) statements are provided for three years.

2.Consistence among strategic objectives, pro formas, and market plans.

3.Estimates and assumptions are reasonable and realistic given the local and financial markets.

4.The asset-liabilities mix is discussed along with volumes of each type of service to be offered, fixed asset investment, management fees, service contracts, and staff compensations.

(d)External independent audit program will be provided as required by the Banking act.

IV. Leadership and Management

(a) 1. List of all officials with duties and responsibilities adequately detailed.

2.Fees, salaries, and other forms of compensation for directors and executive officers disclosed.

(b)Leasing transactions or service agreements which the proposed bank intends to enter into with an executive officer(s), director(s) or principal shareholder(s), or related interest thereof, are disclosed. Copies of such agreements must be provided with application.

V. Capitalisation and Additional Sources

(a) 1. Initial capitalisation is adequate given targeted market area(s),strategies, and projected organisational expenses.

2.Proposed capitalisation is adequate to ensure the maintenance of at least 8 per cent equity capital ratio and also a tier 1 Risk Base Liability ratio(RBC) of at least 6 per cent.

(b) 1. Capital sources, both for start-up and for subsequent growth, have been identified and are reasonable.

2.Current and proposed debt has been disclosed and can be serviced without adversely affecting the institution. Individuals should posses sufficient resources to service any debt without support from the institution.