



Annual Report

2011-12



BURO *Bangladesh*



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Executive Director's Statement

The elevation of BURO Bangladesh is unabated and unstoppable in respect of quality, quantity and price of its services to its direct clients in the rural, peri-urban and urban areas. The cause of its continuous elevation is the synergies between the clients and BURO where both work as the consumer and producer of goods and/or services to each other wherever and whenever is required within the realm of BURO. Because of undeniable necessity in the doldrums of economical crises BURO and its clients feel shared sense of ownership in each other to effect alterations in their lives and living conditions of the clients.

The synergies between and shared sense of ownership feeling among each other also bring the development of new infrastructure in the level of thoughts of both BURO and its clients which is manifested: for BURO to demonstrating commitment, motivation and dedication from its human resources towards its clients, and for its clients demonstrating moral obligation, loyalty and bindings towards BURO. Thus the reciprocal relation between BURO and its clients has developed over the period unbreakable relations in the free market society where BURO clients enjoy every freedom in utilizing microfinance services given from the organization.

The given statistics inside the report under different performances of microfinance are the glowing examples of the organization needless to mention that the credit goes to the management at both central and branch offices being supplemented by the supreme professionalism which is demonstrated by the clients in loan utilization and loan recovery without virtually any countable number going beyond the aging schedule. The clients' supreme professionalism is the impetus in the lives and living conditions of BURO itself the value addition to which emanate from increasing diverse demands of the clients that the organization supplies without any delay or maintaining minimum bureaucracy from the organization. The smooth flow of liquid and technology from the organization without any hindrances in consonance with the required and requisite demands of the clients enhances the capability functioning of BURO human resources as well as those of the clients once their skill are applied congruently in utilizing microfinance services.

The enhancement of capability functioning of BURO human resources is subjected to their exposures to knowledge management organized from the organization at different times capitalizing its own experiences and those of others in the microfinance industry which develops and strengthens BURO as a specialized organization in the market for future generation to enjoy, produce and supply new financial services in consonance with the needs in the market of economical relations. The capability functioning of its clients is enhanced with the continuous utilization of their skill in microfinance which brings them in the market of economical relations with their own goods and/or services thus both BURO Bangladesh and its clients are significantly contributing to integrating financial market and economical market at a given locality.

We are indebted to the direct and indirect stakeholders in the internal and external environment of BURO for their consistent relations of fraternity with our endeavors. I would be extremely happy to express my deepest gratitude to those organizations/agencies: developmental partners, central bank, banks and non-banks, MRA, NGO Affairs Bureau, different ministries of the government and others who are with us for all the time. My heartfelt happiest thanks and warmest regards!



Zakir Hossain
Executive Director

Dated: September, 2012

Microfinance Scenario



Economical and Financial Market

The synergy and reciprocity between economical and financial market is of supreme importance to bring positive changes in the lives and living conditions of the two markets which is urgently needed to enhance increased national economical growth of a given nation-state. Though both the markets work as independent institutions by virtue of their role relations with different characteristics economical and financial markets are needed to work as both consumer of and producers to each other goods and/or services which will irresistibly lead to integration between these two undeniable institutions in development. It is arguable that financial market is the sub-economy market within the overall realm of economical market but given the importance of financial market as the niche of controlled money circulation as well as in the growth of markets of entrepreneurs with diverse dimensions as such can be considered as the nexus between the economical market and national economic growth of any nation-state. Needless to mention that social capital and social business are and shall be inbuilt in the economical policies to enhance both social and economical investment simultaneously working hand in hand in development.

The nation-state Bangladesh is unique in resurrecting its economical market from the unprecedented devastation during liberation war, gradually begins its fast movement from crawling to opening new spaces for new market itinerants in the market of economical relations through financial market. In a nation-state with unprecedented condensed population the market of economical relations had had to depend on formal financial institutions that could not spread up to certain period all throughout the nation-state because

of the very low profile of basic utilities available in the urban and rural market. This creates space in both economical market and financial market to fill in by the usurious capital primarily in the rural and urban areas followed by the city areas with the increasing inhabitants. The absolute responsibility to rejuvenate the lives and living conditions of the economical market with its organized behavior which will attract the consumers and producers increasingly at a constant pace the nation-state in the beginning of 1980s makes certain aggressive behavior with the development of infrastructural facilities that facilitates the growth of financial market. As a measure of resurrecting businesses in the economical market vis-à-vis people that enhances their capability functioning as social capitals new market itinerant also enters into financial market as a prelude to financial interventions that goes far beyond the urban markets. The new entrant within the overall realm of financial market popularly known as Microfinance Institution (MFI) is the nexus between the financial market and poor as well as between the economical market and poor that improves the capability functioning of financial markets because of increasing outreach at the same time those of economical market because of the participation of the new entrepreneurs with diverse quality in the economical market.

Trend in the Microfinance Industry

With a population of about 150 million and its growth rate of 1.37% Bangladesh presently has 77% rural population with those of urban at 23%. The nation-state is predominantly dominated by agriculture as the backbone of economy with about 30% of the total population lives below poverty line but with a declining trend.

The CDF statistics 2011 shows that 695 NGO-MFIs have about 17,851 branches employing 231,098 credit staff. All the 64 districts of the country are covered with microfinance. The reporting NGO-MFIs account for 29 million active clients. The net savings stood at BDT 197 billion. The loan portfolio was BDT 280 billion. Total revolving fund was BDT 339 billion. The major sources of financing include customers' savings: 58.16%, own/equity: 24.56%, PKSF: 8.73% and banks: 8.55%. Microcredit contributed 30.78% to agriculture of GDP in 2011.

Grameen Bank is the specialized microcredit bank as well as biggest actor in microfinance industry in Bangladesh. The clients of Grameen Bank presently stand at 8 million, portfolio is BDT 79 billion and savings is BDT 118 billion.

MFIs Increased Access to Formal Financial Sector

Commercial banks are now increasingly wholesaling funds to the NGO-MFIs. In addition to both private and public sector commercial banks, some foreign banks and non-banks are financing microfinance programs. PKSF as the largest wholesaling of microfinance has meanwhile funded 237 NGO-MFIs. Anukul Foundation and Stromme Foundation are also providing loans to the NGO-MFIs. The banks are following a number of conduits to supply capital that includes syndication, securitization, guarantee and direct lending. The contribution from banking sector to the capital base of NGO-MFIs during last five years is growing at a constant pace which brings back the vivacity in the lives and living conditions of the NGO-MFIs to embed the use of commercial capital.

Bangladesh Bank through adopting Agriculture and SME policies and programs opens the space for more intense and diverse participation of NGO-MFIs within the realm of financial market further paving the increased access of NGO-MFIs to economical market through

bringing participation of both skilled and non-skilled human capital.

More NGO-MFIs Being Used as Remittance Channels

In order to increase the capital flow within the nation-state that will contribute to business development at different regions of the nation-state remittance supply as the new technological innovation in microfinance has been in operation for a long time. To make the money transfer faster to the recipients, the branches of a few NGO-MFIs provide services to both the recipients of remittances and the banks with approval of the central bank.

Islamic Microfinance on Horizon

The Islamic Development Bank (IDB), Jeddah, Saudi Arabia carries out feasibility study in Bangladesh to promote Islamic microfinance based on Sharia. There are some small NGO-MFIs in the country that are implementing programs based on Sharia. Rural Development Scheme (RDS) of Islami Bank Bangladesh Limited is implementing Islamic microfinance which underscores the high potential market of Islamic microfinance in Bangladesh.

Update on Microfinance Regulation

The Microcredit Regulatory Authority Act, 2006 was passed in July 2006 with an effect from 27 August 2006. In accordance with the mandatory conditions for micro-credit operations around 650 licenses are meanwhile issued by MRA. The rules for the compliance of the NGO-MFIs are finalized by MRA and are put into operation since July 2011. The banks and government departments carrying on microfinance programs are outside the purview of the Microcredit Act. License is granted with a fee that varies according to the size of the NGO-MFI.

Glimpses of BURO



Institution

BURO Bangladesh is a national 'not-for-profit' organization set up in 1990 is irreversibly established as specialized micro-finance institution within the overall realm of the financial market facilitating the poverty reduction of the poor on sustainable basis. BURO provides high quality flexible financial services to low-income people, particularly the women, who are regarded as its prime customers. To meet their ever-growing financial needs, BURO introduces new technologies in its microfinance operation which are six loan products, two savings products and one insurance scheme. In order to address the dire needs of the economical markets BURO brings another technology: remittance services to the people through a high profile network of its branches. Considering the agriculture as the backbone of the nation-state the organization provides agriculture loans to small and marginal farmers and stepped up its loans to the graduated clients called SME loan. In accordance with the basic principle that social policies to be built in economical policies BURO further implements disaster mitigation program for microfinance clients affected due to man-made and natural causes. BURO Bangladesh also provides a modicum of non-financial services that includes business development services (BDS), food security, human resource development, disaster management, operation research, providing technical assistance to NGO-MFIs, and rural water supply, among others.

In its journey towards its growth and development BURO itself emerges as Social Capital for the nation-state Bangladesh, its economical and financial markets, own very wide spectrum of clients, and its unprecedented human capital base providing the financial and non-financial services of BURO. In consonance with its mission BURO attains its financial sustainability that creates space to diversify its participation in the activities of the economical and financial markets and nation-state retaining its original identity. Notwithstanding the limitations that it has in the internal environment

and faces in the external environment BURO is in forward motion constantly centering on its mission as the nucleus in its interventions which develops high cohesion and high integration among its own human resources and client base.

Customers

There are three categories of customers who are selected based on certain specific criteria.

Very Poor/Extreme Poor

- owning less than 10 decimals of land
- annual income equal to or less than BDT 20,000 and having assets less than BDT 30,000
- age limit between 18-55 years

Moderate Poor

- owning less than 0.50 acres of land
- annual income equal to or less than BDT 60,000 and having assets less than BDT 200,000
- age limit between 18-55 years

Micro Entrepreneurs and Small & Marginal Farmers

- owning more than 0.50 acres of land
- annual income equal to or less than BDT 100,000 and having assets less than BDT 500,000
- age limit between 18-55 years

Legal Status

BURO Bangladesh is registered with:

- The Department of Social Welfare, No. TA. 0489 dated 9 April 1991.
- NGO Affairs Bureau No. 610 dated 19 March 1992.
- The Registrar of Joint Stock Companies & Firms, Bangladesh No. S-7026(214)/07 dated 6 September 2007.
- Licensed from Micro Credit Regulatory Authority (MRA) No.00004-00394-00288 dated 25 June 2008.
- Tax Identification Number (TIN): 142-400-2581.

Linkages

BURO Bangladesh has established linkages with:

- The Federation of NGOs in Bangladesh (FNB), Bangladesh.
- Credit and Development Forum (CDF), Bangladesh.
- Network for Information, Response and Preparedness Activities on Disaster (NIRAPAD), Bangladesh.
- International Network of Alternative Financial Institutions (INAFI), Bangladesh.
- MicroFinance Network, Mexico.
- Campaign for Popular Education (CAMPE), Bangladesh.
- South Asian Microfinance Network (SAMN).
- Banking with the Poor (BWTP).
- Self-help Promotion Network, Bangladesh.

Access to Information

BURO Bangladesh regularly furnishes information to a number of important national and international agencies. These are:

- Microcredit Regulatory Authority (MRA), Government of Bangladesh.
- Credit and Development Forum (CDF) for publication of Microfinance Statistics.
- Microfinance Information eXchange (MIX), Washington D.C.
- Bangladesh Economic Review, Ministry of Finance and Planning, Government of Bangladesh.
- National and international organizations for disseminating Annual Report.

Information dissemination is the most fundamental to reduce information asymmetry in development. In order to enhance information dissemination on BURO endeavors as Social Capital in microfinance the organization maintains separate desk manned by one skilled human resources of the organization. This step is taken in accordance with Right to Information Act, 2009.

Advisory Support

Mr. Graham A.N. Wright has been BURO Bangladesh's international honorary advisor for a long time. He is providing valuable inputs in the continued development of the organization and assisting the management in

quality decision-making, future development and program planning. Mr. Wright is now working as Program Director of MicroSave.

Future Direction

More Expansion of Micro Finance

BURO was originally conceived as a demonstration model, with the intention of achieving sustainability through providing a range of high quality financial services. Based on the very strong demand base BURO has initiated an expansion program and plans to raise the customers from current level of 1,082,789 to 1,500,000 in 2012-13. Because of BURO's comparative advantage in the provision of diverse micro-finance services plus the demand creation in business in the demand side BURO will strengthen its microfinance program designed in its future road map through horizontal scaling of its client and portfolio base within the realm of existing 629 Branches.

Agriculture Financing

Agriculture as the spinal column of national economic growth is also the spine in the economical and financial market where in the reciprocity between these two markets agriculture works as the catalyst. It is the demand side that has the pull effect on BURO since its inception to launch intensive application of microfinance in agriculture program. BURO initiatives of microfinance in agriculture enrich its treasure of experiences that brings new technology remittance in microfinance to strengthen its application in agriculture. More important is the consideration of BURO that microfinance in agriculture will strengthen Food Security of its clients through increased production to work as both consumers of, and suppliers to rural or urban markets.

SME Financing

BURO Bangladesh is currently financing ME clients in a limited way but perceives that more investment should be forthcoming because the sector has wide vista with very

abundant potentials for employment and income generation which shall be capitalized to push forward the integration between the financial and economical markets. The organization also prefers to priorities the sectors creating employment opportunities in the rural and urban areas in non-conventional businesses but emphasis is also given on the development of comparative advantage among the client base. The organization has decided to launch a massive micro-enterprise program in 2012-13 through bank financing that facilitates BURO working as the front ranking conduit for professional capital growth matching increased rural and urban employment and income generation.

Graduation and expansion of Hardcore Poor Microfinance

The hardcore poor microfinance has significant importance on the economical and financial market of the nation-state. BURO Bangladesh has rewarding success in all three working areas of hardcore poor microfinance program. The Economical and Social Empowerment of the Hardcore Poor (ESEHP) at Kurigram district will be under expansion in respect of client, portfolio base and opening new branches. On the other hand, the Economical and Social Empowerment of the Hardcore Poor

(ESEHP) at Uttara and Improved Living Standard of the Poorest of the poor at Tangail will be graduated to mainstream microfinance program of BURO.

Going Extensive Automation

The organization is contemplating full automation of its branches by 2014-15 and accordingly steps are taken. Currently, 320 branches have full automation. In 2012-13, a total of 250 branches will be under full automation.

Vocational Training Institution

BURO envisages that the proper application of technology in the lives and living conditions of the people will significantly prevent the rural and urban youth to be involved in social degeneration process. The abundant space that exists in the social and economical markets will be filled in congruently with the combined application of human resources and technology. This will develop reciprocal relations between human resources and technology contributing significantly to both financial and economical market. In order to enhance this phenomenon BURO in its future road map lays significant importance on the development of vocational training institute in respect of wide space and dimension to produce quality entrepreneurs for the social and economical market.



Highlights

Professional Attainment

- Awarded third position in the NGO-MFI sector by the Institute of Chartered Accountants of Bangladesh (ICAB) for Best Published Reports and Accounts 2010.
- Awarded certificate of merit in NGO/MFI category by the South Asian Federation of Accountants-SAFA for Best Published Reports and Accounts 2010.

Legal and Compliance

- Paid off BDT 10.20 million as overall taxes in the National Exchequer.
- Microfinance in compliance with the rules of MRA operational.

Product and Services

- Some financial products redesigned.
- Seven branches for Hard-core poor with flexible approach in microfinance launched.
- Agriculture loan for small and marginal farmers introduced.
- Microfinance in SME in operational.

Policy and Implementation

- A rigorous internal control system in place.
- Supply chain of foreign remittance to rural areas strengthened.
- Customers' controlling authority for withdrawal all of their savings from the general account leaving BDT 10.

Major Expansion in 2011-12

- Revolving loan fund increased by 27%.
- Loan portfolio increased by 23%.
- Savings portfolio increased by 21%.
- Customers outreach increased by 5%.

Operational Performance

- 109% and 104% operational self-sufficiency and financial self-sufficiency respectively.
- 3.44% for portfolio at risk (>30 days) and 96.37% without any payments in arrears.
- 97.25% on-time recovery (OTR) rate.
- 34% of total revolving loan fund constituting customers' savings.
- 15% operational expense ratio.
- BDT 0.07 as cost per unit of money lent.



What We Stand For

Vision

A happy, prosperous and pluralistic democratic society that meets the basic needs of the people in Bangladesh.

Mission

An independent, sustainable, cost-effective microfinance institution that provides diverse, appropriate and market responsive, quality financial and business development services at competitive prices along with other social development programs to very poor, poor and vulnerable non-poor customers.

Strategic Priorities

- Promote product diversification.
- Pursue use of commercial capital.
- Facilitate foreign remittance flow to the rural and urban areas.
- Facilitate the nation-state and market to create favorable investment climate for the microfinance clients
- Support emerging market segments like hardcore poor; small & micro enterprises; and small & marginal farmers.

- Adapt strategies with the emerging demands in the demand side for vibrant supply chain of BURO.

Market Positioning

- Identify the major attributes that the customers value most in the financial products.
- Review different attributes in terms of product quality, prices, availability & service delivery.
- Continuously assess BURO Bangladesh and its competitors' offer for positioning in the market.
- Improve the vivacity in BURO comparative advantage as constant phenomenon within the nation-state.
- Develop linkage with NGO-MFIs across the boundaries of the nation-state for future effective collaboration within the greater realm of microfinance industry.



Our Values

Listening to Customers

- BURO spinning on its clients
- Respect the service recipients as valued clients.
- The program pivots on clients' choice.
- Demand creation by the clients themselves
- Clients' voice about the quality and adaptations of BURO financial services
- Change rules and regulations based on customers' likings and disliking.

Customers Empowerment

- Access to flexible and quality financial services for the clients.
- Enhancing money management capacity through savings, loan and business expansion services.
- Emphasizes on the increase in financial assets of the clients.

Right to Access Information

- Reduce information asymmetries for the clients on business and liquid through knowledge management
- Ensure every right of the clients to tally the passbooks with branch level transactions.
- Regular information dissemination to the clients about the use of their savings by BURO.
- Ensure clients' voice in the use of their savings by the organization.

Financial Service as Right of the Customers

- BURO as the safe and secure place for the clients to keep savings.
- Clients mandated to withdraw savings whenever is necessary.
- Organization mandated to maintain smooth supply provision of liquid as credit for the clients for investment.

Features of Quality Financial Service

- Services those are provided timely.
- Services those are prompt and quick.

- Services those meet the clients' aspirations and happiness.
- Services those the clients can afford.

Financial Prudence

- Cost recovery principle for services delivery to the clients.
- Capacity to mobilize funds from commercial sources or market.
- Capacity for financial management, audit and financial control.
- Friendly investment climate with the help of the stakeholders.

Good Governance

- **Strategic vision/mission:** Long and short-term perspective about the demand of the clients, and BURO Bangladesh.
- **Responsiveness:** Serving the interests of all stakeholders.
- **Transparency:** A free flow of information between the organization and concerned stakeholders.
- **Accountability:** Decision-makers answerable to the stakeholders and the organization.
- **Compliance:** Strictly following the directives of Microcredit Regulatory Authority (MRA)
- **Bureaucracy:** BURO taking extremely less time for overall loan supply provision to the clients.

Social and Development Commitment

- BURO social policies in-built in financial policies
- BURO endeavors incorporating social investment integrated with its mission.
- Pursue commercial objective to provide sustainable microfinance services.
- BURO as potential entity in financial and economical markets to developing reciprocity between the two markets.

BURO in Forward Motion ...

1990-1994		
Genesis	Central Bank Approach	Development Partners' Attention
Piloting phase of Five "Model Branches of Sustainable Rural Financial Service" started	Financial norms congruent to operate financial services identified	International evaluation suggested viable and sustainable model
1995-1999		
Continued Development Partner's Attention	Emerging Social Capital	International Relations
Evaluation with new innovations conducted; Strategic planning exercise done; Operational research for new financial products carried out	Interventions in social program at post disaster situation made; Policies from donor grant to entry into commercial capital shifted	Recognition from UN General Assembly achieved; First microfinance international rating assessment conducted
2000-2004		
Formal Financial Market	Strengthened Social Capital	New Innovation
Entry into formal financial market begins; Product development review recognized; Corporate governance strengthened	Internal control system of both MIS and FIS reviewed; Satisfactory Development Partner's end term review done; Second and third microfinance international rating assessment conducted	First comprehensive business plan prepared; Strategic planning exercise conducted; Review of costing of products done; Microfinance model for the very poor in the rural and urban areas launched
2005-2009		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Intense entry into commercial banks; non-banks and international agencies began; Massive expansion of microfinance program launched	Char Livelihood Program for disaster preparedness and mitigation commenced; Rural water supply program launched	Automation of branches launched; Microfinance in agriculture for small and marginal farmers promoted; partnership with 'bank syndicated financing' began; Foreign remittance service for the rural people launched; First ever commercial bank syndicated financing in agriculture initiated
2010-2012		
Strengthened Access to Formal Financial Market	Strengthened Social Capital	New Innovation
Massive expansion of SME program begins; Graduation of hardcore poor to mainstream microfinance initiated	Institutional capacity and participation within the overall realm of regulation begins and continues	Automation of branches continued; Training and capacity building services further strengthened

Recognition

CGAP/The World Bank Financial Transparency Award

BURO Bangladesh is awarded Merit Recognition in Financial Transparency Award 2005 and 2006 by the Consultative Group to Assist the Poor (CGAP)/ The World Bank.

SAFA Award for Best Published Reports and Accounts

The South Asian Federation of Accountants-SAFA established in 1984 to coordinate the accounting profession from the SAARC member nation-states awards BURO the first position for the Best Presented Accounts in the category of NGO-MFI for the year 2005 as well as 2007. In

2008, BURO is awarded joint winner along with BRAC, and in 2009 is awarded first runner-up and in 2010 is awarded certificate of merit.

ICAB National Award for Best Published Reports and Accounts

The Institute of Chartered Accountants of Bangladesh (ICAB) awards BURO for last seven years consecutively for its best published Reports and Accounts for the financial year 2004 (second), 2005 (first), 2006 (third), 2007 (second), 2008 (second), 2009 (third), and 2010 (third). This is a notable national recognition to NGO-MFIs especially for its financial transparency.



Governance



Constitutional Aspects

Governing Body and General Body

BURO Bangladesh is one of the leading NGO-MFIs that resolutely claims to strictly follow the 'Code of Corporate Governance for Bangladesh' prepared by the taskforce on corporate governance with a view to creating corporate culture within the realm of microfinance sector in Bangladesh. The corporate governance of BURO constitutes three tier systems: (1) General Body, (2) Governing Body, and (3) Operational Board of Directors (OBD). A seven-member Governing Body is in place that includes Chairperson, Vice Chairperson, Finance Secretary and four other Members. The management is vested under the leadership of Executive Director along with five-member Operational Board of Directors that includes Finance Director, Director Special Program, Operational Director, Director Risk Management and Capacity Building Deputy Director. The Executive Director is not a member of the Governing Body but works as an ex-officio secretary. The General Body constituting 15 members who come from different professional domain viz. business, banking, law, diplomat, academics, journalism, and social development the supreme authority of electing the Governing Body after every three-year.

In 2011-2012 four Governing Body meetings are held each on 07 December 2011, 12 January 2012, 31 January 2012 and 14 June 2012. The 18th AGM is held on 21 January 2012 which amends constitution of BURO in order to maintain semblance with the MRA rules.

Policy and Functional Aspects

Policy and Procedures

The organization stresses on significant importance on the growing professionalism within the realm of BURO that constantly enhances good governance being practiced by the organization. Accordingly the organization acts through implementing various rules and procedures that include (i) Rules of Business for moderate and hardcore poor Micro-finance and SME finance, (ii) Staff Service Rules, (iii) Accounting and Financial Procedures and Rules,

(iv) Internal Audit Manual, (v) Human Resource and Administrative Manual, (vi) Program Implementation Manual, (vii) Gender Policy, and (viii) New Branch Opening Policy.

Working Committees

Seven different committees are functioning with cross-functional departments to develop and maintain high cohesion and high integration towards achieving the mission of the organization. The committees are: (i) Recruitment and Promotion Committee, (ii) Gender Committee, (iii) Sales & Purchase Committee, (iv) Land Purchase Committee, (v) Disaster Management Committee, (vi) Building Construction Committee, and (vii) Committee for Old Papers Disposal. All committees are approved by the Governing Body.

Program Management Structure

BURO Bangladesh operates through its branches in different places. A branch is managed by one Branch Manager, one Accountant, and 6-8 Program Organizers (POs)/ Assistant Program Organizer (APOs). There are 629 branches which are supervised by 74 Area Officers. Overall, there are 18 Zonal Officers that administer all the branches and area offices.

Staff Benefit Funds

The service benefits of all staff are regulated by well-defined Service Rules of the organisation. These include: (i) provident fund, (ii) gratuity fund, (iii) health fund, (iv) housing fund, (v) staff family welfare fund, (vi) advance for motorbike and bicycle purchase, (vii) income tax payment for the staff, (viii) leave encashment, and (ix) advance salary payment on simple terms to facilitate buying life insurance policy.

The Provident Fund is managed by a separate Trustee Board comprising staff at different levels. The management manages four other financial benefits. The accounts of these financial benefits are maintained separately. The total amount of staff benefit fund as on June 30, 2012 stood at BDT 330 million which includes BDT 251 million as provident fund, BDT 18 million as gratuity, BDT 4 million as health fund, BDT 10 million as housing fund and BDT 47 million as staff family welfare fund.

Income Tax Return Submission

Submission of income tax return is mandatory under the government rules. The organization has been regularly submitting the returns to the government. The government has exempted the non-profit organizations dealing with microfinance from paying income tax from the surplus earned. However, if there is any income from other than microfinance, it will be subjected to the relevant rules of taxation. The income tax assessment of the organization has been duly completed for the year (2010). During the year, an amount of BDT 4.40 million has been paid to the national exchequer for income other than from microfinance. In addition, the organization paid BDT 5.80 million as VAT/taxes.

Internal Control System

To ensure transparency, efficiency and overall effectiveness the organization develops and pursues a very rigorous and transparent internal control system. Most international standard norms and practices are also meticulously incorporated. These practices reflect the high profile and very sound institutional and managerial competencies. The components of internal control system are laid down below.

Budget Formulation and Variance Analysis

The initial budget planning starts at the branch level. A yearly budget is split into monthly figures spelling out financial and program targets. All budgets of the branches are consolidated in the head office to formulate the organization's aggregate budget. Financial monitoring is carried out monthly based on budget variance, MIS and FIS reports.

Fair Staff Recruitment Process

Recruitments are made through fair competition and public announcements. The criteria are well defined in the service rules. Advertisements are made in the leading newspapers in the country. Generally written and viva tests are held. For senior level recruitments assistance of external experts are taken. Executive Director approves all recruitments recommended by the Committee for Recruitment.

Procurement and Other Policies

The organization maintains an enlisted group of suppliers and signs a MoU for one year with them to supply printed materials and stationary items as per general agreement. They continue to

supply unless there is any unusual price hike. In case of other printing and materials, spot quotations are asked for.

Travel Policy

There is a well-defined policy for domestic and international travel including food and lodging for all grades. A policy for continent-wise per diem also exists for all grades.

Payments/Advances

All payments are made through crossed cheques. Advances to the staff are made with prior approval of the management.

Clients Passbook Checking

The most critical risk in an MFI lies with collection of savings and loan repayments by the program organizer (PO) or the loan officer. Savings deposited and loan repaid by a client are recorded in the client's passbook and in the collection sheet (which is the primary record of the office). But there is always an inherent risk. To ensure that the transactions have been duly recorded, the branch manager along with accountant and branch organizer conducts 100% checking of all clients' passbooks every quarter.

Financial Control

Fund management is done prudently keeping in view the demand of funds and its availability at the branch and head office. Financial control is generally exercised at three levels: the Governing Body, the Head Office and the respective Branch. Governing Body monitors all financial matters quarterly through Governing Body meeting. The Executive Director and Finance Director exercise financial control based on monthly financial statements and the findings of internal auditors. At branch level, the managers exercise financial control on the basis of budget and financial projections. Financial transactions in the head office and branch offices are regulated with regard to following four areas: (i) field level transaction control, (ii) treasury management, (iii) budgetary control, and (iv) accurate financial reporting.

Internal Audit

The audit and risk management department is staffed with a Director. A total of 54 audit staff work in this department who are based in the zonal offices. The internal auditor reports on 100% checking of loan portfolio. Auditor also reports on 100% checking on loan and savings

balancing (reconcile the balance with collection sheet) and program-wise reporting and reports on passbook verification of at least 100 passbooks of 10 kendras done by the concerned PO/ APO, etc. Auditor reports on fund management concerning cash and bank.

The audit reports are submitted to the Executive Director. These are discussed in meetings at higher level and asked for clarifications, if there is any anomaly. Punitive and corrective measures are taken where necessary. The findings of the auditing guide the management in taking right decisions for modifying policies, systems and procedures.

Risk Management

Risk is defined as the possibility of financial losses or otherwise. The risk management of the organization covers core risks that include industry risk, credit risk, liquidity risk, interest rate risk and operational risks. The aim of risk management is that BURO evaluates and takes well calculative business risks and thereby safeguards the organization's capital, its financial resources and profitability. Risk management is done through internal control system and standard practices followed globally.

External Audit

The organization conducts annual audit regularly every year. Reputed audit firms in the country are hired for external auditing. Audit firms are appointed for a period of one year by the General Body in the annual general meeting.

Standard Practices

BURO Bangladesh follows some of the internationally accepted reporting and prudential requirements. This is being done to conform to the standard norms and practices pursued world-wide and to prepare for any future prudential requirements in the country. These practices and the relevant indicators portray a clear picture of the organization's financial and managerial soundness.

Capital Adequacy

Capital adequacy analysis is being used to measure the financial solvency of the organization and determine whether the risks that it has incurred can be adequately offset with capital and reserves. The current capital adequacy ratio is 12%.

Asset Management

Loans advanced to the customers make up the portfolio of the total assets and forms the biggest current asset. To determine the quality of loan portfolio, monthly aging analysis is performed. The financial accounts of 2011-12 at the year-end shows the organization achieves a first-rate portfolio indicating 96.37% of the portfolio with no arrear payments.

The organization pursues clear policies in acquiring land and building to optimize the operation of its business. It follows clear-cut policies to acquire necessary equipments and vehicles for building an effective infrastructure for the institution to meet the needs of both the staff and customers.

Management

Human Resource Development (HRD) is well organized in a manner that provides clear guidance and support to operational staff - including recruitment and training of new personnel. All key processes have been formalized. With much effectiveness it controls risk throughout the organization. The organization undertakes short-term and long-term financial projections and uses these to ensure fiscal and budgetary control.

Earnings

The management has been effectively using and mobilizing the available resources to ensure sustainable benefit to its customers while aiming at a modest return on the investment.

Liquidity Management

Based on experience, 10-15% of savings balance of all branches is deemed adequate to meet the liquidity reserve ratio. For the liquidity requirement, 50% has been earmarked for general savings, 40% for regular voluntary savings and 10% for operating and financial expenses.

Loan Loss Provisioning and Write off

Management makes provisions for loan losses every quarter in order to maintain the loan loss reserve at adequate levels for bad loans. The loan loss reserve ratio is 4.37%. The adequacy of the provision is determined by applying appropriate percentages to the outstanding balances in various aging categories. The write-offs of any loans, if necessary, are charged against reserve. Loans are written off in full after two-year of the loan term.



Governing Body

Chairperson

S K Sarkar, Director-Administration and Risk Management of BRAC and Treasurer of BRAC University

Vice Chairperson

Altat Hossain, Executive Director, Akij Food & Beverage Limited, Akij Group

Finance Secretary

Kazi Mohammad Shoab Rana
Social Activist and Businessman

Members

Anwar Ul Alam, Former Secretary and Ambassador, Government of Bangladesh

Dr. Md. Nurul Amin Khan, Former Principal-Government College and Eminent Poet & Educationist

Mohammad Rafiqul Islam, Chief Operating Officer, Supreme Pharmaceuticals Limited

Mirza Quamrun Naher, Development Activist

Ex-Officio Secretary

Zakir Hossain, Executive Director

Operational Board of Directors(OBD)

M. Mosharrof Hossain, Finance Director

Md. Sirajul Islam, Special Program Director

Md. Mukitul Islam, Operation Director

Khandaker Mahfuzur Rahman
Risk Management and Internal Audit Director

Pranesh Chandra Banik, Training and Capacity Building Deputy Director

Adviser

Graham A.N. Wright
Group Managing Director, MicroSave

Credit Rating

BURO Bangladesh has received credit rating grade AA₃ in the long term and ST-2 in the short term by Credit Rating Agency of Bangladesh Limited (CRAB) on the basis of audited financial statement up to June 30, 2012 and other relevant quantitative and qualitative information.

Long Term Credit Rating	
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.
Short Term Credit Rating	
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.

The Ratings are valid till 31 December 2013



Features of Financial Products and Services



Loan Products

BURO emphasizes significantly on supporting economic activities to generate employment and income to reduce income inequality between its targeted audiences and other sections of the community.

The loan products are produced in response to the demands of its customers to assist their economic activities – they are market-led and customer responsive. As a result, BURO has many comparative advantages.

- Unlike many NGO-MFIs, clients do not have to take loans from BURO just to remain in the program. Instead, BURO only gives loans as and when the clients want them to support their economic activities.
- Unlike most of the NGO-MFIs clients, BURO loans are not linked to savings balances – loans and savings services have been completely de-linked institutional behavior and made entirely voluntary.
- Customers can prepay their loans in order to qualify for new and larger loans.
- In addition to existing loan(s), customers of BURO can have short-term loan for meeting any emergency needs.

General Loan: The loan is intended to allow the rural and urban poor households to finance their economic activities and build a strong capital base. General Loans are working capital loans given to the poor and disadvantaged households. General Loans range from BDT 20,000 to BDT 55,000 depending on the economic activity, the borrower's management capacity, and demand for the product and/or services in the market. The loans are repayable within a year in 46 installments at an annual interest rate of 27 percent.

SME Loan: BURO develops its micro-enterprise loan for the 15-20% of entrepreneurs capable of graduating from groups as well as entrepreneurs in the community. Micro-enterprise loans are mostly individual loans that are assessed on the basis of household cash flow, business projections and the reputation of the borrower amongst her/his business peers in the community. The size of the loan depends on the size of the

businesses and the comparative advantages that the entrepreneurs have. With the Micro-enterprise loan borrowers are expected both to provide equity and generate wage labor employment (other than family labor).

Micro-enterprise loans range between BDT 50,000 - BDT 500,000 which are repayable within one-three years in 46-138 installments at an annual interest rate of 27 percent.

Agriculture Loan: The loan is exclusively for agricultural activities and is designed to increase the farm activities enhancing the livelihood of the poor rural and peri-urban households. The agricultural loan also enhances food security of the households. The loans are disbursed to landless and marginal farmers in organized groups. Agricultural loans of BDT 20,000 – BDT 100,000 are given for one year depending on the activity, land-holding etc., repayable in 46 installments with an annual interest rate of 27 percent.

Hand Loan: The loan is intended to serve as a “social security net” and was designed to implement after the Customer Consultative Group Discussions and Client Satisfaction Surveys being conducted by BURO. The hand loan is designed to protect customers from shocks to their household economies and the erosion of their financial, physical and social assets. Hand loans are used to finance important festivals and ceremonies (Eid, Puja, Christmas, marriages, etc.), health care and child education. The hand loan is a small loan of BDT 5,000 which is repayable within 3 months at an annual interest rate of 27 percent.

Disaster Loan: In extreme emergencies, such as cyclone and floods, BURO provides disaster relief with support from leading donor agencies. However, instead of offering large-scale or long-term charitable activities, the organization places emphasis on the promotion of self-help and self-reliance of disaster-affected rural communities, encouraging and helping households to stand on their own feet. The disaster loan ranges from BDT 5,000 – BDT 15,000 with an interest rate of 20 percent to be repaid over one year.

The disaster loan is intended to reduce the effect of shocks to the households' financial and physical assets immediately after natural disasters. The disaster loans meet affected households' immediate needs for cash and thus to respond to their situation.

Water & Sanitation Loan: Environmental health concerns continue to be an ominous factor contributing to diseases and poverty. Access to safe drinking water which is also free from arsenic contamination and to hygienic sanitation will reduce sickness and thus increase the labor productivity. The tube-well loan facilitates access to safe water for drinking and other purposes. The sanitary loan is offered to customers seeking to install sanitary latrines in their homesteads. Both the sanitary and tube-well loans range from BDT 5,000 – BDT 25,000 which is repayable within a year with an interest rate of 27 percent.

Savings Products

All savings are payable to the customers on demand. Savings is not held as security for loan. Strong and accountable governance, sound asset management and an enabling legal and regulatory environment are three cornerstones for large scale savings mobilization. The organization offers savings services to all its clients (whether they choose to borrow or not), with the basic objectives of:

- i. The poor people have a formidable capacity to save and BURO Bangladesh duly recognizes this fact. It provides a secured place for keeping savings, increasing financial strength and capital growth of the customers with a view to reducing their dependency on external resources; and
- ii. Improving the sustainability of the institution by developing a relatively stable means to finance its loan portfolio.

In accepting savings from the poor, BURO Bangladesh discharges a fiduciary responsibility. It has worked hard to:

- i. Strengthen the governance and management functions to optimize the security of the savings products offered by the institution;

- ii. Assess, understand and respond to the demand for a variety of differentiated savings products and offer a range of liquid and illiquid products; and
- iii. Develop and implement policies, procedures and processes that optimize systems of internal control and risk management.

General Savings: Small depositors usually value convenient, easy access and relatively secure delivery savings services above all else. In some environments, to be useful to women, the delivery systems must respond to their restricted mobility and availability of time. Customers also value privacy, preferring systems that do not reveal to other customer how much they save and withdraw. The general savings account is like a current account, where customers can save or withdraw on demand. The general savings account requires a nominal minimum balance of BDT 10. The general savings account customers have the following advantages:

- i. Savings of any amount from BDT 10 – BDT 5,000 at the Kendra (group) meeting in the village; and deposit any amount above BDT 5,000 at the branch;
- ii. Withdraw savings at any time on demand, and
- iii. Receive compounded interest at the rate of 6 percent per annum of their general savings account balance.

Regular Voluntary Savings: Poor people often value regular and disciplined savings systems as a way of building up useful lump sums that can be invested or used for social obligations such as marriages, funeral or children's education. These products respond to the poor's demand for illiquid savings systems that protect their money from frivolous spending and allow the slow, but steady accumulation of a lump sum. BURO pays a significantly higher rate of interest on these regular voluntary savings than on the general savings account.

The regular voluntary savings account allows savers to determine the amount and time of deposits and withdrawals. In the regular voluntary savings account clients agree to

regularly deposit a set amount for a set period of time after which they can withdraw the entire amount plus the interest. The savings account offers the following advantages to the customers:

- i. Customers can choose to deposit on a weekly or monthly basis according to their income/cash flows.
- ii. Customers can choose to deposit weekly savings in the range of BDT 10 – BDT 250; and monthly savings in the range of BDT 40 – BDT 1,000.
- iii. At the end of the period, customers receive more than the total deposited amount.
- iv. Customers can (and often choose to) open more than one account in the same name simultaneously.
- v. Interest is paid on a compound basis in the range of 6 percent.

Micro-Insurance Product

Customers' security fund has been promoted with two objectives viz. the social objective, and economical objective. The social objective recognizes that social protection of the customers is necessary to reduce the vulnerability of the households to income and consumption shocks.

The economical objective is to increase the stability and profitability of the poor households through reducing the impact of customer risk on loan and savings portfolios, generating additional revenue, supporting risk management, and reducing customers' vulnerability to economic stresses. The social objective and economical objective are intended to bring both demand (customers) and supply (organization) as the consumers of and producers to each other's goods and/or services.

The variations in one time insurance premium for the clients which is very tiny depend on the size of the loans but permitted for any loan size that BURO offers. The benefit of opening insurance is that the entire outstanding loan amount in case of death of either the borrower or guarantor within the loan cycle will be totally waived.

Remittance Services

BURO provides foreign remittances to the people through its widespread network in the country. The money is sent to the families by the migrants abroad. In this regard, BURO is working as the legal conduit of some of the commercial banks.

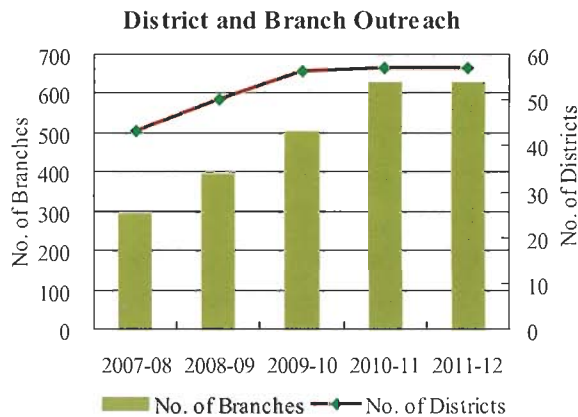


Microfinance for Moderate Poor



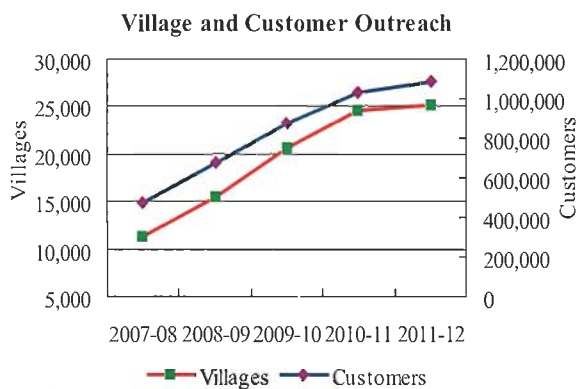
Geographical Coverage

As of June 30, 2012 BURO expands its geographical coverage to a considerably large extent. Through 629 branches BURO provides its flexible financial services to 25,012 villages in 1,411 unions of 57 districts in all seven divisions.



Customer Outreach

The number of active customers stands at 1,082,789 as of June 30, 2012 as against 1,029,343 in last financial year. The women constitute around 99% of the total customers. Customer dropout is common in the microfinance industry for a variety of reasons that includes migration, business failure, and switching to other MFIs due to convenient location etc. Dropout rate decreases to 9% from 10% in 2011-12.



Savings Services

The objective of savings services is to provide a safe place for the rural and urban customers to enable them to be self-reliant through increasing

savings to build their financial base. BURO has two savings products for its customers that include general savings and regular voluntary savings. It maintains open access savings where there is no restriction in withdrawal. BURO's experience shows that voluntary and open access savings can mobilize more net savings than the compulsory savings.

Savings Performance

As of June 30, 2012, the net savings balance is BDT 2,804 million as against BDT 2,322 million in the preceding year. During the year, the customers' deposit is total of BDT 2,526 million and withdrawal is BDT 2,044 million. The savings registers an increase of 21% during the year as opposed to 34% in the preceding year. Yearly savings deposit and withdrawal for the last five years is shown in table-1.

Table-1: Savings deposits, withdrawals and net balance as on June 30

FY	Yearly		Net Balance	In-creased	Average Savings per Clients
	Deposit	With-drawals			
Million BDT					
2007-08	869.83	692.21	917.53	24%	1,940
2008-09	1,291.62	899.40	1,309.75	43%	1,948
2009-10	1,682.96	1,265.93	1,726.78	32%	1,976
2010-11	2,206.64	1,611.92	2,321.50	34%	2,255
2011-12	2,526.28	2,043.77	2,804.01	21%	2,590

Savings by Products

In 2011-12, the regular voluntary savings contribute to 56% of the total savings followed by 44% in general savings. The total savings breakdown is mapped out in table-2.

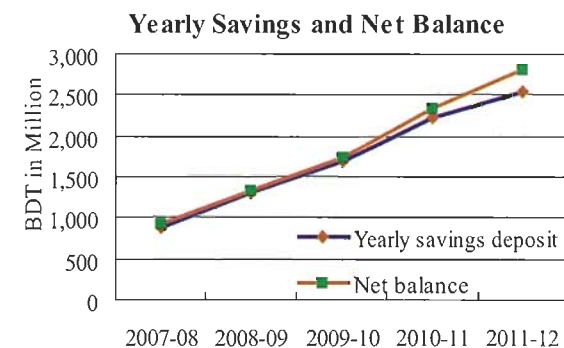


Table-2: Savings balance by product as on June 30

"Amount in Million BDT"

Products	2007-08	2008-09	2009-10	2010-11	2011-12
General Savings	337.25	527.63	727.82	1,004.55	1,222.86
Regular Voluntary Savings	580.28	782.12	998.96	1,316.95	1,581.15
Total	917.53	1,309.75	1,726.78	2,321.50	2,804.01

Composition of Savings Products



- General savings (44%)
- Regular voluntary savings (56%)

Loan Services

BURO's experience indicates that the customers prefer flexible quality financial service. They want larger loans and business development support services (BDS). The organization continues to revamp its policies and plans to stay competitive in the industry.

It has six loan products with interest rates within the band of 20-27% that includes general loan, SME loan, agriculture loan, hand loan, disaster loan, and water & sanitation loan. BURO provides SME and agriculture loan coupled with modicum business development support.

Loan Performance

In 2011-12, the average loan size based on disbursement is BDT 12,757 as against BDT 11,051 in 2010-11. The size is showing a rising trend, which effectively indicates the demand for stepped up loans. The on-time loan recovery rate is 97.25% compared to 97.58% in 2010-11.

During the financial year, all branches disburse a total amount of BDT 13,265 million as against BDT 11,491 million in the preceding year resulting 15% increase in disbursement. This

year, BDT 11,980 million is recovered leaving the net outstanding loan balance at BDT 6,884 million. The yearly and cumulative loan disbursement and loan outstanding positions are shown in table-3.

Disbursement, Portfolio and Recovery

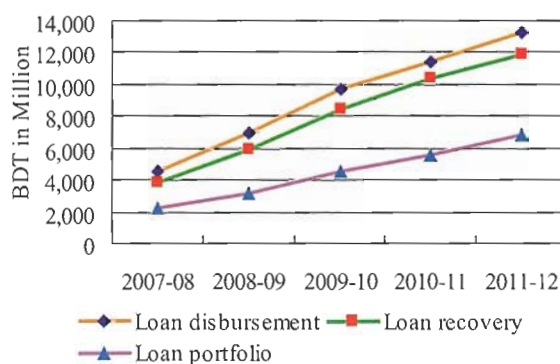
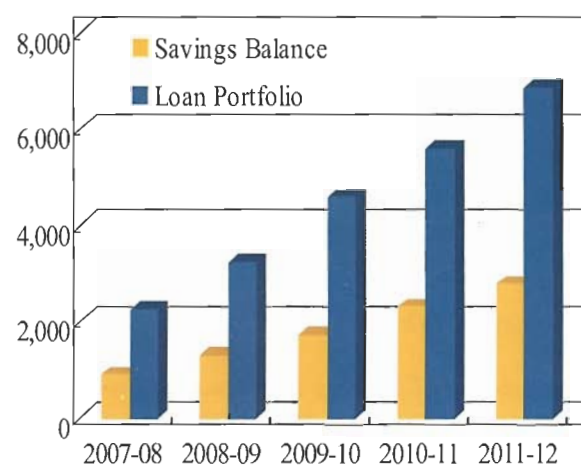


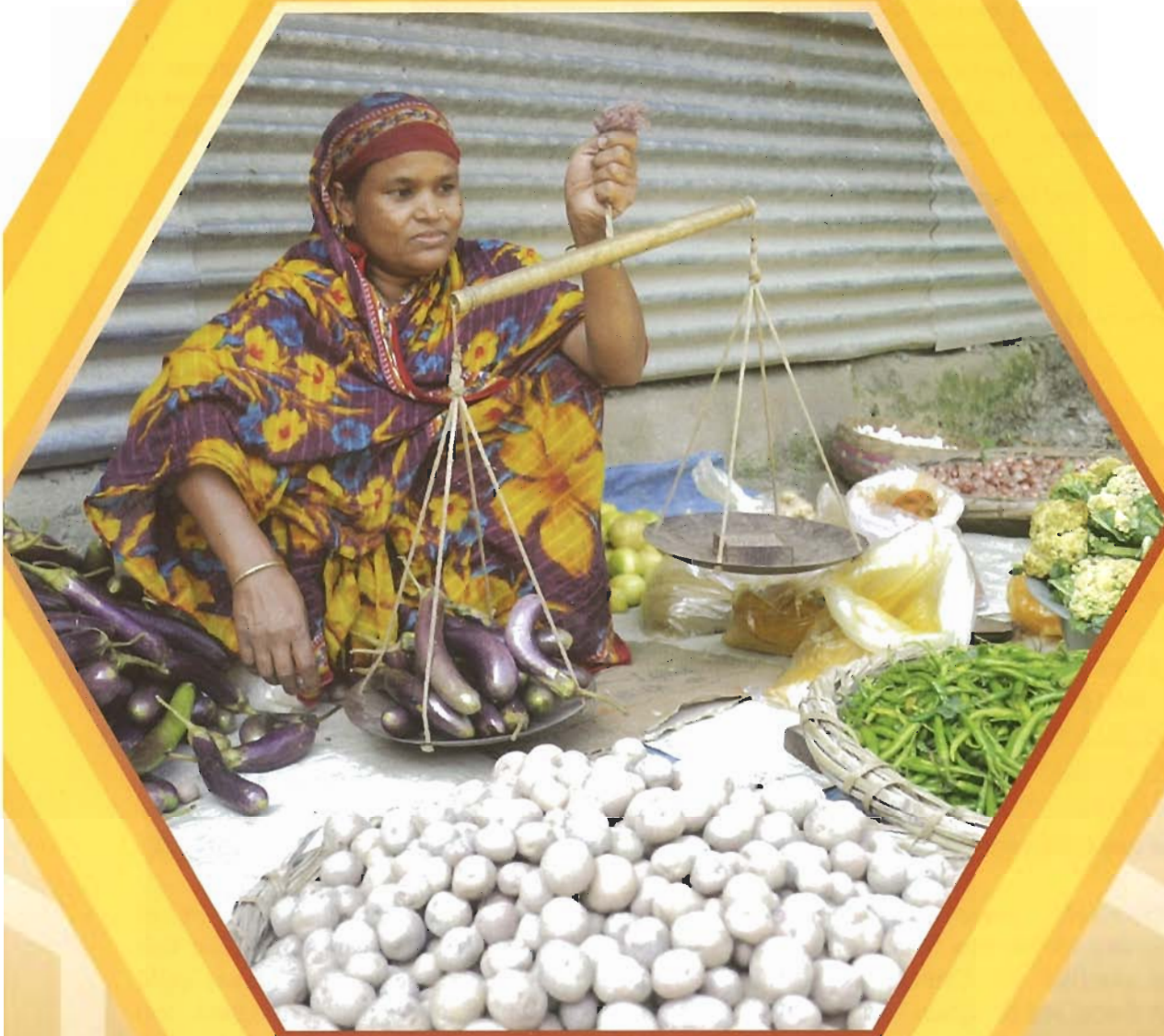
Table-3: Yearly loan disbursement and balance as on June 30

FY	Disbursement		Loan Portfolio	Average Loan Size	
	Yearly	Cumulative		Disbursement	Balance
2007-08	4,551.71	16,642.10	2,272.90	8,780	5,590
2008-09	6,959.58	23,601.68	3,251.33	9,441	5,503
2009-10	9,778.91	33,380.59	4,594.29	10,361	6,113
2010-11	11,491.22	44,871.81	5,600.07	11,051	6,325
2011-12	13,264.53	58,136.34	6,884.43	12,757	7,537

Comparative View of Savings vs Loan Portfolio (BDT in Million)



Microfinance for Hardcore Poor



The hardcore poor have a variety of needs along with seed money. These include housing, health and nutrition, education for children, safe water and sanitation etc. With a view to improving the livelihood of the hardcore poor BURO operates two projects for last couple of years. These include: (i) Improved Living Standard of the Poorest of the Poor in Tangail peri-urban area with the financial support from UNESCO/ Stichting Gilles Foundation which has meanwhile ended the donor's financial assistance but running with organizational own financial assistances and (ii) Economic and Social Empowerment of the Hardcore Poor (ESEHP) project in Uttara, Dhaka, urban area assisted by Stromme Foundation. In early 2009 BURO

1,390 borrowers and the 5 Kurigram rural branches covered 10,742 customers and 9,309 borrowers. The current experience suggests that sustainability is pretty difficult in dealing with hardcore poor following traditional microcredit and borrowing capital at commercial rates. Financing the hardcore poor should be looked from societal point of view and with long term perspective. BURO thinks that the hardcore poor issue is very challenging. The operation is very costly in view of small loan absorption capacity and dispersed populace.

The financial results of the pilot programs in terms of balance sheet and income statement of seven branches are shown in table-4 and table-5.

Table-4: Summarized balance sheet as on 30 June 2012

Particulars	Hard Core Poor			Total
	Rural (Kurigram) (Opened on March 2009)	Urban (Dhaka) (Opened on January 2004)	Peri-urban (Tangail) (Opened on July 2002)	
Property & Assets				
Fixed Assets	190,797	174,739	37	365,573
Loan Portfolio net of LLR	34,621,184	11,292,340	8,146,147	54,059,671
Advance	3,008,654	157,279	28,200	3,194,133
Current Assets	0	0	0	0
Cash at Bank Balance	1,229,445	396,929	243,577	1,869,951
Total Assets	39,050,080	12,021,287	8,417,961	59,489,328
Fund and Liabilities				
Customers' Saving	11,611,527	6,496,110	5,621,516	23,729,153
BURO Bangladesh Fund	27,825,663	(338,709)	5,916,790	33,403,744
Stromme Foundation	10,793,670	6,706,330	0	17,500,000
Accumulated Profit	(11,180,780)	(842,444)	(3,120,345)	(15,143,569)
Total Fund and Liabilities	39,050,080	12,021,287	8,417,961	59,489,328

replicates the ESEHP project in the Kurigram district by setting up five new branch offices in five remote upazillas viz. Chilmari, Razarhat, Ulipur, Nageshwari and Kurigram Sadar.

As on June 2012 all the seven branches covered 15,260 customers and 12,945 borrowers. The urban branch in Uttara included 2,574 customers and 2,246 borrowers. On the other hand, Tangail peri-urban branch covered 1,944 customers and

During the period, non-financial services provided in the Dhaka urban branch and five Kurigram branches include non-formal child education, adolescent awareness program, and basic life management training that includes nutrition, water & sanitation awareness support etc. for the customers, as per plan. The performance of providing non-financial services with the support of Stromme Foundation in 2011-12 is exhibited in table-6:

Table-5: Summarized income & expenditure statement for the year ended on 30 June 2012
 “Amount in Million BDT”

Particulars	Hard Core Poor			Total
	Rural (Kurigram) (Opened on March 2009)	Urban (Dhaka) (Opened on January 2004)	Peri-urban (Tangail) (Opened on July 2002)	
Income				
Interest on Loan	8,556,971	3,136,627	1,899,619	13,593,217
Other Income	659,938	119,454	60,764	840,156
Total Income	9,216,909	3,256,081	1,960,383	14,433,373
Expenditures				
Interest on Savings	255,369	305,175	284,325	844,869
Interest on Borrowing	1,594,772	312,322	432,237	2,339,331
Salary & Allowances	5,765,232	1,456,885	1,565,300	8,787,417
Loan Loss Provision	101,860	241,180	54,877	397,917
Other Expenses	2,939,810	504,065	164,122	3,607,997
Total Expenditure	10,657,043	2,819,627	2,500,861	15,977,531
Net Profit/(Loss)	(1,440,134)	436,454	(540,478)	(1,544,158)

Table-6: Performance of hardcore poor branches

Name of activities accomplished	“Figures in Quantity”
	30 June 2012
Pre School established for poor children	40
Children enrollment	1,015
Formation of School Management Committee	40
Shonglap Center established	60
Adolescent Girls enrollment	1,500
Skill base training for adolescent girls	1,475
Formation of Shonglap support team-SST	60
Prottoy Center established	10
Adolescent Boys enrollment	200
Formation of Prottoy support team-PST	10
Formation of Peoples’ Organization	7
Leadership Development training for Peoples Organization leaders and members	150
Business Development training for Microfinance program beneficiaries	150
Awareness build up training for beneficiaries	4,400

Microfinance in Agriculture

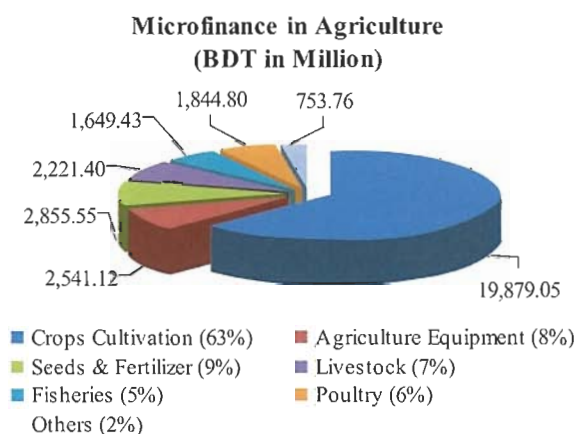


The massive funding of farming activities is the cornerstone of BURO to contribute to rejuvenating the agro-based rural economy. Food security which is the food production, preservation and consumption is embedded in the agricultural financing by BURO. The organization has opened a new window for financing the small and marginal farmers which constitutes more than 90% of the total farmers who find it yet difficult to access either MFI or bank financing because the lenders consider it highly risk-prone areas. This necessitates the increased financing agricultural sector to augment agriculture production and generate more seasonal employment.

The increasing agricultural production needs knowledge management for the farmers in respect of skill development and selection of crop that will transform into a profitable sector. Technology plays the vital role in the regard of skill development and crop production where the organization lays significant emphasis in knowledge management. The organization provides the farmers with orientation, training, technical assistance and follow-up services to build their capacity to raise crop production. The regularly given services are intended to ensure the growth of sustainable development in agriculture.

In consonance with the envy of the Government the initiative of BURO microfinance in agriculture is one of the most rewarding

opportunities for the farmers to explore whenever they will wish for farming practices. The clear instruction to BURO Branches is to give supreme importance on agriculture simultaneously with SME development in rural areas that brings harmonious growth in rural economy.



During the last five years, the number of borrowers and amount of loan disbursed for different sub-sectors in agriculture increase at a very highly significant rate which indicates that the rural and urban people are more or less totally dependent on agriculture. The rate of loan recovery was 100%. So far, BURO has received BDT 3,060 million for agriculture financing from 14 commercial banks in 2011-12. The details of loan disbursement are shown in table-7.

Table-7: Sub-sectors in agriculture financing as on June 30

Particulars	"Amount in Million BDT"									
	2007-08		2008-09		2009-10		2010-11		2011-12	
	Clients	BDT	Clients	BDT	Clients	BDT	Clients	BDT	Clients	BDT
Crops Cultivation	7,873	46	55,397	637	225,463	2,327	303,326	3,238	301,693	3,608
Agriculture Equipment	1,312	8	7,035	81	28,630	296	38,518	411	39,566	473
Seeds & Fertilizer	918	5	7,914	91	32,209	332	43,332	463	44,512	532
Livestock	787	5	6,155	71	25,051	259	33,703	360	34,620	414
Fisheries	1,181	7	4,397	51	17,894	185	24,074	257	29,675	355
Poultry	656	4	5,276	61	21,473	222	28,888	308	24,729	296
Others	394	2	1,758	20	7,158	74	9,629	103	19,783	237
Total	13,121	76	87,932	1,010	357,878	3,694	481,470	5,139	494,578	5,915

Microfinance in SME

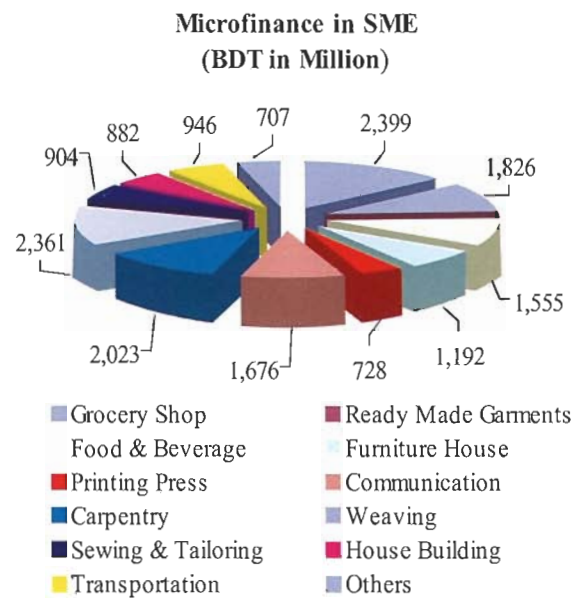


The Small and Micro Enterprise (SME) development is recognized by BURO as an important means of economic empowerment of the people which may be considered as the sole reason of micro-enterprise financing taking off as an important financial activity of many MFIs within the boundaries of the nation-state. A growing demand creation for micro enterprise loans among microcredit borrowers rests on the following undeniable reasons:

- * MFIs generally provide small initial loan amounts which initially indeed limits the opportunities for the consumers of loan opportunities to generate income and employment;
- * As borrowers the consumers of SME loan gradually gain the skill to manage larger loans that they envy to initiate new or multiple IGAs that requires additional funding;
- * The down to earth experience is that a certain percentage of enterprising and high-performing microcredit borrowers (popularly called “graduates”) engage in ventures that require relatively larger loans than normally disbursed by MFIs;
- * Small businesses in microcredit or microenterprise programs create another group of potential customers as consumers of larger loans to support the growing needs of capital.

But BURO considers that consumers of SME loan has the investment areas comparatively with larger space which further necessitates knowledge management for the entrepreneurs to reduce the business risks at the same time opening new investment opportunities to create from the use SME loan. The exposure to knowledge management by the consumers of SME is also intended to facilitate them in the

selection of their investment areas vis-à-vis market integration to sustain the investment by the consumers of SME loan. The knowledge management for the consumers of SME loan is also intended to facilitate the selection of convenient location for both the producers (consumers of SME loan) and consumers of goods and/or services to gather together and share their business experiences. In consonance with this apart from financing, the knowledge management that the consumers of SME loan are exposed constitutes limited Business Development Services (BDS) support to the entrepreneurs. It includes areas ranging from the basics of money-management, book-keeping and basic accounting through the development of market linkages to spur the growth of micro-enterprises.

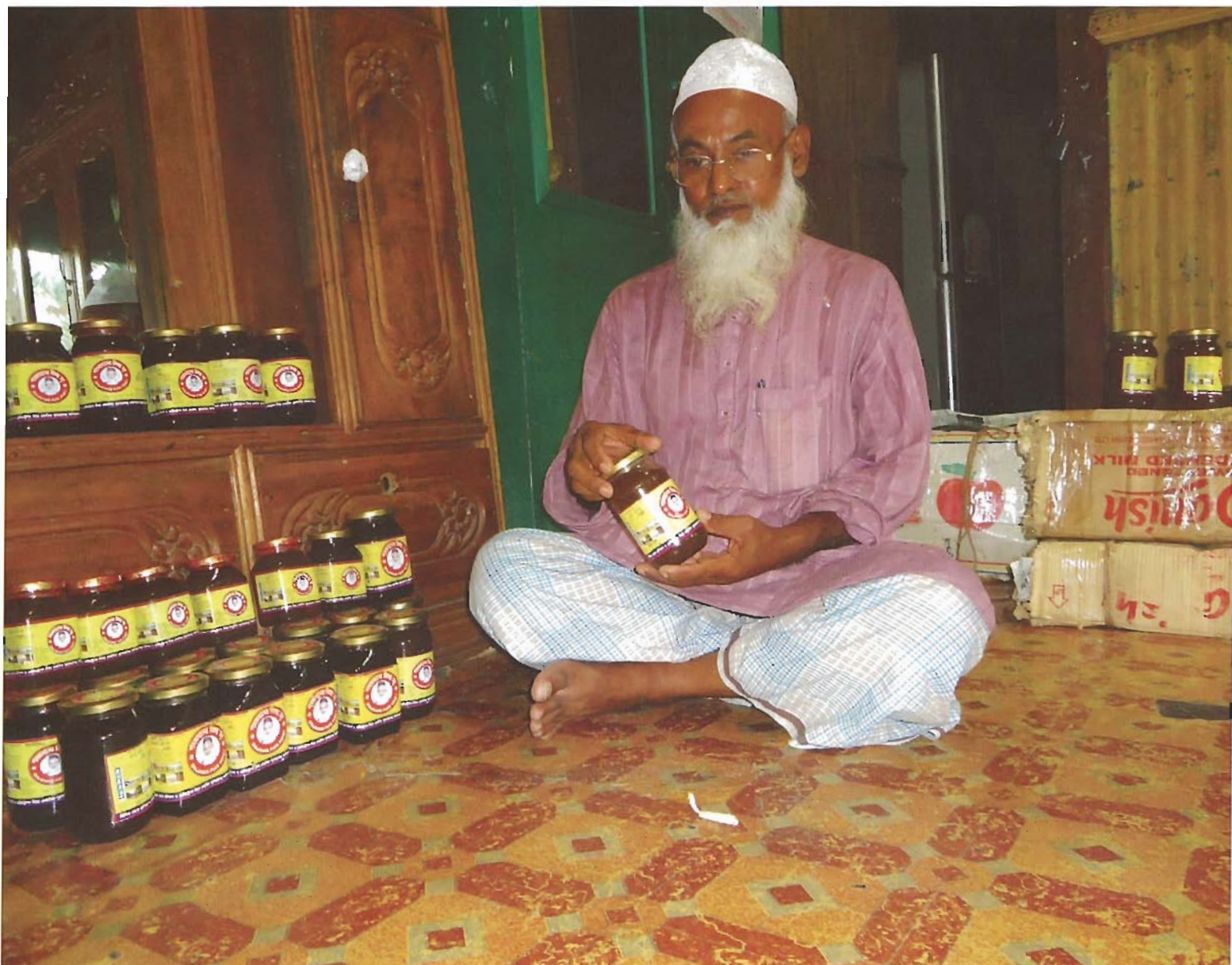


SME loan program is outstanding with very high profile increase in number of borrowers and amount of loan disbursed over the years. The rate of loan recovery was 100%. The details of loan disbursement are shown in table-8.

Table-8: Sub-sectors in SME financing as of June 30

“Amount in Million BDT”

SME Sub-sector	2007-08		2008-09		2009-10		2010-11		2011-12	
	Clients	BDT	Clients	BDT	Clients	BDT	Clients	BDT	Clients	BDT
Grocery Shop	419	26	1,505	95	4,488	346	5,386	429	5,369	303
Ready Made Garments	74	125	825	65	254	142	305	176	400	404
Food & Beverage	54	254	198	25	385	65	462	81	541	352
Furniture House	87	54	194	78	225	79	270	98	320	287
Printing Press	69	78	28	36	25	65	30	81	35	104
Communication	48	85	158	58	265	165	318	205	354	325
Carpentry	552	541	552	58	658	165	789	205	745	42
Weaving	789	874	789	87	1,258	85	1,509	106	455	29
Sewing & Tailoring	63	4	685	58	895	135	1,075	168	1,514	87
House Building	42	3	158	15	369	125	443	155	2,077	144
Transportation	472	30	352	35	2,658	155	3,189	192	1,096	62
Others	52	3	2	1	2	1	2	2	6,327	346
Total	2,721	2,077	5,446	611	11,482	1,530	13,778	1,898	19,233	2,484



Micro-Insurance Services



Micro-insurance is introduced as a mechanism for reducing the vulnerability of the customers. Three types of customers, viz. the very poor, poor and micro-entrepreneurs are covered. It secures them against those risks which are beyond the protection by savings or credit.

The variations in one-time premium to collect from all types of customers with regard to range of loans borrowed stand as: Tk.50 (fixed) for the loan ranging from Tk.1000 – Tk.10,000; 0.50% for the loan ranging from Tk.10,001 to Tk. 50,000; and 1% for the loan Tk. 50,001 and above.

A total of 961,839 insurance holders are registered in the year against 936,911 in 2010-11. Premiums are collected to the tune of BDT 72 million compared to BDT 63 million in 2010-11. During the year, 4,715 claims are settled amounting BDT 42 million compared to 3,707 claims in the preceding year involving BDT 38 million. The portion of this insurance fund is used in the development of Kendra/Centre. The details are exhibited in table-9.

Table-9: Yearly premium collection and claims settlement

“Amount in Million BDT”

Year	Premium Collection		Claims Settlement		Kendra Expenditure BDT
	Nos.	BDT	Nos.	BDT	
2007-08	415,254	25.12	2,021	10.34	2.98
2008-09	619,293	39.11	3,051	12.39	4.97
2009-10	823,811	54.59	3,624	22.79	5.71
2010-11	936,911	63.35	3,707	37.70	6.51
2011-12	961,839	72.42	4,715	41.65	5.53

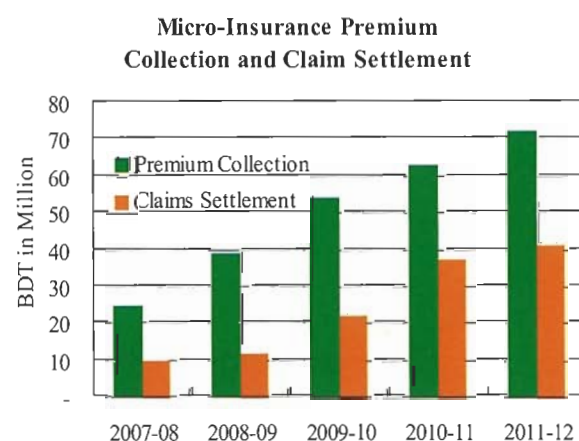
MIME Insurance Pilot Project

INAFI Bangladesh adopts an initiative for establishing a social security project named Micro Insurance of Mutual Entity (MIME). An appraisal is carried out in November 26, 2006 to understand the opportunity and risk of micro insurance in Bangladesh which gives an insight about the needs of the poor and ultra poor people

(including and excluding microfinance clients). The project is financed by Oxfam, Novib and Rabobank Foundation in 2006. MIME starts its operation as a pilot project in 2007 and will continue as a pilot project until 2014. The main objective of MIME is to provide microinsurance services to the poor and reducing the vulnerability on a mutuality basis. A total of 13 MFIs is now the partners of the project that includes BURO also. All these MFIs cover 135,019 policy holders. The total premium collected stands at BDT 212 million. The total claims settled are 294 amounting BDT 2.50 million.

Two products are offered to the clients. These include (i) simple term life insurance and (ii) term life insurance. The client deposits BDT 10 per month until the age of 60 years. In the second case, the clients deposit BDT 50 or its multiple every month for a period of 5, 7, 10 or 12 years. The age of the clients is from 18-47 years.

BURO is piloting term life insurance product in its 10 branches. A total of 4,743 clients are enrolled up to June 2012. There is no compulsion to the members. However, education and awareness on formal life insurance are given to them. A total of BDT 4,644,135 is collected as premiums. So far, 1,994 claim settlements are made involving BDT 1,265,637.



The performance of MIME project in respect of BURO branches is shown in table- 10.

Table-10: Performance of MIME piloting up to June 30, 2012

#	Branch	Term Life Insurance		Surrender/Claim Settlement	
		Policy holders	Premium (BDT)	Policy holders	BDT
1	Azampur	957	1,262,810	472	1,001,433
2	Dubail	98	38,450	0	0
3	Elanga	99	27,350	0	0
4	Gazipur	1,605	1,618,605	774	1,306,642
5	Kaliakoir	90	44,660	0	0
6	Kalihati	143	41,820	0	0
7	Korotia	85	23,900	0	0
8	Mirzapur	92	17,500	0	0
9	Sadar	98	41,070	0	0
10	Savar	1,476	1,527,970	748	1,265,637
	Total	4,743	4,644,135	1,994	3,573,712



Remittance Services



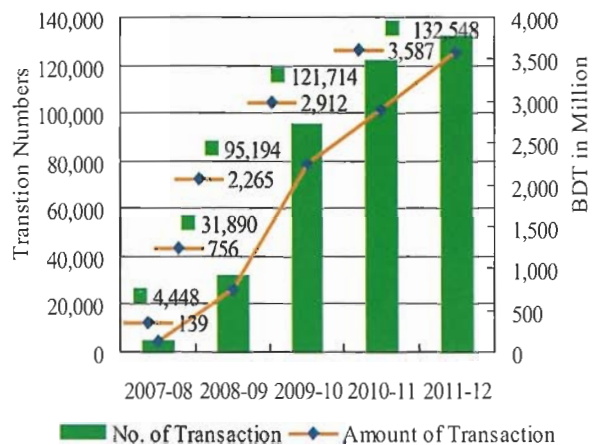
Remittance program is a landmark in enhancing the overall economy of the nation-state which earlier remain neglected particularly in respect of its uses while reaches its recipients. BURO initiative is not only aimed at channeling foreign earnings of Bangladeshi expatriates who have been working abroad and sending their earnings to their relatives at home but also facilitates the recipients to use productively that brings considerably significant income effect for the households. Though the recipients of remittances have total controlling authority over their own capital the organization extends its services to providing technical assistance to its uses in addition to working as the safe and convenient conduit for the supply of remittances to its recipients even in the remotest areas. It has been observed that the new technology introduced as the inclusion of NGO-MFIs in remittances supply chain has reduced the application of the traditional process being followed causing huge mental tensions, even sometimes causing financial losses to the remitters particularly in the rural and remote rural areas. The formal financial institutions have entered into NGO-MFI sector to reach their commitment toward reducing poverty in the remote areas. The remittance services contribute toward national economic growth and in the long run are expected to reduce pressure on the foreign exchange reserve of the government.

BURO has meanwhile issued remittance client cards and provides remittance services through two terminals: (1) computer with GPRS internet connectivity and (2) Electronic Funds Transfer Point-of-Sale (EFTPOS). The number of clients is increasing day in, day out. Because of issuing card to its remittance customers KYC of the customers is completed. The organization has developed partnership relations with Bank Asia Limited, Prime Bank Limited, AB Bank Limited,

Citibank, N.A., United Commercial Bank Limited, Social Islami Bank Limited and Mercantile Bank Limited. All implementing partners collect remittances through the Exchange House and BURO delivers remittances to beneficiaries at the respective locations on behalf of each of the respective banks. It has started remittance operations since December 2007. Up to June 2012, a total of 330,991 customers were served. The transacted volume of transfer amounted to US \$112 million. The organization has set up a remittance service department for furthering its operations.

BURO, DFID/RPCF and Bangladesh Bank have jointly contributed in setting up terminal facilities in 125 remote branches to channel remittance. BURO is implementing another project titled “Expanding Remittances in Rural Bangladesh” with the support of UN Specialized Agency “International Fund for Agricultural Development” (IFAD) for providing technical assistance to augment remittance services through another 100 terminals across the country totaling 225 terminals. This initiative includes significant contribution from BURO.

Channeling Foreign Remittance in Rural Areas



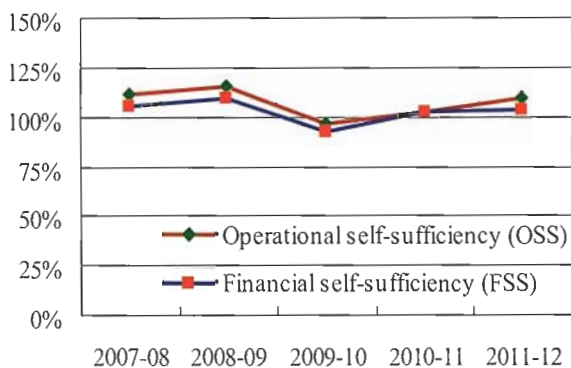
Financial Ratio Analysis



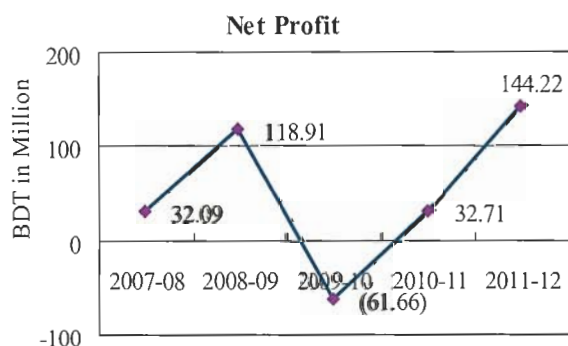
Sustainability and Profitability

BURO operates as a profitable and sustainable organization since 1998. During the year 2011-2012, the organization achieves 109% operational self-sufficiency (OSS) as opposed to 103% in the last year. The financial self-sufficiency (FSS) in the year is 104% compared to 102% in 2010-11.

Operational and Financial Self-Sufficiency



Net profit of BDT 144 million is posted in 2011-12 compared to BDT 33 million in 2010-11. The net profit increases by 341% over the preceding year. The return on equity (ROE) stands at 16% compared to 4% in 2010-11. The return on performing assets rises to 28% compared to 32% in 2010-11.



Portfolio Quality

Loan portfolio is the greatest asset of an MFI. Quality is characterized by low portfolio risk and high loan recovery rate. The organization maintains a high quality portfolio of loans. The on-time loan recovery rate in 2011-12 is registered at 97.25% versus 97.58% in 2010-11.

As of June 30, 2012, 96.37% of the portfolio is without any payments in arrears at all. Portfolio at risk greater than 30-days is at 3.44% at the end of 2011-12, compared to 5.08% in 2010-11. Loan loss reserve ratio is figured out at 4.37% compared to 5.19% in the preceding year. The reserve contains adequate fund to absorb potential risks or capital losses. Loan write-off is made by 1.61% compared to 1.31% in 2010-11. Efforts to collect bad loans continue during the year. As per policy, the loan loss reserve requirement works out at BDT 270 million while provision is made at BDT 301 million. The ageing of portfolio is shown in table-11.

Portfolio Quality Analysis

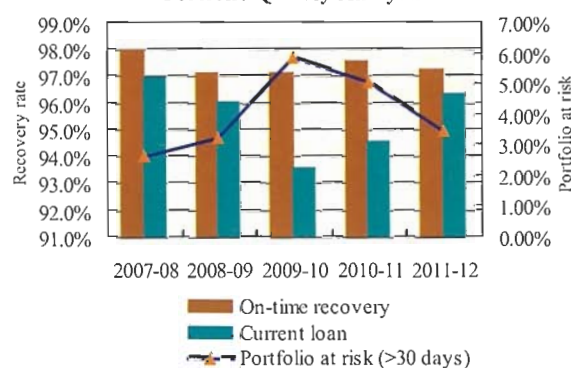


Table-11: Portfolio Ageing as of June 30, 2012

Portfolio Status	Numbers	BDT in Million	%
Current Loan	867,188	6,634.60	96.37
Loans Overdue by:			
1 - 30 days	2,165	13.25	0.19
31 - 180 days	5,495	38.93	0.57
181 - 365 days	2,112	16.93	0.25
Over 365 days	36,402	180.72	2.62
Total	913,362	6,884.43	100

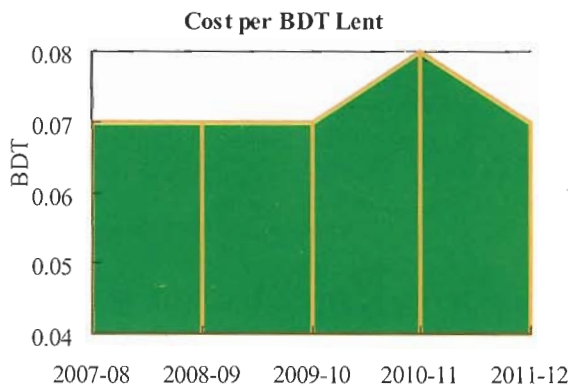
Leverage Ratio

In the financial market, equity is considered as a base for commercial borrowing. Before an MFI can borrow commercially it is imperative that the organization is financially viable and that it will continue to be viable in the long term. This is understood by debt-equity ratio, equity to asset ratio and debt service coverage ratio (DSCR). In

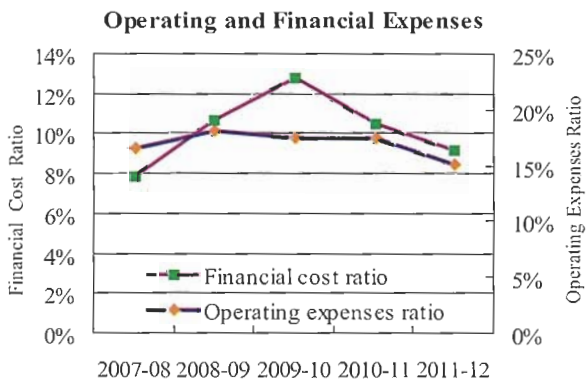
2011-12, the debt to equity ratio figures at 4.59. Besides, the equity to total assets ratio (capital adequacy) is 12% and Debt Service Coverage Ratio is 1.09 times. The given ratios are favorable enough to encourage the lenders and the savers to have ample confidence in the institutional capacity of BURO.

Efficiency and Productivity

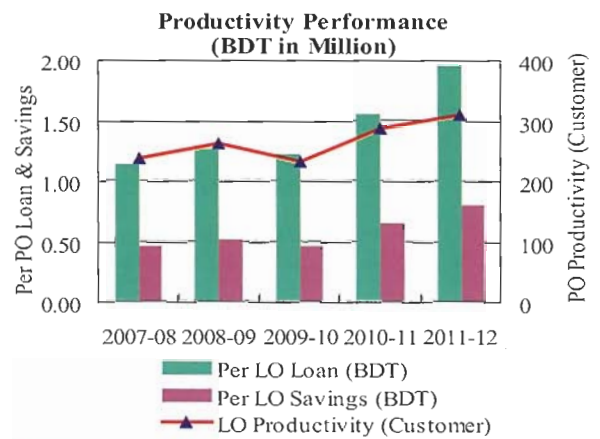
Efficiency and productivity ratios refer to the ability of the MFIs to minimize costs of operations and enhance profitability. These ratios indicate whether the MFIs are maximizing the use of resources. Productivity refers to the volume of business that is generated (output) for a given resource or asset (input) while efficiency refers to the cost per unit of output.



The operating cost ratio, a measure of efficiency decreases to 15% in 2011-12 compared to 17% in 2010-11. The cost per unit of money lent decreases to BDT 0.07 during the year compared to BDT 0.08 in the preceding year. The financial cost ratio also decreases to 9.18% in 2011-12 compared to 10.50% in the preceding year.



The customer/loan officer ratio remarkably goes up to 306 in 2011-12 from 285 in 2010-11. Unlike most of the NGO-MFIs loan officer (LO) of the organization performs more than three types of financial transactions with a single customer. Thus this performance clearly outstrips the average performance of a typical loan officer in the industry. The loan outstanding per LO increases to BDT 1,942,558 in 2011-12 from BDT 1,549,548 in 2010-11. The savings balance per LO increases to BDT 791,200 from BDT 642,364 in 2010-11.



Financing Mix

The overall capital grows steadily in the last couple of years with the infusion of borrowed funds, client savings and retained earnings. The financial resources deployed stand at BDT 8,331 million as opposed to BDT 6,576 million in 2010-11 with an increase of 27%. Of the total resources employed 12% is contributed by equity/own fund, 54% by commercial borrowing and 34% by customers' savings. The average revolving loan fund (RLF) is used 1.78 times in 2011-12 as compared to 1.85 times in 2010-11. The details of financing mix are shown in table-12.

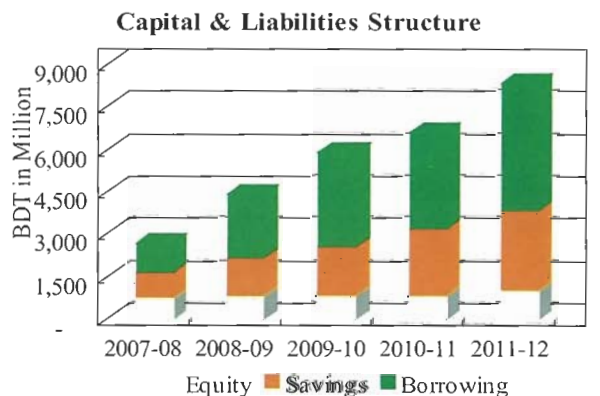
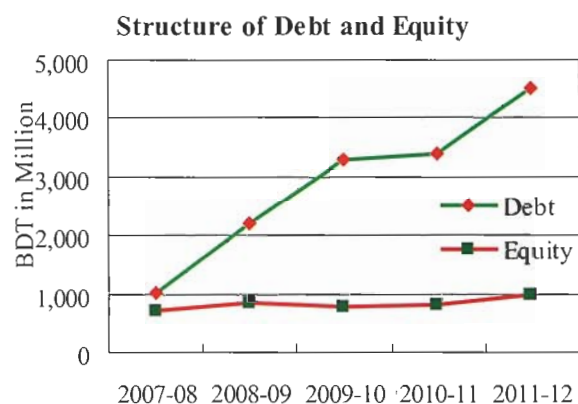


Table-12: Yearly RLF as on June 30

Financial Resources	"Amount in Million BDT"									
	2007-08		2008-09		2009-10		2010-11		2011-12	
	BDT	%	BDT	%	BDT	%	BDT	%	BDT	%
Equity/Net Worth	715	27	840	20	787	14	826	13	982	12
Client Savings and others fund	942	35	1,333	30	1,775	30	2,361	36	2,836	34
Commercial Borrowing	1,012	38	2,205	50	3,316	56	3,389	51	4,513	54
Total	2,668	100	4,378	100	5,878	100	6,576	100	8,331	100
Growth Rate	43%		64%		34%		12%		27%	



Asset Composition

The asset structure shows that during the year 80% of the total assets is held in terms of loan portfolio compared to 81% in the preceding year. The fixed assets during the year equals to that of the preceding year. The nature of fixed assets mostly includes purchased plots of lands for office premises some of which are under

construction. The long-term investments stand at 6% as against 3% in 2010-11. The increase in long-term investments is in accordance with the compliance of MRA rules to invest 10% of customers' savings. The cash and bank balance is 5% as against 7% in 2010-11, while other current assets remain at 2% as that of 2010-11. The details are shown in table-13.

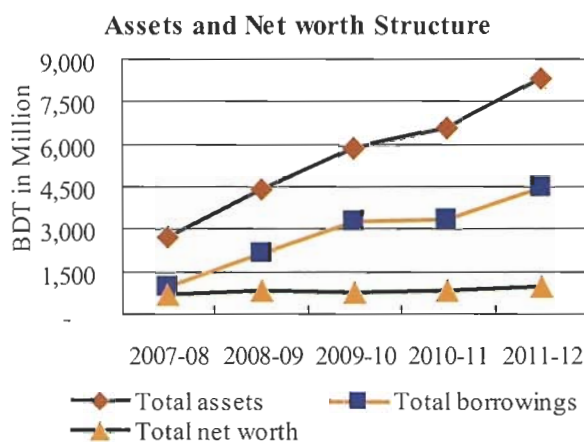


Table-13: Asset composition as of June 30

Assets Composition	"Amount in Million BDT"									
	2007-08		2008-09		2009-10		2010-11		2011-12	
	BDT	%	BDT	%	BDT	%	BDT	%	BDT	%
Net fixed assets	110.92	4	158.84	4	220.80	4	490.46	7	611.59	7
Net loan portfolio	2,218.48	81	3,231.50	73	4,410.46	75	5,309.55	81	6,583.54	80
Investment	200.71	7	189.36	4	443.44	7	223.32	3	575.01	6
Other current assets	67.65	2	78.89	2	118.33	2	144.01	2	141.40	2
Cash and bank balance	178.65	6	752.73	17	741.29	12	470.43	7	473.12	5
Total	2,776.41	100	4,411.32	100	5,934.32	100	6,637.77	100	8,384.67	100
Growth Rate			59%		35%		12%		26%	

Disaster Management



Bangladesh is a disaster prone country as part of the natural phenomenon. People become the victims of cyclone, tornadoes and flood almost every year which worsen their poverty. Disaster management is therefore one of the vital programs of BURO. The program is primarily intended to deliver software services stressing on preventive measures that improves the knowledge of the community on comprehensive risk reduction culture. The disaster management from the organization is the use of continuously increased institutional capacity of the customers with the knowledge management and technical assistance from the organization.

Capability Functioning: The genesis of the effective disaster management lies in exploring maximum utilization of capability functioning of disaster-affected victims. The infusion of knowledge from the external environment is blended with the existing indigenous practices that the disaster-affected people had been practicing traditionally.

Transformation into Human Capital: The capability functioning of the disaster affected people is enhanced through creating them as human capital. Disaster management is intended to reduce economic erosion of the customers through providing two services. First: the disaster preparedness service from the organization and by the people, and Second: disaster response from the organization and by the disaster affected people. Human capital at the nation-state, community and family level are the most essential entities to transform the technological and capital assistance into constructing blocks after blocks for a permanent framework for mitigation and disaster reduction. Sensitization of the issue at every level is of paramount importance that will bring the use of preventive measures at the door of the community and family level.

Paradigm Shift: Disaster management is based on the paradigm shift of BURO from traditional

interventions through relief toward more pragmatic, realistic and developmental approach for disaster management. Except under special circumstances for relief operations that depends on the magnitude of devastations caused by disaster, reliance on people's own capability functioning is the supreme authority in disaster management by the organization.

Shared Sense of Ownership Feeling: Maximum utility can be achieved through integrating community people and local government in disaster management which will also avoid wastage of resources. Union Parishad- one of the local government tiers is the most important avenue and works as the centripetal force for the community elite representing different institutions followed by the community people in general to disseminating, sensitizing and raising the public awareness at a given locality. The non-government organizations have emerged among the strongest means to proliferate the public awareness. There are many examples that the community people particularly the poor have greater understanding due to constant efforts from the NGOs about the means manifested in abating the miseries themselves during disaster. Strive for greater reliance within the limited resources is encouraging and just requires to fuel constantly reducing their disaster losses.

Cooperation and Coordination: Sensitizing the issue at the nation-state, community and family level will not be adequately enough rather cooperation and coordination between and among the different entities will materialize their growing awareness of interrelationships among disaster, environment and development. The potentialities of different concerned institutions as well as individuals and taking its application in combination will reduce the vulnerability of the community people, thus reducing human and economic losses due to disaster.

Cascade Effect: All the existing services delivery environment at the nation-state, community and family level shall be symbiotic between and among each other with sensitizing the issue of disaster management and is the nucleus that will work instantaneously with all its instruments operating while disaster will be imminent. The sensitization of the issue is imbibed in raising public awareness significantly with education as the media that will be provided not only through training but taking cascade effect of the given services to the concerned institutions and/or individuals.

Working with UN Country Team

BURO Bangladesh is selected as a pre-qualified NGO to work with the UN Country Team in responding to disaster emergency in Bangladesh.

Managing the Disaster Fund

There is no scope of charitable work in microfinance. However, during any natural calamity BURO comes forward to the aid of its affected customers. In this context, BURO has set up a disaster fund. Affected customers can take loans at a cheaper rate to recuperate their damaged

business activities. The fund is placed with a bank that earns interest. Four donors viz. SIDA, SDC, DFID and AusAID provide grants of BDT 30.27 million which now stands at BDT 86.02 million resulting in an increase of 2.84 times.

Output of Disaster Management Program

Over the period, the disaster program emerges as an integral entity of the organization in its poverty reduction for the hardcore poor, poor and vulnerable non-poor. BURO responds to the disaster affected people in terms of the following:

- Distribution of emergency relief in kinds
- Quick disbursement of loans to affected customers of BURO
- Rehabilitation support e.g. new house building/repair, road construction/repair, raising ground of flood shelter, water & sanitation facilities etc.
- Other economic activities e.g. seeds distribution, fertilizer distribution etc.
- Participate actively in Strengthening the Network of Information, Response and Preparedness Activities in Disaster.



Human Resource Development (HRD)



BURO adopts major initiatives since 1995 in respect of HRD with the strategy to increase the productive efficiency of the organization through creating human capital at organization and grassroots level. The development of human capital eventually lowers the cost of the services to the organization.

BURO organizes training both for its customers and staff. Staff training is very rigorous that is used to build their professional capacity. Capacity building enhances the ability of the institution to materialize its action plans and achieve the stated mission. It is being accomplished in three ways viz. increasing the knowledge based capacity of the staff, formalizing systems & procedures as well as strengthening the existing systems in the organization and learning from trial and errors over time. The core areas considered for capacity building include: microfinance program management and accounting, delinquency management, product diversification, quality service delivery, branch office management, monitoring and supervision, strengthening MIS and FIS, etc.

Customer Development Training

The customers carry out income generation activities in the field of microfinance and enterprise development. BURO thinks that the customers shall be provided with some training to enhance their capacity and skill to boost their income. The following trainings are provided to customers:

Basic Life Management (BLM)

The BLM training is imparted when the customers meet regularly to carry on financial transactions and discuss the basic issues of their lives.

Awareness Raising

The training addresses a variety of social and human issues that encompasses group mobilisation, literacy, afforestation, family planning, health and sanitation, income generation, saving, and human rights. The field workers generally conduct discussion on these issues during weekly kendra meetings.

Enterprise Development Training

The micro-enterprise development initiatives are considered as an important means of economic

empowerment. It provides financial and technical assistance services with its entrepreneurial clients that include a series of training courses e.g. new business creation, quality product development, simple book-keeping and accounting, business planning and management, trade based skill development, etc.

Staff Development Training

The staff training program has improved the professional capacity of staff, particularly the operational staff. BURO has decentralized its functions, authority and responsibility down to the branch offices. The managerial and operational skills of the branch managers are now at satisfactory level which outperforms the usual norms in the industry. The staff training has four components, which include the following:

Foundation

Once recruitment of new staff is finalized for head office and branch offices, the staffs are provided with a 12-day foundation training that gives an overview of BURO and its overall operations.

On-the-Job

The training is intended to enhance the skill and set the attitude of staff by filling in the gaps in their professional understanding, and updating them with appropriate knowledge.

Development Management Training Program

The program is a priority for the organization to support the objective to create and develop awareness, capacity and skills in order to enable the managers to think, analyze and act positively. With the assistance of BRAC training division and BRAC University, BURO has initiated this program. All senior and mid-level supervisors and managers are participating in this program. Already BURO developed its own trainers' pool to conduct this package for the branch managers.

HRD Impacted Positively

The organization stresses on the development of efficiency of staffs at all levels. It always earmarks an adequate fund for staff development. The investment in human resource development has impacted positively. Effective leadership has been created at different levels. Productivity of

staff has risen substantially and this has resulted in scaling up efficiency of operations.

Training Performance

During the year, a total of 2,254 staffs receive different training courses based on their needs. On the other hand, 28,700 customers are trained mainly on social awareness, business and leadership development issues. These trainings are also organized as per needs of the customers. The detailed statistics of training during the year appear in table-14.

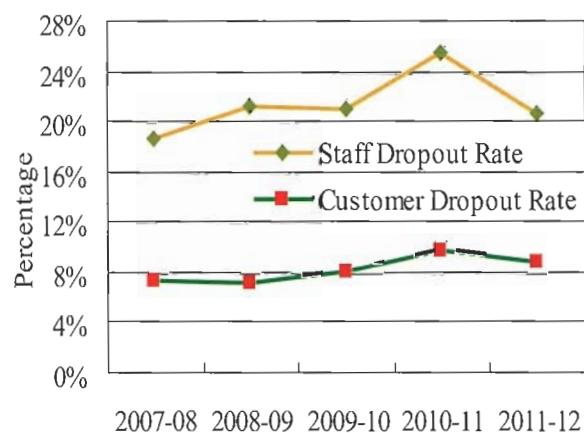
Table-14: Training recipients: 2011-12

Particulars	Participants
Staff Training	
Foundation course	1,642
Development Management course	116
MIS Software and Computer training	364
Training on Small and Medium Enterprise	61
PPI Survey	71
Total	2,254
Customer Training	
Awareness raising	12,500
Leadership development	8,950
Business development training	7,250
Total	28,700

Staff Position and Recruitment

As of June 2012, the organization has a total of 5,447 staff that includes 4,279 males (79%) and 1,168 (21%) females. The head office maintains a staff fleet of 117. During the year, 1,499 staff is recruited mostly at the entry level to fill up the dropout positions at branch level. The staff dropout rate goes down to 21% in 2011-12 compared to 26% in 2010-11. This is due to the development of highly professionalized skill of staff.

Staff and Customer Dropout



Rural Water Supply



Potable fresh water right from the supply tap is still a dream for millions of urban and rural populace in Bangladesh. Arsenic contamination of ground water meanwhile emerges as grave concern. Amidst the scarcity of safe drinking water in urban and rural areas around 1,795 people of a village of Munshigonj district have had access to piped water supply with all-out assistances from BURO, The World Bank and the Social Development Foundation (SDF) to make the dream into reality.

With assistance from the World Bank, The SDF is implementing the government's Social Investment Program Project (SIPP) that launches 'Private Financing of Public Utilities' scheme. This has become an innovative model of public, private and people's partnership program.

As a part of SIPP at the same time for reducing the health hazards due to arsenic contamination the World Bank provides financial grants support of 40-50% for piloting village piped water supply project. BURO implements the project in Puran

Baushia village under Gazaria Upazila of Munshigonj District.

The project aims at supplying water free from arsenic, iron and other harmful elements to 570 target households through a piped network at a price that is affordable by the population and making the project commercially viable. BURO has constructed a water tank of 75,000 liter capacity along with a treatment plant of 30,000 liter capacity. The numbers of households that are connected presently stands at 434 including 5% households from hardcore poor community. The number of pipe line connections is gradually increasing. BURO is getting bills from the users regularly.

The total cost of the project stands at BDT 7.58 million. The community contribution is BDT 0.71 million (10%). BURO contribution is BDT 3.08 million (40%) while the contribution of SDF/The World Bank accounts BDT 3.79 million (50%).



Audit Report for the FY 2011-12





Toha Khan Zaman & Co.

Chartered Accountants

AUDITORS' REPORT

TO THE MEMBERS OF BURO Bangladesh

We have audited the accompanying Financial Statements of **BURO Bangladesh** namely, Statement of Financial Position (Balance Sheet) as of 30 June 2012 and the related Statement of Comprehensive Income (Income and Expenditure Statement), Receipts and Payments Statement, Statement of Cash Flows and notes thereto for the year ended on that date. The preparation of these financial statements is the responsibility of the management of the organization. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Scope:

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion:

In our opinion, the financial statements referred to above are prepared in accordance with Bangladesh Accounting Standards (BAS) on accrual basis of accounting, except for interest on loan to borrowers and FDR (which is accounted for on cash basis) give a true and fair view of the financial position of **BURO Bangladesh** as at 30 June 2012, and the results of its operations and its Receipts and Payments Statement for the year then ended in accordance with the accounting policies and comply with applicable laws and regulations.


We also report that:

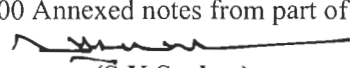


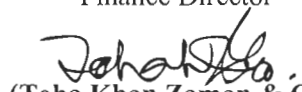
- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof.
- In our opinion, the organization as required by law has kept proper books of accounts, so far as it appeared from our examination of those books;
- The financial statements dealt with by the report are in agreement with the books of account.

Dated, Dhaka
06 September 2012


(Toha Khan Zaman & Co.)
Chartered Accountants

6A Rahbar Tower Annex, 77-78 Janata Housing Society, Ring Road, Adabor, Dhaka-1207, Bangladesh
Telephone: +880 (0)2 9144927, +880 (0)2 8143174, Fax: +880 (0)2 8119135
Email: hlbtkz@yahoo.com / mwzaman@hotmail.com / mwzaman@neksus.com

Toha Khan Zaman & Co. is a member of  International. A worldwide organization of accounting firms and business advisers

BURO Bangladesh			
STATEMENT OF FINANCIAL POSITION			
(BALANCE SHEET) AS AT 30 JUNE 2012			
PARTICULARS	NOTE	As at 30-06-2012	As at 30-06-2011
PROPERTY AND ASSETS:			
Current Assets:			
Cash and Bank Balance	4.00	473,119,815	470,434,976
Investments– Various Funds	5.00	275,013,736	223,315,568
Investments– Customers’ Savings Reserve Fund	6.00	300,000,000	0
Other Current Assets	7.00	141,401,924	144,009,594
Loan Portfolio- Net of Loan Loss Reserve	8.00	6,583,539,169	5,309,549,685
Total Current Assets:		7,773,074,644	6,147,309,823
Long -Term Assets:			
Property, Plant and Equipment	9.00	710,365,393	565,871,462
Less: Accumulated Depreciation	9.00	98,773,319	75,406,600
Total Long-Term Assets:		611,592,074	490,464,862
Total Assets:		8,384,666,718	6,637,774,685
LIABILITIES AND FUNDS:			
Current Liabilities:			
Employees’ Security Deposits	10.00	53,763,194	53,740,774
Customers’ General Savings	11.00	1,222,859,030	1,004,554,457
Bank Overdraft	12.00	0	695,033
Others Liabilities	13.00	252,005	7,316,324
Total Current Liabilities:		1,276,874,229	1,066,306,588
Long-Term Liabilities:			
Customers’ Regular Voluntary Savings	14.00	1,581,152,347	1,316,948,328
Customers’ Emergency Fund	15.00	868,004	904,131
Customers’ Micro Insurance Fund	16.00	30,841,953	38,365,197
Borrowing from Specialized Institutions	17.00	93,283,158	115,007,350
Borrowing from Commercial Banks	18.00	4,419,386,368	3,274,422,189
Total Long- Term Liabilities:		6,125,531,830	4,745,647,195
Funds and Surplus:			
Revolving Loan Fund (Donors’ Grant)	19.00	138,815,884	138,815,884
Emergency Disaster Fund (Donors’ Grant)	20.00	86,019,848	73,804,790
Accumulated Surplus	21.00	757,424,927	613,200,228
Total Net Worth:		982,260,659	825,820,902
Total Liabilities and Net Worth:		8,384,666,718	6,637,774,685
1.00 Figures have been rounded off to the nearest taka. 2.00 Annexed notes from part of the accounts.			
 (S K Sarkar) Chairperson		 (Zakir Hossain) Executive Director	
Signed in terms of our separate report of even date annexed.			
Dated, Dhaka 06 September 2012		 (M. Mosharrof Hossain) Finance Director	
		 (Toha Khan Zaman & Co.) Chartered Accountants	

BURO Bangladesh
**STATEMENT OF COMPREHENSIVE INCOME
(INCOME AND EXPENDITURE STATEMENT)
FOR THE YEAR ENDED 30 JUNE 2012**

PARTICULARS	NOTE	30-06-2012	30-06-2011
A. Income from Micro Credit Operation:			
Service Charge on Loan to Borrowers		1,706,752,453	1545,311,769
Service Charges on Remittance Fund Transfer		7,375,262	11,894,853
Sales of Loan Application Forms		29,174,087	35,778,788
Micro Credit Borrower Admission Fees		10,684,026	12,020,965
Interest on Bank Deposits		20,967,281	28,727,745
Interest on Staff Loan		1,515,782	145,362
Others		4,806,897	9,760,633
Total Income from Micro Credit Operation :		1,781,275,788	1,643,640,115
B. Financial Cost for Micro Credit Operation:			
Interest on Borrowings from Banks etc.	22.00	462,634,831	451,809,144
Interest on Customers' Savings	23.00	110,283,557	83,337,621
Total Financial Cost:		572,918,388	535,146,765
C. Gross Financial Margin (A-B):		1,208,357,400	1,108,493,350
D. Provision for Loan Losses		110,657,638	173,638,187
E. Net Financial Margin (C-D):		1,097,699,762	934,855,163
F. Operating Expenses for Micro Credit Op. :			
Salary and Allowances	24.00	698,239,248	671,772,081
Rental Office		63,333,450	54,915,883
Payment to National Exchequer	25.00	10,191,943	8,796,766
Transportation	26.00	54,165,897	47,635,168
Training & Research Expenses	27.00	9,492,669	11,732,856
Office Supplies		25,048,452	22,022,163
Depreciation	9.00	27,212,028	22,497,716
Audit & Professional Fees		1,604,908	2,043,420
Contribution to WSP		4,030,686	6,193,751
Other Direct Costs	28.00	60,155,828	54,530,962
Total Operating Expenses for Micro Credit:		953,475,109	902,140,766
G. Net Income/(Loss) from Operations (E-F):	21.00	144,224,653	32,714,397

1.00 Figures have been rounded off to the nearest taka.

2.00 Annexed notes from part of the accounts.



(S K Sarkar)

Chairperson



(Zakir Hossain)

Executive Director




(M. Mosharrof Hossain)





Finance Director

Signed in terms of our separate report of even date annexed.

 Dated, Dhaka
06 September 2012


 (Toha Khan Zaman & Co.)
Chartered Accountants

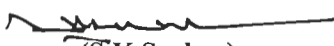


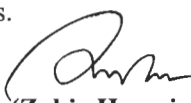
BURO Bangladesh		
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2012		
PARTICULARS	30-06-2012	30-06-2011
Cash Flows from Operating Activities:		
Net operational income	144,224,653	32,714,397
Adjustments to determine net cash from operating activities:		
Depreciation on fixed assets	27,212,028	22,497,716
Loan Loss Provision	110,657,638	173,638,187
(Increase)/Decrease in Other Current Assets	2,607,670	(25,680,776)
Increase/(Decrease) in Current Liabilities	(7,736,932)	5,216,236
Net cash from operating activities:	276,965,057	208,385,760
Cash Flows from Investing Activities:		
Net increase in Loan Portfolio	(1,384,647,122)	(1,072,729,924)
Increase in Investment	(51,698,168)	220,121,075
Increase in Customers' Savings Reserve Fund	(300,000,000)	0
Purchase of Fixed Assets	(148,339,194)	(292,157,855)
Net cash used in investment activities:	(1,884,684,484)	(1,144,766,704)
Cash Flows from Financing Activities:		
Increase in Clients' Savings	482,472,465	594,669,854
Increase in Borrowing	1,123,239,987	73,602,539
Decrease in Customers' Micro Insurance Fund	(7,523,244)	(8,814,639)
Increase in Emergency Disaster Fund	12,215,058	6,069,724
Net cash from financing activities:	1,610,404,266	665,527,478
Net Increase/(Decrease) in Cash:	2,684,839	(270,853,466)
Opening Cash and Bank Balances	470,434,976	741,288,442
Closing Cash and Bank Balances	473,119,815	470,434,976
<p>1.00 Figures have been rounded off to the nearest taka. 2.00 Annexed notes from part of the accounts.</p>		
 (S K Sarkar) Chairperson	 (Zakir Hossain) Executive Director	 (M. Mosharrof Hossain) Finance Director
Signed in terms of our separate report of even date annexed.		
Dated, Dhaka 06 September 2012		 (Toha Khan Zaman & Co.) Chartered Accountants




BURO Bangladesh				
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012				
Particulars	Donors' Grant		Accumulated Surplus	Total
	Revolving Loan Fund	Emergency Disaster Fund		
For the year 2011-2012:				
Balance at 01 July 2011	138,815,884	73,804,790	613,200,274	825,820,948
Addition during the year	0	12,215,058	144,224,653	156,439,711
Balance at 30 June 2012	138,815,884	86,019,848	757,424,927	982,260,659
For the year 2010-2011:				
Balance at 01 July 2010	138,815,884	67,735,066	580,485,821	787,036,771
Addition during the year	0	6,069,724	32,714,453	38,784,177
Balance at 30 June 2011	138,815,884	73,804,790	613,200,274	825,820,948

1.00 Figures have been rounded off to the nearest taka.
2.00 Annexed notes from part of the accounts.



(S.K. Sarkar)
 Chairperson


(Zakir Hossain)
 Executive Director


(M. Mosharraf Hossain)
 Finance Director

Signed in terms of our separate report of even date annexed.

Dated, Dhaka
06 September 2012


(Toha Khan Zaman & Co.)
 Chartered Accountants

BURO Bangladesh
**STATEMENT OF LIQUIDITY ANALYSIS
(MATURITY OF ASSETS AND LIABILITIES)
AS AT 30 JUNE 2012**

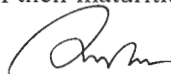
Particulars	Up to 1 Month Maturity	1-3 Month Maturity	3 -12 Month Maturity	1 -5 Years Maturity	More than 5 Years Maturity	Total
ASSETS:						
Cash	10,381,446	0	0	0	0	10,381,446
Bank Balance	462,738,370	0	0	0	0	462,738,370
Investment	0	0	275,013,736	0	0	275,013,736
Savings Reserve Fund	0	0	0	300,000,000	0	300,000,000
Other Current Assets	14,140,187	22,624,299	56,560,747	48,076,691	0	141,401,924
Loan Portfolio	658,353,917	1,316,707,834	4,608,477,419	0	0	6,583,539,170
Fixed Assets	0	0	0	292,321,324	319,270,750	611,592,074
Total Assets:	1,145,613,920	1,339,332,133	4,940,051,902	640,398,015	319,270,750	8,384,666,720
LIABILITIES:						
Borrowing	5,000,000	70,000,000	396,451,938	4,041,217,588	0	4,512,669,526
Deposits	198,500,493	340,286,560	1,276,074,600	1,020,859,680	0	2,835,721,333
Other Liabilities	2,700,760	3,781,064	14,584,104	21,606,080	11,343,192	54,015,200
Total Liabilities:	206,201,253	414,067,624	1,687,110,642	5,083,683,348	11,343,192	7,402,406,059
Net Liquidity Excess(Short)	939,412,667	925,264,509	3,252,941,260	(4443,285,333)	307,927,558	982,260,661
Percentage of net liquidity Difference	82.00	69.08	65.85	(693.83)	96.45	11.71

Assumption applied in the preparation of maturity analysis are as under:

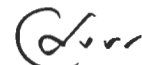
1. Investment is on the basis of their respective maturities.
2. Other current assets are on the basis of their realization.
3. Loan portfolio is on the basis of realization/recovery.
4. Fixed assets are on the basis of their useful lives.
5. Borrowing is on the basis of their repayments.
6. Savings and other liabilities are on the basis of their maturities for repayments.



(S K Sarkar)
Chairperson



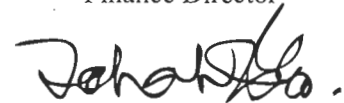
(Zakir Hossain)
Executive Director



(M. Mosharrof Hossain)
Finance Director

Signed in terms of our separate report of even date annexed.

Dated, Dhaka
06 September 2012



(Toha Khan Zaman & Co.)
Chartered Accountants

BURO Bangladesh**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012****1.0 BACKGROUND OF THE ORGANIZATION:**

BURO Bangladesh is a national 'not -for-profit' organization that was set up in 1990 with a view to work for the poor on sustainable basis to reduce poverty. It is a specialized micro-finance institution that provides high quality flexible financial services to low-income people. The organization is responsive to diverse financial needs of customers. Its financial services constitute multiple loans, savings, and micro-insurance and remittance services. The recipients of micro-finance services are poor, particularly women. Remittance services are provided to the relatives of overseas Bangladesh.

The organization is registered with the Registrar of Joint Stock Companies and Firms under the Societies Registration Act XXI of 1860 vide registration No.S-7026(214)/07 dated 06 September 2007; with Department of Social Welfare(Registration and Control) vide registration No.TA-0489 dated 31 July 2007 (Duplicate); with NGO Affairs Bureau under Foreign Donations (Voluntary Activities) Regulation Ordinance 1978 vide registration No.610 dated 19 March 1992 and last renewal on 26 April 2012 effective from 19 April 2012; and with Micro Credit Regulatory Authority (MRA) has issued license to perform micro credit operations vide registration No.00004-00394-00288 dated 25 July 2008.

2.00 SIGNIFICANT ACCOUNTING POLICIES:**2.01 Basis of Accounting:**

The financial statements are prepared in accordance with Bangladesh Accounting Standards (BAS) on accrual basis of accounting, except for interest on loan to borrowers and FDR which is accounted for on cash basis, under historical cost convention in conformance with generally accepted accounting principles. Wherever appropriate, such principles are explained in the succeeding notes.

2.02 Going Concern Assumption:

The financial statements are prepared under the going concern concept where it is assumed by the management of BURO Bangladesh that the entity will continue with its operation in the near future with no foreseeable intention of bringing about any structural changes. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realize its assets discharge its liabilities in normal course of business.

2.03 Accounting for Grants and Donations:

Grants and donations related to operations (revenue) are recognized as income for the relevant period and shown in Income and Expenditure Statements below the heading 'net income from operations'. Grants and donations for periods beyond the current operating year are recorded under liabilities as differed grant revenue.

BURO Bangladesh reports grants and donations for loan funds and fixed assets in the Balance Sheet under funds and surplus. An amount equal to current year's depreciation is charged to fixed assets fund (donor's grant) over the useful lives of assets that were acquired from donor's grant.

Donations that are received in-kind are disclosed at their estimated costs. However, no grants and donations in-kind were received by BURO Bangladesh during the year under reporting.

2.04 Depreciation on Fixed Assets:

Fixed assets are recorded in the books at actual cost. Depreciation on these assets, except land and land development, is charged on straight-line method at the following rates based on the nature and estimated useful life of each asset.

Asset Category	Rate of Depreciation
Building Construction	25%
Electrical Equipment	25%
Office Equipment	20%
Furniture and Fixture	20%
Motor Vehicle	30%

Full year's depreciation is charged on fixed assets during the year of acquisition and no depreciation is charged during the year of disposal.

A portion of depreciation is charged to fixed assets fund (donor's grant), for the assets acquired from this fund, and the balance to revenue account (Income and Expenditure Statement).

2.05 Provision for Loan Losses and Written Off Policy:

The adequacy of the provision for loan losses is evaluated regularly by management. Factors considered in evaluating the adequacy of the provision include size of portfolio, previous experience in loan recovery, current economic conditions and their effect on customers, financial condition of individual customers, and performance of individual loans in relation to contract terms. The provision for loan losses charged to expense is based on management's judgment of the amount necessary to maintain the provision at an adequate level to absorb possible losses.

Management makes such provisions for loan losses every quarter in order to maintain the loan loss reserve for bad loans at adequate levels. The adequacy of the provision for loan losses is determined by applying defined percentages to the outstanding balances in various aging categories, as under:

Loan Overdue Status - (Days)	Provision (%)
Current Loan Outstanding	1
1-30 days Loan Outstanding	5
31-180 days Loan Outstanding	25
181-365 days Loan Outstanding	75
above 365 days Loan Outstanding	100

The organization's loan loss provision policy is based on management's analysis of historical performance of the overdue portfolio, aged by the overdue categories as mentioned above. The write-offs of loans, if necessary, are charged against the provision for loan losses when management believes that the loan amount is unlikely to be collected. Such doubtful loans are written off in full after two year of the loan term.

2.06 Interest on Loan (Service Charge):

The rate of interest for all types of loan is 27% per annum except disaster loan which is 20% per annum as per policy of BURO Bangladesh. The interest rate for all types of loan for hardcore poor is 25%.



Chartered Accountants

2.07 Asset/Liability Management:

Asset/liability management has become an almost universally accepted approach to risk management. BURO Bangladesh is managing its assets/liabilities in order to provide efficient and effective services at competitive prices. It manages the sources and uses of funds, identifying balance sheet issues like balance sheet gaps, interest rate gaps, etc. and also reviews liquidity contingency plan and implements liability pricing strategy.

2.08 Preparation of Balance Sheet:

Balance Sheet of BURO Bangladesh has been prepared by consolidating all Balance Sheets of its 629 Branch Offices and Head Office.

2.09 Comparative Information:

Comparative information is disclosed in respect of every year including all the numerical information in the financial statements, and also descriptive information is given when it is relevant to an understanding of the current year's financial statements.

2.10 Transactions in Foreign Currencies:

There were no foreign currency transactions during the year but the policy of BURO Bangladesh is to translate the transactions in foreign currencies into local currency at exchange rates prevalent on the respective dates of transactions.

2.11 Employee Benefit Schemes:

Provident Fund:

BURO Bangladesh operates a contributory provident fund for its employees from which benefits are given to its employees in accordance with its policies. National Board of Revenue (NBR) approved and recognized this fund for the purpose of taxation. The fund is operated by a separate board of trustees consisting seven members selected from the employees of the Institution. All permanent employees of the Institution are contributing monthly to the fund which is equal to 10% to 20% of the basic salary of each employee. The Institution also contributes 10% of employees' basic salary to the fund each month. Income earned from investment of this fund is credited to the employees' accounts on a yearly basis and this fund is audited every year by a firm of chartered accountants.

Gratuity Fund:

The organization operates a gratuity scheme for its permanent employees and maintains a separate account for this. Gratuity is payable to staff leaving the organization at the rate of one month's last drawn basic salary for each completed year of service after completion of five years' uninterrupted service.

Health Fund:

The organization makes a provision and contributes to health fund every year and maintains a separate account for this. Every permanent employee, who completed two years of service, is entitled to receive the grant from health fund in accordance with the rules of BURO Bangladesh.

Housing Fund:

BURO Bangladesh operates a housing fund and maintains a separate account for this from which loan is given to the employees. Employees are entitled to receive this benefit once they have completed at least seven years' service. The benefit from housing fund is accessible in the form of a loan bearing 5% simple interest per annum.

Staff Family Security Fund:

The Institution operates a mandatory staff family security fund for its regular staff in order to reduce future uncertainties that could affect their families. The fund is managed by a separate board as per the Institution's policy. All employees of the Institution are eligible to become members of the fund by contributing Taka 200 each per month as subscription. If a regular staff dies during his/her tenure of service, the nominee/nominees of the said staff will be entitled to receive a one-time grant of Taka 100,000. If someone leaves the Institution after two years of service, he/she is entitled to get back the money deposited so far. In case the staff leaves before completing two years of service, he/she is not entitled to get back any amount.

3.00 SIGNIFICANT POLICY ON FINANCIAL SERVICES:**3.01 Savings Services:**

All savings are payable to the customers on demand. The organization offers savings services to all its clients keeping in view of the following:

- (1) The poor people have a formidable capacity of savings. The organization provides a secured place to keep savings, increasing financial strength and capital growth of the customers with a view to reduce their dependency on external resources; and
- (2) Improving the sustainability of the organization by developing a relatively stable means to finance its loan portfolio.

3.02 Loan Services:

The organization stresses on supporting economic activities to generate employment and income to reduce income inequality among the disadvantaged and the poor. The loan products have been developed in response to demand of its customers. Policy on loan services is under:

- (1) The organization gives loans as and when customers want them to support their economic activities.
- (2) Loans are not linked to savings balances – loans and savings services have been completely de-linked and made entirely voluntary.
- (3) In addition to existing loan(s), the customers can take short-term loan for meeting any emergency needs

3.03 Micro Insurance Services:

Micro insurance has been introduced considering two aspects, namely social protection and economic protection as narrated below:

- (1) The social protection of the customers is necessary to reduce the vulnerability of households to income and consumption shocks.
- (2) The economic protection is to increase the stability and profitability of poor households through reducing the impact of customer risk on loan and savings portfolios, generating additional revenue, supporting risk management; and reducing customers' vulnerability to economic stresses.

3.04 Remittance Services:

The primary purpose is to integrate the organization with formal financial system and their mainstream clientele for increased linkage.

Chartered Accountants

4.00 CASH AND BANK BALANCES: Tk.473,119,815

4.01 Breakup of the above amount is given below:

Particulars	Notes	30-06-2012	30-06-2011
Cash in Hand	4.02	10,381,445	12,599,069
Cash at Bank	4.03	462,738,370	457,835,907
Total Taka:		473,119,815	470,434,976

4.02 Cash in Hand: Tk. 10,381,445

The management through balance confirmation certificate has confirmed the above balance as on 30 June 2012.

4.03 Cash at Bank: Tk.462,738,370

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Current Accounts	252,974,346	373,679,267
Saving Accounts	101,401,205	5,402,749
Term-Deposit Accounts	108,362,819	78,753,891
Total Taka:	462,738,370	457,835,907

5.00 INVESTMENTS– VARIOUS FUNDS: Tk.275,013,736

5.01 Breakup of the above amount is given below:

Particulars	Notes	30-06-2012	30-06-2011
Shops (Five) in Tangail Town		650,200	650,200
Staff Security Deposit	5.02	21,658,638	19,242,696
Emergency Disaster Fund	5.03	92,720,339	80,505,281
Fixed Deposits with Banks	5.04	159,984,559	122,917,391
Total Taka:		275,013,736	223,315,568

5.02 Staff Security Deposit: Tk.21,658,638

Breakup of the above amount is given below:

Name of the Bank	30-06-2012	30-06-2011
BRAC Bank Limited	21,658,638	19,242,696
Total Taka:	21,658,638	19,242,696

5.03 Emergency Disaster Fund: Tk.92,720,339

Breakup of the above amount is given below:

Name of the Bank	30-06-2012	30-06-2011
Jamuna Bank Limited	2,671,575	2,451,822
Bank Asia Limited	21,672,454	19,970,018
BRAC Bank Limited	68,376,310	58,083,441
Total Taka:	92,720,339	80,505,281

**5.04 Fixed Deposits with Banks: Tk. 159,984,559**

Breakup of the above amount is given below:

Name of the Bank	30-06-2012	30-06-2011
Bangladesh Krishi Bank	40,025,099	36,872,500
HSBC	10,631,755	10,000,000
BRAC Bank Limited	61,440,505	31,307,941
Rupali Bank Limited	18,568,475	17,834,450
Bank Asia Limited	29,318,725	26,902,500
Total Taka:	159,984,559	122,917,391

6.00 INVESTMENTS - CUSTOMERS' SAVING RESERVE FUND: Tk.300,000,000

Breakup of the above amount is given below:

Name of the Bank	30-06-2012
Southeast Bank Limited	130,000,000
ONE Bank Limited	130,000,000
The City Bank Limited	20,000,000
Mercantile Bank Limited	20,000,000
Total Taka:	300,000,000

The above balance represents investment of Customers' Savings Reserve Fund made in accordance with the provisions of Rule-34 (1) and 34 (2) of Micro Credit Regulatory Authority Rules 2010.

7.00 OTHER CURRENT ASSETS: Tk.141, 401,924**7.01 Breakup of the above amount is given below:**

Particulars	Note	30-06-2012	30-06-2011
Security Deposits	7.02	1,038,746	1,034,690
Staff Loans and Advances	7.03	140,363,178	142,974,904
Total Taka:		141,401,924	144,009,594

7.02 Security Deposits: Tk. 1,038,746

Breakup of the above amount is given below:

Name of the Office	30-06-2012	30-06-2011
Bangladesh Telecommunication Company Limited	310,328	66,520
Grameen Phone	0	239,751
GSP Finance Company (Bangladesh) Limited	124,918	124,919
Rajdhani Unnayan Kartipakkha	600,000	603,500
Others	3,500	0
Total Taka:	1,038,746	1,034,690

7.03 Staff Loans and Advances: Tk.140,363,178

a. above amount is given below:

Name of the Office	30-06-2012	30-06-2011
Head Office	62,323,848	64,604,573
Branch Offices	78,039,330	78,370,331
Total Taka:	140,363,178	142,974,904

b. Breakup of the Head Office Staff Loan and Advances:

Particulars	30-06-2012
Salary	1,386,265
Mobile	12,500
Car Loan	615,402
M-Cycle	2,895,250
Training	1,082,431
Bi-Cycle	9,300
House Rent	2,360,000
Fixed Assets	16,800,000
Consultant	259,400
Transport	466,066
Advance for Exposure Visit	173,880
Fuel and Conveyance	48,540
Staff Housing Loan	29,604,086
Others	6,610,728
Total Taka:	62,323,848

c. Breakup of the Branch Offices Staff Loan and Advances:

Particulars	30-06-2012
Salary	508,772
Mobile	100,690
M-Cycle	36,160,650
Bi-Cycle	10,901,948
House Rent	9,704,956
Fan	223,296
Others	20,439,018
Total Taka:	78,039,330

d. Loans and advances except for car & housing loan given to staff are interest-free. The period of loan for bicycle and mobile phone is one year each, and that for motorcycle is three years. The period of car loan is eight years bearing interest @ 5%. The period of Housing loans is twenty years bearing interest @ 5% including 3 months grass period.

**8.00 LOAN PORTFOLIO-NET OF LOAN LOSS RESERVE: Tk. 6,583,539,169**

This represents various loans outstanding with the clients in the following categories:

General Loan:

This loan is allowed to rural and urban poor households to finance their economic activities. General loan is working capital loan given to poor and disadvantaged households. General loan ranges from Tk.1,000 to Tk.50,000. The loan is repayable within one year.

Micro-enterprise Loan:

Micro-enterprise loan is given to the loanee on the basis of household cash flow, business projections and reputation of the borrower. The micro-enterprise loan borrowers are expected to generate equity and wage labor employment. Micro-enterprise loan ranges from Tk. 50,000 to Tk. 500,000 repayable within one to three years.

Agriculture Loan:

This loan is given exclusively for the purpose of agricultural activities for increase of farm's activities. The agriculture loan also enhances food security of households. Agriculture loan ranges from Tk. 1,000 to Tk. 50,000 is given for one year.

Hand/Emergency Loan:

This loan is intended to serve as a social security net. Hand loan is given to meet festivals, health care and child education expenses. This loan is a small loan of Tk. 5,000 repayable within 3 months.

Disaster Loan:

The purpose of this loan is to reduce the effect of shocks to households' financial and physical assets immediately after natural disasters. Disaster loan ranges from Tk.1,000 to Tk.15,000 and is repayable within one year.

Water and Sanitation Loan:

Environmental health concerns continue to be an ominous factor contributing to diseases and poverty. Access to safe drinking water and sanitation will reduce sickness and thus increase the labor productivity. The loan ranges from Tk.1,000 to Tk.20,000 and is repayable within one year.

Breakup of Loan, by Products, is given below:

Particulars	30-06-2012	30-06-2011
General Loan	3,178,448,032	2,764,739,684
Micro-Enterprise Loan	613,652,074	237,876,590
Agriculture Loan	3,044,511,118	2,532,560,642
Hand/Emergency Loan	42,104,465	57,990,256
Water and Sanitation Loan	5,710,468	6,898,982
	6,884,426,157	5,600,066,154
Less: Loan Loss Reserve	300,886,988	290,516,469
Total Taka:	6,583,539,169	5,309,549,685

BURO Bangladesh had 913,362 loan accounts outstanding at the end of year 2012 compared to 885,435 at the end of year 2011.

The Loan Loss Reserve (LLR) has been worked out at Tk. 270,158,947 at 30 June 2012 as per existing policy of BURO Bangladesh as explained in Note-2.5. But the actual Loan Loss Reserve has been made to Tk. 300,886,988. During the year under reporting, provision for loan loss has been made for an amount of Tk. 110,657,638. The method of calculation of LLR is shown below:

Number of Payments in Arrear	Number of Loan Accounts	Aging of Portfolio		Loan Loss Reserve	
		%	Taka	%	Taka
Current Loan Outstanding	867,188	96.37%	6,634,594,886	1%	66,345,949
Loan Overdue Status (Days):					
1-30 Days	2,165	0.19%	13,249,813	5%	662,491
31-180 Days	5,495	0.57%	38,929,755	25%	9,732,439
181-365 Days	2,112	0.25%	16,934,540	75%	12,700,905
Over 365 Days	36,402	2.63%	180,717,163	100%	180,717,163
Total:	913,362		6,884,426,157		270,158,947

BURO Bangladesh does not renegotiate loans under normal circumstances as well as in any other circumstances, such as, catastrophic events.

Breakup of loan loss reserve is given below:

Particulars	30-06-2012	30-06-2011
Opening Balance	290,516,469	183,831,154
Add: Provision made during the year	110,657,638	173,638,187
	401,174,107	357,469,341
Less: Amount Written Off during the year	100,287,119	66,952,872
Closing Balance Taka:	300,886,988	290,516,469

9.00 PROPERTY, PLANT AND EQUIPMENT: Tk. 611,592,074

The above amount has been arrived at under:

Particulars	Head Office	Branch Offices	Total
Cost:			
Opening Balance	300,056,967	265,814,495	565,871,462
Add: Additions during the year	82,316,456	67,732,530	150,048,986
	382,373,423	333,547,025	715,920,448
Less: Disposal during the year	5,555,055	0	5,555,055
Closing Balance Taka:	376,818,368	333,547,025	710,365,393
Accumulated Depreciation:			
Opening Balance	35,997,006	39,409,593	75,406,599
Add: Depreciation Charge for the year	12,533,876	14,678,152	27,212,028
	48,530,882	54,087,745	102,618,627
Less: Adjustment on disposal	3,845,308	0	3,845,308
Closing Balance Taka:	44,685,574	54,087,745	98,773,319
Written Down Value:	332,132,794	279,459,280	611,592,074

**10.00 EMPLOYEES' SECURITY DEPOSITS: Tk.53,763,194**

This represents amount received as security deposits from Branch Managers, Accountants, Assistant Accountants, Program Organizers and Assistant Program Organizers as per policy of BURO Bangladesh.

Particulars	30-06-2012	30-06-2011
Opening Balance	53,740,774	47,668,693
Add: Received during the year	10,819,893	12,096,320
	64,560,667	59,765,013
Less: Refund during the year	10,797,473	6,024,239
Closing Balance Taka:	53,763,194	53,740,774

11.00 CUSTOMERS' GENERAL SAVINGS: Tk.1,222,859,030

Small depositors usually value convenient, easy access and relatively secure delivery savings services above all else. The general savings account is like a current account, where customers can save or withdraw the amount on demand. The general savings account requires a nominal minimum balance of Tk. 20. Savings of any amount from Tk. 20 to Tk. 2,000 can be deposited at the Kendra (Centre) meeting and any amount above Tk. 2,000 is to be deposited to the branch. The rate of interest is 6% compounded per annum of their general savings account balance.

The under noted figures represent general savings amount:

Particulars	30-06-2012	30-06-2011
Opening Balance	1,004,554,457	727,818,025
Add: Deposits during the year	1,556,101,734	1,340,867,563
	2,560,656,191	2,068,685,588
Less: Withdrawals during the year	1,337,797,161	1,064,131,131
Closing Balance Taka:	1,222,859,030	1,004,554,457

The number of General Savings Accounts was 1,078,183 at the end of year 2012 compared to 1,024,186 at the end of year 2011.

12.00 BANK OVERDRAFT: Tk.Nil

The figures below represent overdraft amount:

Particulars	30-06-2012	30-06-2011
Opening Balance	695,033	(619,419)
Add: Addition during the year	0	59,464,452
	695,033	58,845,033
Less: Repayment during the year	695,033	58,150,000
Closing Balance Taka:	0	695,033

The overdraft facilities are secured by fixed deposits with respective banks. Rate of interest is 1.5% higher than interest rate of fixed deposits given to the organization by the respective banks.

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13.00 OTHER LIABILITIES: Tk.252,005

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
BURO Bangladesh Staff Family Security Fund	0	1,901,100
BURO Bangladesh Provident Fund	0	5,358,057
Security Deposit from Shops	200,000	50,000
Others	52,005	7,167
Total Taka:	252,005	7,316,324

14.00 CUSTOMERS' REGULAR VOLUNTARY SAVINGS: Tk. 1,581,152,347

In regular voluntary savings account, clients agree to deposit regularly an amount as fixed by them. Customers can withdraw the entire amount including interest thereon and can choose to deposit on a weekly or monthly basis. Customers can choose to deposit weekly savings in the range of Tk. 20 to Tk.250; and monthly savings in the range of Tk. 40 to Tk.1,000. They can open more than one account simultaneously. Interest is paid on a compound basis in the range of 6%. The under noted figures represent regular voluntary savings transactions:

Particulars	30-06-2012	30-06-2011
Opening Balance	1,316,948,328	998,961,966
Add: Deposits during the year	970,181,363	865,775,520
	2,287,129,691	1,864,737,486
Less: Withdrawals during the year	705,977,344	547,789,158
Closing Balance Taka:	1,581,152,347	1,316,948,328

The number of regular voluntary savings accounts was 936,022 at the end of year 2012 compared to 888,061 at the end of year 2011.

15.00 CUSTOMERS' EMERGENCY FUND: Tk. 868,004

This represents fund generated by the loanees up to 31 December 2002. BURO Bangladesh, however, ceased maintaining the system of collecting emergency fund after 2002. The customers' group (as opposed to any individual customer) is the owner of customers' emergency fund. This fund is to be used for the following purposes:

- To pay off loans in the event of loanees' death or permanent disability;
- To issue supplemental loans in the event of loss of the loanees' income earnings capability through Loss or damage to the assets purchased with the original loan; and;
- To meet small expenses/emergencies agreed upon by the Kendra (Centre).

Break-up is given below:

Particulars	30-06-2012	30-06-2011
Opening Balance	904,131	957,071
Less: Withdrawals during the year	36,127	52,940
Closing Balance Taka:	868,004	904,131

16.00 CUSTOMERS' MICRO INSURANCE FUND: Tk. 30,841,953

The moderate poor and micro-entrepreneurial customers have to pay premium of Tk.50 to Tk.300, while the very poor customers are required to pay Tk. 30. The premiums are one-time payment in a year. Insurance yields three benefits after death of customer. First, cash benefits will be 100 times of premium chosen. Secondly, the entire outstanding loan of clients will be waived and thirdly, the family of the guarantor will also receive half of the cash benefits after the death of principal loan guarantor. Break-up of the fund is given below:

Particulars	30-06-2012	30-06-2011
Opening Balance	38,365,197	47,179,836
Add: Deposits during the year	72,435,608	63,356,425
	110,800,805	110,536,261
Less: Withdrawals during the year	79,958,852	72,171,064
Closing Balance Taka:	30,841,953	38,365,197

17.00 BORROWINGS FROM SPECIALISED INSTITUTIONS: Tk.93,283,158
17.01 Breakup of the above amount is given below:

Particulars	Note	30-06-2012	30-06-2011
Stromme Foundation	17.02	74,687,500	83,937,500
Anukul Foundation	17.03	18,595,658	31,069,850
Total Taka:		93,283,158	115,007,350

17.02 Borrowings from Stromme Foundation: Tk. 74,687,500

A number of loans were borrowed from Stromme Foundation for on-lending to BURO Bangladesh's customers. Interest rates ranges from 7% to 10% per annum. These loans have three months' moratorium. During the moratorium period, interest is being paid quarterly. Repayment of each loan along with accrued interest is being made in quarterly equal installments. Institutional guarantee from BURO Bangladesh is the security for loans. Movement of the amount of said loan is given below:

Particulars	30-06-2012	30-06-2011
Opening Balance	83,937,500	78,312,500
Add: Received during the year	62,500,000	77,500,000
	146,437,500	155,812,500
Less: Refund during the year	71,750,000	71,875,000
Closing Balance Taka:	74,687,500	83,937,500

17.03 Borrowings from Anukul Foundation: Tk. 18,595,658

A number of loans were borrowed from Anukul Foundation for on-lending to BURO Bangladesh's customers. Interest rate is 8% to 10% per annum. These loans have three months' moratorium. During the moratorium period, interest is being paid quarterly. Repayment of loan along with accrued interest is being made in quarterly equal installments. Security includes personal guarantees of the members of Executive Committee, Chief Executive and Senior Managers.

Movement of the amount of said loan is given below:

Particulars	30-06-2012	30-06-2011
Opening Balance	31,069,850	23,208,455
Add: Received during the year	0	19,000,000
	31,069,850	42,208,455
Less : Refund during the year	12,474,192	11,138,605
Closing Balance Taka:	18,595,658	31,069,850

There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO Bangladesh from their respective due dates.

18.00 BORROWINGS FROM COMMERCIAL BANKS: Tk. 4,419,386,368

18.01 Breakup of the above amount is given below:

Name of the Bank	Note	30-06-2012	30-06-2011
Bank Asia Limited	18.02	150,037,090	124,522,486
BRAC Bank Limited	18.03	156,328,180	324,611,643
NCC Bank Limited	18.04	199,472,851	16,720,930
Standard Chartered Bank	18.05	400,000,000	250,000,000
Rupali Bank Limited	18.06	50,000,000	160,000,000
Southeast Bank Limited	18.07	300,000,000	0
Jamuna Bank Limited	18.08	10,255,021	23,265,294
Mercantile Bank Limited	18.09	250,000,000	13,199,089
ONE Bank Limited	18.10	93,750,000	68,750,000
Bangladesh Krishi Bank		0	199,602,750
Eastern Bank Limited	18.11	350,000,000	150,000,000
The City Bank Limited	18.12	500,000,000	150,000,000
Dutch Bangla Bank Limited	18.13	305,793,271	250,000,000
HSBC	18.14	150,000,000	200,000,000
Citibank NA Syndicate Finance	18.15	750,000,000	1,125,000,000
BRAC Bank Limited Syndicate Finance	18.16	93,749,997	218,749,997
Habib Bank Limited	18.17	59,999,958	0
United Commercial Bank Limited	18.18	500,000,000	0
EXIM Bank Limited	18.19	100,000,000	0
Total Taka:		4,419,386,368	3,274,422,189

18.02 Bank Asia Limited: Tk.150,037,090

This loan was taken from Bank Asia Limited for on-lending to BURO Bangladesh's customers. The loans have a three-year and three months' term with interest rate reduced from the range of 13% with three months' moratorium. Repayment of loan is due to be made in quarterly installments. Security includes of the operational board of directors. The loan is secured by the institutional guarantee given by BURO Bangladesh.



18.03 BRAC Bank Limited: Tk.156,328,180

Two loans were taken from BRAC Bank Limited for on lending to BURO Bangladesh's customers with a three years term with interest rates reduce from range of 13%. During the moratorium period, interest is being paid quarterly. Repayment of loans along with accrued interest falls due in quarterly equal installments. The loan is secured by the institutional guarantee given by BURO Bangladesh.

18.04 NCC Bank Limited: Tk.199,472,851

This loan was taken from NCC Bank Limited for on-lending to BURO Bangladesh's customers. The loans carry a three-year term with interest rates reduced from the range of 13% per annum with six months' moratorium. During the moratorium period, interest is being paid quarterly. Repayment of loan is being made in quarterly installments. The loan is secured by the institutional guarantee given by BURO Bangladesh.

18.05 Standard Chartered Bank: Tk.400,000,000

This loan was taken from Standard Chartered Bank for on-lending to BURO Bangladesh's customers, which have a one year term with interest rate reduced from 13%. Repayment of this loan along with accrued interest is being made annually. The loan is secured by charge over unencumbered microfinance receivables for an aggregated value of Tk. 520,000,000.

18.06 Rupali Bank Limited: Tk.50,000,000

This loan was taken from Rupali Bank Limited for on lending to BURO Bangladesh's customers. The loan has a three-year term with interest at 13% and six months' moratorium. During the moratorium period, interest is being paid on a quarterly basis. Repayment of the loan along with accrued interest falls due in quarterly equal installments. The loan is secured by the institutional guarantee given by BURO Bangladesh.

18.07 Southeast Bank Limited: Tk.300,000,000

This loan was taken from Southeast Bank Limited for on-lending to BURO Bangladesh's customers. This has a five-year term with interest rate reduced from 13% and twelve months' moratorium. The loan is secured by the institutional guarantee given by BURO Bangladesh.

18.08 Jamuna Bank Limited: Tk.10,255,021

This loan was taken from Jamuna Bank Limited for on lending to BURO Bangladesh's customers. This has a five years term with interest rate reduced from 13% and twelve months' moratorium. Security for this loan is by the institutional guarantee given by BURO Bangladesh.

18.09 Mercantile Bank Limited: Tk.250,000,000

The loan was borrowed from Mercantile Bank Limited for on lending to BURO Bangladesh's customers. The loan has a three years term with interest rate reduced from 13% and six months moratorium. The loan is secured by the institutional guarantee given by BURO Bangladesh.



18.10 ONE Bank Limited: Tk.93,750,000

The loan was borrowed from ONE Bank Limited for on-lending to BURO Bangladesh's customers. The loan has a five years term with interest rate reduced from 13% and twelve months' moratorium. The loan is secured by the institutional guarantee given by BURO Bangladesh.

18.11 Eastern Bank Limited: Tk.350,000,000

This loan was taken from Eastern Bank Limited for on lending to BURO Bangladesh's customers. The loan has a three years term with interest at 13% and six months moratorium. During the moratorium period, interest is being paid on a quarterly basis. The loan is secured by the institutional guarantee given by BURO Bangladesh.

18.12 The City Bank Limited: Tk.500,000,000

This loan was taken from The City Bank Limited for on lending to BURO Bangladesh's customers. The loan has a five years term with interest at 13% and one year moratorium. During the moratorium period, interest is being paid on a quarterly basis. The loan is secured by the institutional guarantee given by BURO Bangladesh.

18.13 Dutch Bangla Bank Limited: Tk.305,793,271

This loan was taken from Dutch Bangla Bank Limited for on lending to BURO Bangladesh's customers. The loan has a five-year term with interest at 13% and one year moratorium. During the moratorium period, interest is being paid on a quarterly basis. Repayment of the loan along with accrued interest falls due in quarterly equal installments. The loan is secured by the institutional guarantee given by BURO Bangladesh.

18.14 HSBC: Tk.150,000,000

This loan was taken from HSBC for on lending to BURO Bangladesh's customers. The loan has a short term of six month with interest at 13%. Interest is being paid on at the end of each calendar quarter. Repayment of the principal amount will be paid on the date after maturity. The loan is secured by the institutional guarantee given by BURO Bangladesh.

18.15 Citibank NA Syndicate Finance: Tk. 750,000,000

This was arranged from a group of commercial banks including Citibank NA, Dhaka as a lead arranger and agent for on lending to BURO Bangladesh's customers for agricultural financing. The facility has a five years tenor with interest at the rate of 13% per annum (to be reviewed every six month) including twelve months' moratorium. During the moratorium period, quarterly interest will be paid by the organization. After the moratorium period, both principal and interest will be repaid into 16 equal quarterly installments. Security includes hypothecation loan receivable, debt service reserve account and demand promissory note. The syndication is formed consisting thirteen banks including Agrani Bank Limited, Citibank NA, Dhaka, Dutch-Bangla Bank Limited, Eastern Bank Limited, Janata Bank Limited, Mutual Trust Bank Limited, Prime Bank Limited, Pubali Bank Limited, Sonali Bank Limited, Southeast Bank Limited and Standard Bank Limited, The City Bank Limited and United Commercial Bank Limited.



18.16 BRAC Bank Limited Syndicate Finance: Tk.93,749,997

This is also a syndicate financing by a group of financial institutions including BRAC Bank Limited as a lead arranger for on-lending to BURO Bangladesh's customers for a period of five years term with interest rate ranging from 13% per annum including twelve months' moratorium. During the moratorium period, quarterly interest will be paid by the organization. After the moratorium period, both principal and interest will be repaid into 16 equal quarterly installments. Security includes land and building of BURO Bangladesh located at Gulshan, Dhaka. The syndication is formed consisting nine banks namely AB Bank Limited, Bank Alfalah, Mercantile Bank Limited, ONE Bank Limited, Prime Bank Limited, Pubali Bank Limited, Trust Bank Limited and United Commercial Bank Limited with BRAC Bank Limited.

18.17 Habib Bank Limited: Tk.59,999,958

This loan was taken from Habib Bank Limited for on lending to BURO Bangladesh's customers. This has a one year short term loan with interest rate reduced from 12.5%. Repayment of this loan along with accrued interest is being made annually. Security for this loan includes by the institutional guarantee given by BURO Bangladesh.

18.18 United Commercial Bank Limited: Tk.500,000,000

This loan was taken from United Commercial Bank for on lending to BURO Bangladesh's customers. This has a five years term loan with interest rate reduced from 13% and twelve months' moratorium. Repayment of this loan along with accrued interest is being made regularly. Security for this loan includes by the institutional guarantee given by BURO Bangladesh.

18.19 EXIM Bank Limited: Tk.100,000,000

This loan was taken from EXIM Bank Limited for on lending to BURO Bangladesh's customers. This has a three years term with interest rate reduced from 13% and three months' moratorium. Repayment of loan is being made in quarterly installments. Security for this loan includes by the institutional guarantee given by BURO Bangladesh.

There is no overdue or default in respect of repayment (loan and interest) of commercial borrowing by BURO Bangladesh from their respective due dates.

19.00 REVOLVING LOAN FUNDS (DONORS' GRANT): Tk. 138,815,884

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Department for International Development (DFID), UK	93,022,179	93,022,179
Swiss Agency for Development and Cooperation	23,378,560	23,378,560
Swedish International Development Agency	14,545,494	14,545,494
Australian Agency for International Development	4,274,300	4,274,300
UNESCO/ Stitching Gilles – Foundation, Belgium	2,147,712	2,147,712
Canada Fund	1,163,139	1,163,139
PACT Inc./USAID	284,500	284,500
Total Taka:	138,815,884	138,815,884

20.00 EMERGENCY DISASTER FUNDS (DONORS' GRANT):Tk.86,019,848

BURO Bangladesh focuses its efforts on the promotion of self-help and self-reliance of disadvantaged rural communities, with particular attention to women. Normally, it is not involved in any relief or charitable activities for its customers but it does not remain nonchalant when the customers become extremely vulnerable and their existence is threatened. In such situations, disaster assistance is provided.

In order to respond to emergency relief and rehabilitation needs of BURO Bangladesh's customers, emergency disaster funds have been created with financial grants from the following donors:

Particulars	30-06-2012	30-06-2011
Swedish International Development Agency (SIDA)	11,374,757	11,374,757
Department for International Development (DFID), UK	9,247,243	9,247,243
Swiss Agency for Development and Cooperation(SDC)	9,000,000	9,000,000
Australian Agency for International Development	651,000	651,000
Sub Total:	30,273,000	30,273,000
Add: Interest on investment of the above funds	55,746,848	43,531,790
Total Taka:	86,019,848	73,804,790

21.00 ACCUMULATED SURPLUS: Tk. 757,424,927
21.01 The above amount has been arrived at as under:

Particulars	Note	30-06-2012	30-06-2011
Opening balance		613,200,228	580,485,831
Add: Prior year Adjustment		46	0
		613,200,274	580,485,831
Add: Surplus /(Deficit)during this year	21.02	144,224,653	32,714,397
Closing Balance	Taka:	757,424,927	613,200,228

21.02 Surplus/(Deficit) during the year: Tk. 144,224,653

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Head Office	(322,356,095)	22,866,911
Branch Office	466,580,748	9,847,486
Total Taka:	144,224,653	32,714,397

22.00 INTEREST ON BORROWING FROM BANK ETC.: Tk. 462,634,831

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Bank Asia Limited	10,697,236	33,942,793
BRAC Bank Limited	34,724,166	46,564,656
Pubali Bank Limited	0	1,663,038
NCC Bank Limited	8,096,442	8,738,323
Mutual Trust Bank Limited	0	1,699,909
Standard Chartered Bank	33,014,747	29,087,527

Particulars	30-06-2012	30-06-2011
Rupali Bank Limited	15,899,445	28,670,040
Southeast Bank Limited	1,298,850	2,715,691
Jamuna Bank Limited	2,380,727	5,124,335
Mercantile Bank Limited	10,256,185	4,793,299
ONE Bank Limited	9,328,697	14,658,631
Bangladesh Krishi Bank	24,262,712	3,658,360
Eastern Bank Limited	28,831,571	91,117
The City Bank Limited	33,994,975	0
Dutch Bangla Bank Limited	36,707,199	22,762,551
HSBC	25,602,777	11,591,667
Habib Bank Limited	1,561,958	0
Citibank NA Syndicate Agriculture Finance	129,390,622	172,330,730
BRAC Bank Limited Syndicate Finance	21,666,666	35,970,486
Interest on SOD from Commercial Bank	20,371,447	0
Bank Overdraft	0	12,751,399
Stromme Foundation	7,641,048	7,579,915
Anukul Foundation	2,441,561	2,889,689
Loan Processing Fee	3,045,875	3,181,250
Staff Fund	227,443	0
Employees Security Money	1,192,482	1,343,738
Total Taka:	462,634,831	451,809,144

23.00 INTEREST ON CUSTOMERS SAVINGS: Tk. 110,283,557

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Interest on General Saving	32,154,851	20,007,726
Interest on Regular Voluntary Saving	78,128,706	63,329,895
Total Taka:	110,283,557	83,337,621

24.00 SALARY AND ALLOWANCE: Tk. 698,239,248

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Field Office (Branch/Area/Zonal Offices)	655,532,630	638,987,612
Head Office	42,706,618	32,784,469
Total Taka:	698,239,248	671,772,081

25.00 PAYMENT TO NATIONAL EXCHEQUER: Tk. 10,191,943

25.01 It is mandatory for all NGOs and Micro-Finance Institutions (MFIs) to submit their annual income tax returns as per income tax laws. Income earned by a non-government organization registered with NGOs Affairs Bureau from operation of micro-credit is exempt from income tax as per clause 1A of sixth schedule, part A of Income Tax Ordinance 1984. However, if there is any income other than from micro-finance, it will be subject to tax as per income tax laws.

Chartered Accountants

Breakup of the above amount is given below:

Particulars	Note	30-06-2012	30-06-2011
Value Added Tax on Supply of Goods etc.		2,507,405	2,146,884
Direct Tax	24.02	7,305,978	6,086,662
Other Tax	24.03	378,560	563,220
Total Taka:		10,191,943	8,796,766

25.02 Direct Tax: Tk. 7,305,978

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Income Tax on Staffs Salary	813,788	1,092,694
Corporate Tax	4,395,768	2,123,333
Tax Deduction from Interest on Bank Deposit	2,096,422	2,870,635
Total Taka:	7,305,978	6,086,662

25.03 Other Tax: Tk. 378,560

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Government Fees	369,784	555,444
Land Tax	7,776	7,776
Others	1,000	0
Total Taka:	378,560	563,220

Income tax assessment position of BURO Bangladesh up to the income year ended 31 December 2011 is given below:

Income year ended 31 December	Assessment year	Income as per return field	Taxable income	Tax paid
2003	2004-2005	9,477,932	760,101	99,520
2004	2005-2006	1,816,585	1,861,585	406,679
2005	2006-2007	98,378	983,878	120,393
2006	2007-2008	860,599	860,599	98,370
2007	2008-2009	1,139,140	1,139,140	151,078
2008	2009-2010	5,626,026	5,626,026	1,272,757
2009	2010-2011	14,953,899	14,953,899	3,604,726
2010	2011-2012	30,339,290	30,339,290	7,439,823

Corporate tax assessment up to the income year 2010 has been duly completed.

26.00 TRANSPORTATION: Tk. 54,165,897

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Fuel and Lubricants	29,468,959	25,395,019
Travelling Allowance	19,145,836	17,037,056
Car Maintenance	3,244,771	3,253,904
Daily Allowance	2,306,331	1,949,189
Total Taka:	54,165,897	47,635,168

Chartered Accountants

27.00 TRAINING AND RESEARCH: Tk. 9,492,669

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Staff Training	9,010,731	10,711,723
Operation Research	481,938	1,021,133
Total Taka:	9,492,669	11,732,856

28.00 OTHER DIRECT COSTS: Tk. 60,155,828

Breakup of the above amount is given below:

Particulars	30-06-2012	30-06-2011
Office Maintenance etc.	31,509,776	25,181,183
E-Mail, Telephone and Fax	9,039,897	9,750,795
Electricity, Gas and Water	8,759,333	6,970,035
Entertainment	5,824,540	6,421,556
Bank Charges	4,698,357	6,014,700
Postage and Telegram	323,925	192,693
Total Taka:	60,155,828	54,530,962

29.00 KEY MICRO-FINANCE RATIOS:

Details are given below:

Particulars	30-06-2012	30-06-2011
Sustainability/Profitability:		
Return on Equity(ROE)	16%	4%
Operating Self- Sufficiency (OSS)	109%	103%
Financial Self-Sufficiency (FSS)	104%	102%
Net Financial Spread	4%	4%
Portfolio Quality:		
On Time Recovery Rate (OTR)	97.25%	97.58%
Portfolio at Risk-PAR(>30 days)	3.44%	5.08%
Risk Coverage Ratio	111%	100%
Loan Loss Reserve Ratio	4.37%	5.19%
Write-Off Ratio	1.61%	1.31%
Assets/Liability Management:		
Yield on Gross Portfolio	27%	30%
Current Ratio	609%	577%
Financial Cost Ratio	9.18%	10.50%
Annual Growth to Total Assets	26%	12%
Leverage:		
Debt to Equity	4.59	4.10
Debt Service Coverage Ratio by Times	1.09	1.11
Equity as Percent of Total Assets	12%	12%
Efficiency/Productivity:		
Loan Officer (LO) Productivity	306	285
LO Productivity (Loan-BDT)	1,942,558	1,549,548
LO Productivity (Savings-BDT)	791,200	642,364
Average Disbursed Loan Size (BDT)	12,757	11,051
Average Outstanding Loan Size (BDT)	7,537	6,325
Cost of per Unit Money Lent (BDT)	0.07	0.08
Operating Expenses Ratio	15%	17%

Five years at a Glance - as on June 30

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
A Institutional Profile					
Number of Districts	43	50	56	57	57
Number of Upazilla	263	305	369	394	394
Number of Union	1,181	1,283	1,359	1,411	1,411
Number of Villages	11,185	15,501	20,492	24,451	25,012
Number of Branches	294	395	506	628	629
Total Personnel	2,923	3,718	5,634	5,379	5,447
Staff Dropout Rate	19%	21%	21%	26%	21%
Number of Customers	472,984	672,467	873,715	1,029,343	1,082,789
Customer Dropout Rate	7%	7%	8%	10%	9%
B Savings Portfolio (million BD Taka)					
Yearly Savings Deposit	870	1,292	1,683	2,207	2,526
Cumulative Savings Deposit	3,215	4,506	6,189	8,396	10,922
Yearly Savings Withdrawals	692	899	1,266	1,612	2,044
Cumulative Savings Withdrawals	2,297	3,196	4,462	6,074	8,118
Savings Portfolio	918	1,310	1,727	2,322	2,804
Savings Portfolio Growth	24%	43%	32%	34%	21%
Per Client Average Savings (BDT)	1,940	1,948	1,976	2,255	2,590
Savings to Loan Portfolio	40%	40%	38%	41%	41%
C Loan Portfolio (million BD Taka)					
Yearly Loan Disbursed	4,552	6,960	9,779	11,491	13,265
Cumulative Loan Disbursed	16,642	23,602	33,381	44,872	58,136
Yearly Loan Recovered	3,878	5,981	8,436	10,485	11,980
Cumulative Loan Recovered	14,369	20,350	28,786	39,272	51,252
Loan Portfolio	2,273	3,251	4,594	5,600	6,884
Loan Portfolio Growth	42%	43%	41%	22%	23%
Number of Borrowers	406,583	590,826	751,548	885,435	913,362
Borrower/Customers Ratio	86%	88%	86%	86%	84%
D Sustainability/Profitability					
Return on Equity (ROE)	5%	15%	-8%	4%	16%
Return on Performing Assets	29%	32%	31%	32%	28%
Operating Self-Sufficiency	112%	116%	96%	103%	109%
Financial Self-Sufficiency	106%	110%	92%	102%	104%
Financial Spread (Net Financial Margin)	4%	5%	3%	4%	4%
E Portfolio Quality					
On Time Recovery Rate (OTR)	98.01%	97.14%	97.18%	97.58%	97.25%
Portfolio at Risk-PAR (>30days)	2.65%	3.22%	5.85%	5.08%	3.44%
Risk Coverage Ratio	167%	45%	103%	100%	111%
Loan Loss Reserve Ratio	2.39%	0.61%	4.00%	5.19%	4.37%
Write-Off Ratio	1.10%	1.74%	0.00%	1.31%	1.61%
F Assets/Liability Management					
Yield on Gross Portfolio	29%	32%	31%	30%	27%
Current Ratio	599%	758%	728%	577%	609%
Financial Cost Ratio	7.85%	10.61%	12.79%	10.50%	9.18%
Annual Growth to Total Assets	48%	59%	35%	12%	26%
G Leverage					
Debt to Equity	1.42	2.63	4.21	4.10	4.59
Debt Service Coverage Ratio	1.26	1.21	1.08	1.11	1.09
Equity as Percent of Total Assets	26%	19%	13%	12%	12%
H Efficiency/Productivity					
Loan Officer (LO) Productivity	236	261	231	285	306
LO Productivity (Loan-BDT)	1,133,052	1,261,674	1,213,494	1,549,548	1,942,558
LO Productivity (Savings-BDT)	457,394	508,246	456,096	642,364	791,200
Average Disbursed Loan Size (BDT)	8,780	9,441	10,361	11,051	12,757
Average Outstanding Loan Size (BDT)	5,590	5,503	6,113	6,325	7,537
Cost of per Unit Money Lent (BDT)	0.07	0.07	0.07	0.08	0.07
Operating Expenses Ratio	17%	18%	17%	17%	15%

Five Years Balance Sheet - as on 30 June

Figure in Million Taka

PARTICULARS	2007-08	2008-09	2009-10	2010-11	2011-12
PROPERTY AND ASSETS					
Current Assets					
Cash and bank balance	178.65	752.73	741.29	470.43	473.12
Investment	200.71	189.36	443.44	223.32	575.01
Other current assets	67.65	78.89	118.33	144.01	141.40
<i>Loan portfolio</i>	<i>2,272.90</i>	<i>3,251.33</i>	<i>4,594.29</i>	<i>5,600.07</i>	<i>6,884.43</i>
<i>Loan loss reserve (LLR)</i>	<i>54.42</i>	<i>19.83</i>	<i>183.83</i>	<i>290.52</i>	<i>300.89</i>
Loan portfolio-net of LLR	2,218.48	3,231.50	4,410.46	5,309.55	6,583.54
Total Current Assets	2,665.48	4,252.48	5,713.51	6,147.31	7,773.07
Long - Term Assets					
<i>Fixed assets at cost</i>	<i>149.28</i>	<i>203.47</i>	<i>281.91</i>	<i>565.87</i>	<i>710.37</i>
<i>Accumulated depreciation</i>	<i>38.35</i>	<i>44.63</i>	<i>61.10</i>	<i>75.41</i>	<i>98.77</i>
Fixed assets -net of accumulated depreciation	110.92	158.84	220.80	490.46	611.59
Total Long - Term Assets	110.92	158.84	220.80	490.46	611.59
Total Assets	2,776.41	4,411.32	5,934.32	6,637.77	8,384.67
LIABILITIES AND FUNDS					
Current Liabilities					
Employees' security deposits	22.66	30.80	47.67	53.74	53.76
Clients' general savings	337.25	527.63	727.82	1,004.55	1,222.86
Bank overdraft	80.57	0.00	(0.62)	0.70	0
Other liabilities	4.75	2.40	9.49	7.32	0.25
Total Current Liabilities	445.22	560.83	784.35	1,066.31	1,276.87
Long-Term Liabilities					
Clients' regular voluntary savings	580.28	782.12	998.96	1,316.95	1,581.15
Emergency funds	2.00	0.96	0.96	0.90	0.87
Security funds	22.50	22.14	47.18	38.37	30.84
Borrowing from Specialized Institution	102.06	118.93	101.52	115.01	93.28
Borrowing from Commercial Banks	797.24	1,968.45	3,214.31	3,274.42	4,419.39
Borrowing from Non-Bank Financial Institution	112.45	117.89	0	0	0
Total Long-Term Liabilities	1,616.54	3,010.49	4,362.93	4,745.65	6,125.53
Funds and Surplus					
Revolving loan fund (donors' grant)	138.82	138.82	138.82	138.82	138.82
Emergency disaster fund (donors' grant)	52.59	59.04	67.74	73.80	86.02
Accumulated surplus	523.24	642.15	580.49	613.20	757.42
Total Net Worth	714.65	840.00	787.04	825.82	982.26
Total Liabilities and Net Worth	2,776.41	4,411.32	5,934.32	6,637.77	8,384.67

Source: Audit Report

Five Years Income and Expenditure Account - as on 30 June

Particulars	Figure in Million Taka				
	2007-08	2008-09	2009-10	2010-11	2011-12
A Financial & Micro Credit Income					
Service charges/Interest on loans	557.81	885.47	1,223.54	1,545.31	1,706.75
Service charges from remittance services	0.56	3.67	11.25	11.89	7.38
Sales of loan application forms	18.06	24.17	32.15	35.78	29.17
Borrowers admission fees	5.78	10.53	11.21	12.02	10.68
Interest on bank deposits	1.31	6.70	20.30	28.73	20.97
Interest on staff loan	0.08	0.13	0	0.15	1.52
Others	1.91	4.09	1.95	9.76	4.81
Total Financial & Micro Credit Income (A)	585.52	934.76	1,300.41	1,643.64	1,781.28
B Financial Cost					
Interest on borrowings	103.05	238.17	435.05	451.81	462.63
Interest on customers' savings	48.90	54.98	66.50	83.34	110.28
Total Financial Cost (B)	151.95	293.14	501.56	535.15	572.92
C Gross Financial Margin (A-B)	433.56	641.61	798.85	1,108.49	1,208.36
D Provision for loan losses	52.48	13.38	164.00	173.64	110.66
E Net Financial Margin (C-D)	381.08	628.23	634.85	934.86	1,097.70
F Operating Expenses					
Salary and allowances	231.99	358.41	491.00	671.77	698.24
Rental office	21.27	33.10	42.49	54.92	63.33
Payment to national exchequer	1.35	4.02	6.90	8.80	10.19
Transportation	20.52	31.93	44.56	47.64	54.17
Training & research expenses	28.55	11.12	13.64	11.73	9.49
Office supplies	13.63	20.81	26.17	22.02	25.05
Depreciation	5.94	9.70	16.71	22.50	27.21
Audit & professional fees	1.90	3.25	2.77	2.04	1.60
Project contribution	1.07	0	0	6.19	4.03
Other expenses	22.77	36.98	52.28	54.53	60.16
Total Operating Expenses (F)	348.99	509.32	696.52	902.14	953.48
G Net Surplus/(Deficit) (E-F)	32.09	118.91	(61.66)	32.71	144.22

Source: Audit Report

Senior and Mid Level Professionals

Program

Coordinators

Sayed Ahamed Khan, Assistant Program Coordinator
Khondoker Moklasur Rahman, Assistant Program Coordinator
Abdur Razzak Chowdhury, Assistant Program Coordinator

Zonal Managers

Shaheenoor Islam Khan, Tangail	Shamim Kabir, Pabna
Arshad Alam, Gazipur	Abdus Salam, Comilla
Motaleb Hossain Miah, Chittagong	Mir Mukul Hossain, Mymensingh
Zafar Ahmed Jewel, Noakhali	Haroun Or Rashid, Jessore
Saidur Rahman, Dhaka Metropolitan	Reaz Uddin, Khulna
Mohsin Hossain Khan, Modhupur	Al Amin Khan, Narayangonj
Aminul Islam, Barisal	ABM Alauddin Ahmed, Faridpur
Rafiqul Islam, Rangpur	Samar Ali Fakir, Bogra
Liton Chandra Mohanta, Rajshahi	Kamruzzaman, Sylhet

Finance and Accounts

A.B.M. Aminul Karim Majumder, Assistant Finance Coordinator
Abdul Halim, Accounts Officer

Administration

Sarker Hirendra Chandra, Assistant Admin Coordinator

Human Resource Management (HRM)

Md. Ashraf Alam Khan, Personnel Officer

Internal Audit

Sajedul Hoque, Audit Officer
Tapas Kumar Shikder, Audit Officer

Training and Capacity Building

Md. Nazrul Islam, Assistant Training Coordinator

Monitoring and Reporting

Istak Ahammed, Monitoring & Reporting Officer

Foreign Remittance, Research and Publication

S M A Rakib, Remittance, Research & Publications Officer

Information Technology (IT)

Abdus Sabur, Assistant IT Officer

Public Relation

Md. Enamul Kabir, Office Manager

Disaster Management

S Z M Shahriar, Manager Disaster Management



BURO
Bangladesh

Head Office

House No. 12/A, Road No. 104, Block No. CEN(F), Gulshan - 2
Dhaka - 1212, Bangladesh
Tel: 880-2-9861202, 9884834, Fax: 880-2-9884832, 9858447
E-mail: buro@burobd.org, zakir@burobd.org, <http://www.burobd.org>