

CREDIT RATING REPORT

AAA	
AA2	BBB1
A3	BB2
	CCC1





Credit Rating Report (Surveillance)

BRAC

Ratings:

Long Term : AAA

Short Term : ST-1

Outlook : Stable

Previous Ratings

Date of Ratings	Long Term	Short Term
23 October 2012	AAA	ST-1

Date of Rating : 31 October 2013

Validity : 30 June 2014

Rating Based on: Audited financial statements up to 31 December 2012 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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BRAC (Micro Finance)

	Dec 2012	Dec 2011
No. of Active Members	5.84 Mill	6.77 Mill
No. of Active Borrowers	4.19 Mill	4.95 Mill
No of Village Organization	279,175	284,347

BRAC (Micro Finance)	Dec-12	Jun-12
Amount in BDT Mil		
Loan Portfolio	59,960.14	57,241.19
Members Savings	24,907.28	23,113.93
Total Asset	62,863.13	62,995.62
Net Surplus	3,505.11	2,456.50
Portfolio Yield (%)	26.24	26.19
PaR 30 days (%)	5.88	5.77
Capital Adequacy (%)	30.23	26.58
ROAA (%)	5.95	4.31
Operational Self Sufficiency (%)	129.71	121.14

■ 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. The rating considers BRAC's major development works including micro finance operation, education, health, legal & social empowerment, agricultural and environment programs. The rating reflects the excellent position of BRAC in terms of liquidity, internal fund generation, and access to alternative sources of funds.

BRAC is a development organization dedicated to alleviate poverty by empowering the poor, and helping them to bring about positive changes in their lives by creating opportunities for the poor. It's journey began in 1972 in the newly sovereign Bangladesh, and over the course of evolution, BRAC has been playing a role of recognizing and tackling the many different realities of poverty. The organization attempt tackling poverty on multiple fronts.



Managing Director
Credit Rating Agency
of Bangladesh Ltd.

Number of active member of BRAC micro finance operation was 5.84 million as on 31 Dec 2012. The number decreased compared to last year. This situation happened due to disbursement of medium sized loans to fewer members. The loan amount disbursed under DABI and PROGOTI increased in 2012. It's total loan outstanding up to Dec 2012 was BDT 59,960.14 million whereas PaR [≥ 30 Days] stood at BDT 3,524.57 million, which was 5.88% of total portfolio. PaR [≥ 30 days] growth was -10.78 in Dec 2012. The loan portfolio grew 13.92% in the same period. The organization kept its required provision according to MRA regulation at BDT 3,770.47 million balancing its portfolio quality. It's micro finance program's net surplus shared 64.13% of total BRAC's net surplus.

In 2012, 207,000 children from BRAC primary schools participated in the primary school completion exam (PSCE). It has achieved a success rate of 99.99 per cent with 11.6 per cent scoring A+. Students from 120 schools, operated by BRAC's local partner NGOs, took part in the primary school certificate examination (PSCE) for the first time during 2012. BRAC had 22,718 primary schools up to Dec 2012. BRAC supports 3,689 secondary schools across the country to help Government efforts in improving the quality of secondary education.

BRAC Primary School	Dec-12	Dec-11	Mar-11
Currently running	22,718	24,398	24,398
Graduates (In Mill)	4.95	4.95	4.66
BEP teachers	38,273	37,567	37,875

BRAC health care is serving in 47 districts and over 110 million people of Bangladesh. These achievements are

In Dec 2012, BRAC WASH program provided subsidies to more than 60,000 ultra poor households and loans to 12,000 poor households for purchasing and installing sanitary latrines. To install better hygiene behavior amongst different demographic groups, WASH program delivered hygiene education to over two and a half million people.

BRAC has social enterprises like Aarong, BRAC Dairy, BRAC Printing and packaging, Agro based program and Self Financing Social Development projects etc. During Dec 2012, revenue of "Aarong" stood at BDT 4,529.85 million, registering a 3-year CAGR of -10.58%. Its cost of service as % of revenue increased 2.72 percentage point from previous year. Hence, Aarong's net surplus in Dec 2012 stood at BDT 693.43 million sharing 12.37% of total BRAC net surplus. Total capital fund of Aarong increased to BDT 2,453.65 million. At present BRAC Dairy and Food projects

made possible by the work and dedication of 105,631 community health volunteers (as of Dec 2012). Up to Dec 2012, 6.3 million populations were covered under Manoshi urban project where 93% patients received 3 or more post natal care and 99% patients received 4 or more Ante natal care. Overall, 61 per cent of BRAC health program clients of Manoshi and 41 per cent of rural MNCH program availed skilled attendants at the time of delivery in 2012, in comparison to 31.7 per cent nationally.

BRAC Health Care	Dec-12	Dec-11	June 2011
No. of BRAC Health Centers	30	31	31
Malaria Total Case Tested	107,231	313,513	194,884
Pregnant Women Received ANC (In million)	6.3	5.7	5.66
Tuberculosis Population Covered (In million)	92.9	94.3	94.3
Community Health Volunteers	105,631	91,000	80,000

BRAC launched a new initiative, 'ideal ward', with the assistance of Polli Shomaj under it's Community Empowerment Program (CEP). BRAC's community radio "Pollikontho" 99.2 FM awarded the first position in Family Planning Media Award 2012-13 competition organized by Family Planning Directorate of Ministry of Health & Family Welfare, Government of the People's Republic of Bangladesh in cooperation with UNFPA.

Community Empowerment Program	Dec-12	Dec-11	Jun-11
No. of Polli Shomaj	11,617	11,234	11,278
No. of Union Shomaj	1,218	1,217	1,089
No. of HRLS Graduates	3.80 million	3.70 million	3.60 million

have 23 distributors and 37 sales centres nationwide. There was low growth in revenue and cost control mechanism. BRAC Dairy's (Cost of Service as % of Revenue) ratio increased to 92.54% whereas net surplus stood at BDT 194.81 million in Dec 2012. It shared 3.44% of total BRAC net surplus. However, capital fund increased to BDT 839.89 million in same period. During Dec 2012, 12.64% and 8.25% of total net surplus came from BRAC's self financed social development projects and Agro based program support enterprise respectively. BRAC enterprises allow 50 percent of the financial surplus used in BRAC development program.

BRAC has investments and is a shareholder of BRAC Bank Limited and Delta Brac Housing Finance Corporation Limited. Social enterprises have enabled BRAC to be 74 per cent self-sufficient and only 26 per cent reliant on donor funding.

BRAC shows its mark to mix revenue generating business with programs through motivations, organizational cultures and resources. The "AAA" rating indicates the sustainability of BRAC's integrated program i.e. health, education, micro finance, environmental & legal aid and enterprises. The rating also reflects the outstanding infrastructure of BRAC i.e. training department, evaluation department, research department, internal audit department, logistics department and computerized micro finance operation which helps BRAC to minimize the operational risk.

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 1: AT A GLANCE

BRAC (Micro Finance)	Dec 2012	Dec-2011	Dec-2010
No of Members	5.84 mill	6.77 mill	8.05 mill
No of Village Organization	279,175	284,347	303,616
No of Borrowers	4.19 mill	4.95 mill	5.45 mill
Districted Covered	64	64	64
No of Branches	2,119	2,350	2,350
Loan Outstanding	60,067 BDT mill	52,635 BDT mill	43,841 BDT mill
Members Savings	24,907 BDT mill	22,364 BDT mill	19,966 BDT mill

