



CENTRAL BANK OF SEYCHELLES

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To All Banks, Housing Finance Company Limited, Development Bank of Seychelles and Seychelles Credit Union

Submission of Annual Business Plan

In line with its aim of developing a more forward looking approach to supervision, the Central Bank of Seychelles (CBS) is requiring the above-mentioned institutions to submit annual business plans.

In view of such, we wish to inform that the first submission of the business plan should be made to the Financial Services Supervision Division of CBS by end of July 2012. With regards to subsequent submissions, these should be submitted by end of March every year.

The guideline which also contains the business plan template is enclosed for your information.

We trust in your usual co-operation for adherence to this circular.


C. Abel (Ms.)
Governor

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Business Plan Requirements

1. OVERVIEW OF THE BUSINESS PLAN

The business plan should cover in detail the institution's business in relation to the next three years of operation and should consist of two parts:

- (1) A narrative describing the institution's business, targeted market, economic conditions, business activities, competition, risk management plans, capital plans, liquidity plans and business plan monitoring; and
- (2) Pro forma financial statements for the next three financial years of business operations including balance sheet, profit and loss accounts, and cash flow projections.

2. NARRATIVE

- Describe the institution's corporate structure, in words, and show by diagram, the corporate structure and if the institution is part of a group, then show all entities within the group (parents, subsidiaries, joint ventures and other affiliates). The shareholdings of each entity within the group as well as the type of businesses should also be included. In subsequent years, highlight clearly any major change in the institution's corporate structure.
- An Executive summary which includes the visions and mission statement as well as the key strategic goals for the financial institution and any present plan for future expansion.
- Provide a basic statement on the nature and scale of the institution's business.
- Submit a copy of the sensitivity analysis and feasibility study and analysis thereof which was relied upon when developing the business plan.
- List and discuss all assumptions used in preparation of the business plan, financial projections, feasibility analysis and sensitivity analysis.

3. CONTENT OF BUSINESS PLAN

The business plan will not be considered acceptable unless it addresses, at a minimum, the following assumptions:

3.1. Target Market

Identify and describe the market to be served by the institution and include in that description, information regarding the:

- Size and the geographical or other delineation;

- Population demographics;
- Economic sectors, industries, and businesses;
- Existing institutions with which the institution will be competing against; and
- Identified needs for institution's business, highlighting those needs that are not currently being met by the competition.

3.2. Economic Conditions

Address current economic conditions in Seychelles and in any other market made relevant by the business plan.

Explain the institution's expectations of future changes, factors influencing such changes, and the impact those expected changes are projected to have on the institution.

Address in specific, the expected level of interest rates in the general economy, and the interest rates on the categories of earning assets and interest-bearing liabilities in the business plan. Explain how the business plan and operating results will change as a result of changes in forecasted interest rates.

Based on the sensitivity analysis performed by the institution, explain the economic parameters under which the business plan would no longer be considered feasible and the institution's operations no longer viable.

3.3. Business Activities

For banks, in the first year compiling the business plan, list each banking business activity from section 4 of the Financial Institutions Act 2004, as amended, in which the bank is engaged in or plans to engage in. In subsequent years, list the bank's new banking activities. For other supervised institutions, list all business activities in which the institution engage or intends to engage in the first year of completing the business plan. In subsequent years, list the new non-banking business activities in which the institution will be involved.

Explain all off-balance sheet activities.

Discuss the extent to which each business activity envisaged in the business plan will be engaged. Summarise and support the projections for asset and liability composition and mix. Explain how and why the asset and liability composition and mix is expected to change over time.

This discussion should be supported by information which clearly shows the institutions' capability to undertake those business activities in terms of oversight by the board of directors, management expertise, systems, organisation and staff.

3.4. Competition

Provide information on all competition for the target market.

Show current market share of the competition in the major areas of the institution's business plan and compare it with expected market share that includes the institution during the three years covered by the plan.

Describe the methods that will be used to meet the institution's market share goals including interest rate pricing, advertising, and other methods.

Describe the effect that the institution expects to have on its competitor when in operation for the next three years.

3.5. Risk Management

Describe the risk profile of the institution when engaged in the business activities envisaged by the plan.

Highlight the areas of operation that represent the greatest risk of loss to the institution and explain why.

Describe the changes expected to the risk profile over the three years based on the changes planned in the asset and liability composition and mix.

Describe how the risk management processes – risk identification, measurement, monitoring, and control – will be used to control the identified risks specifically addressing: credit, liquidity, interest rate, legal, reputational, foreign exchange and market risk.

3.6. Capital

Show the institution's capital structure.

Describe the projected earnings and operating results, capital goals, and the institution's plans for growth over the three years covered by the business plan.

Explain the institution's plans for supporting its risk profile and its plans for growth through adequate advance planning and an adequate capital base and cushion.

State all additional sources of capital that are reasonably available should the need arise in the future. Provide any plans that the institution may have in regards to increasing its capital.

Explain the dividend policy and state whether any dividends are to be paid during the three years covered by the plan.

Show the expected capital ratios namely the Risk Weighted Capital Ratio and Core Capital Ratio in line with regulation 5 of the Capital Adequacy Regulations 2010.

3.7. Liquidity

List and explain the primary sources of deposits and the methods used to solicit deposits.

Describe plans to ensure that the institution maintains adequate liquidity throughout the period covered by the plan. List all funding sources for both normal and adverse circumstances.

Explain how the projected cash flow statements that accompany the balance sheet and profit and loss of the business plan were derived.

Specifically, explain how the net funding requirements for each period were derived to ensure that all obligations and liabilities are covered by planned funding.

Explain how funding requirements are projected to vary based on expected economic and other changes.

Describe the results of the sensitivity analysis performed and explain contingency plans for managing liquidity under scenarios of adverse and stress conditions.

State the appropriate actions for senior officers to take in an attempt to alter the behavior of assets and liabilities for the purpose of adjusting inflows, outflows, and their timing.

3.8. Business Plan Monitoring

Discuss the methods that the Board of Directors will use to regularly monitor both management's implementation of, and the institution's performance under the business plan during the three years.

Discuss the process by which the business plan will be amended, with the Board of Directors' approval, to address changes in economic conditions.

4.0. FINANCIAL PROJECTIONS

The impact of the planned business activities on the condition of the institution should be demonstrated in the pro forma financial statements.

Based upon the preceding narrative section, submit a pro forma Balance Sheet, Profit and Loss Account, and Cash Flow Statement (and any necessary supporting schedules) for each of the next three years of operation using the attached formats prescribed by the Central Bank.

All financial statements should be clearly stated in SR'000.

Any assumptions made to determine the figures on the abovementioned statements should be clearly identified.

A column in the financial statements labeled as 'Assumption Reference' has been included to label each of the assumptions. These references should be stated on a separate page along with the assumptions made.

Below is an example of how the references should be labeled;

	Assumption Reference
Paid-up Capital	B1
Other Reserve	B2
Interest Expense on Deposits	P1
Provision for loan losses	P2
Tax Paid for the year	C1

The first part of assumption reference will be based on the type of financial statement as shown below;

- B stands for pro forma Balance Sheet
- P stands for pro forma Profit and Loss
- C stands for pro forma Cash Flow Statements

The numerical part of the reference will be in chronological order.

- 4.1. **Pro Forma Balance Sheet** – format attached
- 4.2. **Pro Forma Profit and Loss Account** – format attached
- 4.3. **Pro Forma Cash Flow Statement** – format attached

PROFORMA STATEMENT OF FINANCIAL POSITION

NAME OF INSTITUTION

	Assumption Reference	Year 1	Year 2	Year 3
CAPITAL AND RESERVES		-	-	-
Paid-up/ assigned capital				
Statutory reserve fund				
Other reserves				
Undistributed profit/loss				
LIABILITIES		-	-	-
Deposit liabilities:		-	-	-
Checkable deposits				
Time deposits				
Savings deposits				
Other deposits				
Balances due to:		-	-	-
Central Bank of Seychelles				
Financial institutions in Seychelles (inter bank borrowing only)				
Financial institutions abroad				
Provision for taxation				
Provision for doubtful debts				
Other liabilities				
		Year 1 HY1	Year 2 HY1	Year 3 HY1
ASSETS		-	-	-
Cash				
Statutory reserves with Central Bank of Seychelles				
Other balances with Central Bank of Seychelles:		-	-	-
DAA				
RRA				
Others				
Amount due from:		-	-	-
Financial institutions in Seychelles; of which				
Deposits				
Inter bank lending				
Local investments:		-	-	-
Treasury bills				
Treasury bonds				
Government stocks				
Others (specify)				
Loans and advances:		-	-	-
Overdrafts				
Term loans				
Mortgage loans				
Other loans and advances				
Assets denominated in foreign currency:		-	-	-
Foreign currency				
Balances due from financial institutions abroad				
Securities and other investments				
Fixed assets:		-	-	-
Cost				
Accumulated depreciation				
Other assets				

PROFORMA STATEMENT OF FINANCIAL POSITION
NAME OF INSTITUTION

	Assumption Reference	Year 1	Year 2	Year 3
ASSETS				
Cash				
Bank Balances				
Short Term Investments:		-	-	-
Bank Deposits				
Securities				
Total Loan Portfolio:		-	-	-
Loan to members				
Loans to employees & Committee members				
Loan to subsidiary				
Other Loans				
Less Loan Loss Allowance				
Net Loans		-	-	-
Other Current Assets				
Total Current Assets		-	-	-
Fixed Assets:				
Land Buildings		-	-	-
Equipment				
Vehicles				
Less Accumulated Depreciation				
Net Fixed Assets		-	-	-
Medium to Long-Term Investments:		-	-	-
Fixed Deposit				
Securities				
Shares				
Other Non-Current Assets				
Total Non-Current Asset		-	-	-
Total Assets		-	-	-
LIABILITIES				
Deposits:		-	-	-
Time Deposits				
Savings Deposit				
Others				
Bank Overdraft				
Proposed Distribution to Members				
Other Current Liabilities				
Total Current Liabilities		-	-	-
Medium to Long Term Debt				
Other Liabilities				
Total Non Current Liabilities		-	-	-
Total Liabilities		-	-	-
EQUITY				
Member Shares				
Co-operative Fund				
Other Reserves				
Capital Grants				
Current unadjusted/unaudited Profit				
Retained earnings				
Others				
Total Equity		-	-	-
Total Liabilities & Equity		-	-	-

Please state any assumptions made to arrive at the given figures

PROFORMA STATEMENT OF COMPREHENSIVE INCOME
NAME OF INSTITUTION

	Assumption Reference	Year 1	Year 2	Year 3
INTEREST INCOME		-	-	-
Loans and advances				
Statutory reserves with Central Bank of Seychelles				
Other balances with Central Bank of Seychelles				
Assets denominated in foreign currency				
Local investments		-	-	-
Other interest income				
INTEREST EXPENSE		-	-	-
Deposits		-	-	-
Balances due to Central Bank of Seychelles, financial institutions in Seychelles and financial institutions abroad		-	-	-
Other interest expense				
Net interest income/(expense)		-	-	-
NON-INTEREST INCOME		-	-	-
NON-INTEREST EXPENSE		-	-	-
Salaries and allowances				
Occupancy expenses				
Head office charges				
Depreciation				
Training expenses				
Entertainment				
Others				
Net non-interest income/(expense)		-	-	-
Provision for loan losses and bad debts written off				
Net profit before tax		-	-	-
Taxation				
Profit after tax		-	-	-

PROFORMA STATEMENT OF COMPREHENSIVE INCOME
NAME OF INSTITUTION

	Assumption Reference	Year 1	Year 2	Year 3
INTEREST INCOME:		-	-	-
<i>Interest income on Loan Portfolio</i>				
<i>Interest income on Investments</i>				
<i>Other interest income</i>				
INTEREST EXPENSE:		-	-	-
<i>Interest Expense Loans</i>				
<i>Interest Expense on Subsidized Debt</i>				
<i>Interest Expense on Savings/Deposits</i>				
<i>Other interest expenses</i>				
NET INTEREST INCOME/(EXPENSE)		-	-	-
NON INTEREST INCOME				
NON-INTEREST EXPENSE:		-	-	-
<i>Salaries</i>				
<i>Training</i>				
<i>Audit fees</i>				
<i>Consultancy</i>				
<i>Repairs and maintenance</i>				
<i>Rent</i>				
<i>Travel and accommodation</i>				
<i>Legal Commissions and Fees</i>				
<i>Depreciation</i>				
<i>Printing and stationery</i>				
<i>Insurance</i>				
<i>Other Expenses</i>				
NET NON-INTEREST INCOME/(EXPENSE)				
NET INCOME/(LOSS)		-	-	-

Please state any assumptions made to arrive at the given figures

PROFORMA STATEMENT OF CASH FLOWS

NAME OF FINANCIAL INSTITUTION

	Assumption Reference	Year 1	Year 2	Year 3
Profit before tax				
Depreciation of property, plant and equipment				
Loan loss provision				
Other non-cash items				
Net cash flows inflow/(outflow) from operating activities		-	-	-
Cash flows from operating activities				
(Increase)/Decrease in loans and advances				
Increase/(Decrease) in deposits from banks and customers				
(Increase)/Decrease in other assets				
Increase/(Decrease) in other liabilities				
Tax paid for the year				
Other cash flows from operating activities				
Net cash flows inflow/(outflow) from operating activities		-	-	-
Cash flows from investing activities				
Purchase of property, plant and equipment				
Purchase of Treasury Bills and Treasury Bonds				
Other cash flows from investing activities				
Net cash inflow/(outflow) from investing activities		-	-	-
Cash flows from financing activities				
Dividend paid				
Other cash flows from financing activities				
Net cash inflow/(outflow) from investing activities		-	-	-
Net (decrease)/increase in cash and cash equivalents		-	-	-
Movement in cash and cash equivalents				
At January 1,				
(Decrease)/Increase		-	-	-
At December 31,				