

Annual Report 2008

BURO *Bangladesh*

Provides Appropriate Financial
Services for the Low Income Clients

Content

Message from the CEO	03
Microfinance Scenario	04
Glimpsing the Institution	06
Institution	09
Highlights	09
What We Stand For	10
Our Values	11
Timeline	12
Recognition	13
Corporate Governance	14
Features of Financial Products	20
Moderate Poor Microfinance	24
Hardcore Poor Microfinance	28
Agriculture Financing	32
Micro Enterprise Financing	00
Micro Insurance	34
Remittance Services	00
Financial Ratio Analysis	36
Disaster Management	41
Human Resource Development (HRD)	44
Rural Water Supply	48
Audit Report	51
Five Years At a Glance	76
Governing Body and Operational Board of Directors	79
Senior and Mid Level Professionals	80

Message from CEO

This gives us immense pleasure in presenting our Annual Report 2008. Like the past few years, the current year also witnessed considerable expansion. Geographical outreach was increased to 48 districts covering 602,273 customers. We are serving them through 393 branches. We have decided to reach the customers level at one million at the end of 2009. The organization is running on commercial principle by borrowing loans from the commercial banks and other financial institutions at market rate and repaying the debt obligations timely when they are due.

It is heartening to note that we have embarked significantly in financing agriculture sector to augment food security and micro enterprise for employment generation. What is more, we are working with a commercial bank to promote foreign remittance services in the rural areas. Such collaboration with more commercial banks is in the offing. Other services of BURO Bangladesh include rural piped water supply to the community people, which is arsenic and iron free. Disaster assistance is provided to the affected populace.

We are earning modest profits and proved as a sustainable MFI for a long time. The quality of loan portfolio is formidably high with PAR>60 days being 2.47%. On Time loan recovery rate is 98.05%. Operational and financial self-sufficiency is 109% and 104% respectively. During the year our revolving loan fund increased by 63% while the loan portfolio increased by 64%. Savings portfolio increased by 38%. Customers outreach increased by 60%. Customers' savings constitutes 36% of loan outstanding.

We are delighted to mention that BURO Bangladesh was awarded second position in the NGO-MFI sector in 2007 by the Institute of Chartered Accountants of Bangladesh for best reports and accounts. We were also awarded second position by the South Asian Federation of Accountants (SAFA) in the same year. We also secured 20th position globally in terms of MIX performance evaluation. We have obtained license from MicroCredit Regulatory Authority (MRA) to operate microfinance legally in the country. We are gradually moving towards full automation whereby all of our branches will be entirely computerized. Currently 40 branches are under full automation.

We are indeed grateful to all of our important stakeholders that include banks, non-banks and other financial institutions for their support. We are greatly indebted to many donors that helped us in the past to work for poverty reduction.

Finally, we would like to thank our staffs who have contributed a lot to sustain the trend of program achievements. Candidly, we would be happy to have your good suggestions or criticisms for improving the performance of BURO Bangladesh.

Zakir Hossain
Executive Director

Dated: April, 2009

Microfinance Scenario

Trend in the Microfinance Industry

The country has about 140 million population. The population growth rate is 1.47%. About 77% population live in the rural areas; while 23% live in the urban areas. The economy of the country is dependent on traditional agriculture. About 45% of the total population are living below poverty line. Poverty is falling gradually.

As per CDF statistics 2007, 535 NGO-MFIs have about 14,937 branches employing 200,974 credit staff. All the 64 districts of the country are covered with microfinance. The reporting NGOs accounted for 23.95 million active clients. The net savings stood at BDT 24.64 billion. The loan portfolio was BDT 86.93 billion. Total revolving fund was BDT 84.22 billion. The major sources of financing include banks & financial institutions: 34.59%, PKSF: 16.18% and client savings: 26.84%. Microcredit contributed 25% to agriculture of GDP in 2007.

Formal Financial Sector has increased Access to MFIs

Commercial banks are now increasingly wholesaling funds to the NGOs. Currently banks and non-banks are financing microfinance programs. These banks include both private and public sector commercial banks including some foreign banks. PKSF is the largest wholesaling of microfinance in the industry that has so far funded about 215 NGOs. Stromme Foundation and Anukul Foundation of CARE Bangladesh are also providing loans to the NGO-MFIs. The banks are following a number of vehicles to provide finance that includes syndication, securitization, guarantee and direct lending. In financing the MFIs, the banks consider the equity position of the MFIs. Most MFIs have very little equity to qualify for required bank loan.

More MFIs Being Used as Remittance Channels

There has been a formidable innovation in the industry in channeling foreign remittances to the remote areas of the country. To make the money

transfer faster to the recipients, the branches of a few MFIs are being used by some banks with approval of the central bank. The banks include BRAC Bank, NCC Bank, Bank Asia and Citibank N.A. BURO Bangladesh has been appointed as an agent of Bank Asia Limited to channel foreign remittances by Western Union to any part of Bangladesh. Many MFIs have now been involved in remittance activity that include TMSS, BRAC's Microcredit Division, ASA, etc., among others.

Islamic Microfinance on Horizon

The Islamic Development Bank (IDB), Jeddah, Saudi Arabia is carrying out feasibilities in Bangladesh to promote Islamic microfinance based on Sharia. There are some small MFIs in the country that are implementing programs based on Sharia. Rural Development Scheme (RDS) of Islami Bank Bangladesh Limited is carrying on Islamic microfinance. There is a considerable potential of Islamic microfinance in Bangladesh. Many mainstream MFIs are keen to open windows to introduce Islamic microfinance to meet the needs of some clients. They, however, need technical assistance to equip themselves. About 30 senior managers of BURO Bangladesh were given training by a Sharia and banking expert to shed light on Islamic microfinance in 2008.

Update on Microfinance Regulation

The Microcredit Regulatory Authority Act, 2006 was passed in July 2006, which has come into effect from 27 August 2006. All NGOs must obtain license for micro-credit operations. The Authority has so far issued more than 400 licenses. The Authority is in the process of finalizing rules for the compliance of the microcredit NGOs. 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 MFI.

Glimpsing the Institution

Institution

BURO Bangladesh is a national 'not-for-profit' organization that was set up in 1990 with a view to working 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, particularly the women, who are regarded as its prime customers. To meet their ever-growing financial needs, it has launched six loan products, three savings products and one insurance scheme. In addition, it provides agriculture loans to small and marginal farmers and stepped up loans to the graduated clients called enterprise loan. The organization has also a disaster mitigation program for the affected people in the microfinance. It has been achieving milestones of success and eventually attained financial sustainability.

What is more, BURO Bangladesh 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 MFIs, and rural water supply, among others.

Customers

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

Very Poor/Extreme Poor

- owning less than 10 decimals of land
- annual income equal to or less than BDT 6,000 and having assets less than BDT 12,000
- age limit between 18-60 years

Moderate Poor

- owning less than 0.50 acres of land
- annual income equal to or less than BDT 18,000 and having assets less than BDT 100,000
- age limit between 18-60 years

Micro Entrepreneurs and Small & Marginal Farmers

- owning more than 0.50 acres of land

- annual income in the range of BDT 18,000 – BDT 60,000 and having assets in the range of BDT 100,000 – BDT 300,000
- age limit between 18-60 years

Legal Status

BURO Bangladesh is registered with:

- The Department of Social Welfare, No. TA. 0489 dated 9th April 1991.
- NGO Affairs Bureau No. 610 dated 19th March 1992.
- The Registrar of Joint Stock Companies & Firms, Bangladesh No. S-7026(214)/07 dated 6th 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 Association of Investors in the Social Economy (INAISE), France.
- International Network of Alternative Financial Institutions (INAFI), Bangladesh.
- MicroFinance Network, Mexico
- Campaign for Popular Education (CAMPE), Bangladesh.
- Self-help Promotion Network, Bangladesh.

Stakeholder 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 Annual Report distribution.

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 Bangladesh was originally conceived as a demonstration model, with the intention of achieving sustainability providing a range of high quality financial services. It has initiated an expansion program and it plans to raise the customers from current level of 602,273 to 1,000,000 in 2009.

Reaching increased Hardcore Poor

BURO Bangladesh has decided to work with hard-core poor in the *Monga* hit region of Northwest of Bangladesh and other parts of the country in a massive way. Meanwhile, it has developed experience of working with this segment.

Going Extensive Automation

The organization is contemplating full automation of its branches by 2013. In this context, steps have already been taken. Currently 40 branches have full automation. In 2009, a total of 190 branches will be under automation.

Strengthening Micro-enterprise (ME) Support

BURO Bangladesh is currently financing ME clients in a limited way. It believes that ME is an area where more investment should be forthcoming as this has good potential for employment and income generation. The organization will prioritise creating employment opportunities in the rural areas in non-conventional businesses.

Highlights

Professional Attainment

- Awarded second position in the NGO-MFI sector in 2007 by the Institute of Chartered Accountants of Bangladesh (ICAB) for Best Published Reports and Accounts.
- Awarded second position by the South Asian Federation of Accountants-SAFA in 2007.
- In MIX performance evaluation of 100 MFIs in the world, BURO Bangladesh occupies 20th position and second among MFIs from Bangladesh.

Legal and Compliance

- Paid off BDT 11 million as overall taxes in the National Exchequer.

Product and Services

- Some financial products redesigned.
- Working with hard-core poor in two branches with flexible approach.
- Introduced agriculture loan for small and marginal farmers.
- Reduced the rate of lending from the current level to be effective from January 2009.

Policy and Implementation

- A rigorous internal control system is in place.
- Strengthened channeling foreign remittance to the rural areas.
- Increased borrowing from commercial sources whereby 48% comes from commercial banks.

- All customers can withdraw all savings from the general account leaving BDT 10 only to keep the account active. No link with loan and savings.

Entered Loan Syndication by Banks

- Accessed financing through loan syndication for BDT 500 million.

Major Expansion in 2008

- Revolving loan fund increased by 63%.
- Loan portfolio increased by 64%.
- Savings portfolio increased by 38%.
- Customers outreach increased by 60%.

Operational Performance

- Operational self-sufficiency and financial self-sufficiency is 109% and 104% respectively.
- Portfolio at risk (>60 days) is 2.47% and 96.87% portfolio has no payments in arrears.
- On-time recovery (OTR) rate is 98.05%.
- Customers' savings constitutes 32% of total revolving loan fund.
- Operational expense ratio is falling and is now 16%.
- Cost per unit of money lent is BDT 0.07 revealing a low cost.

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 commercialization principle.

- Facilitate foreign remittance flow to the rural areas.
- Support emerging market segments like hard-core poor; small & micro enterprises; and small & marginal farmers.

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.

Our Values

Listening to Customers

- Respect the customers as valued clients.
- The program pivots on customers' choice.
- Change rules and regulations based on customers' liking and disliking.

Customers Empowerment

- Access to flexible and quality financial services for the poor.
- Money management capacity is enhanced through savings and loan activities.
- Stress on the financial assets increase of customers

Right to Access Information

- Customers have every right to tally the passbooks with branch level transactions.
- Customers have right to know what the organization is doing with their savings.

Financial Service is a Right of the Customers

- Customers need a safe place to keep savings.
- Customers have every right to withdraw savings whenever necessary.
- Customers have a right for credit for their development and raising income.

Features of Quality Financial Service

- Service that is provided timely.
- Service that is prompt and quick.

- Service that meets the customers' needs.
- Service that the customers can afford.

Financial Prudence

- Cost recovery principle is followed for service delivery to the customers.
- Capacity to mobilize funds from commercial sources or market.
- Capacity for financial management, audit and financial control.

Good Governance

- Strategic vision/mission: A long-term perspective about what is needed by the customers, 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 are answerable to the stakeholders and the organization.
- Compliance: Strictly follows the directives of Microcredit Regulatory Authority (MRA)

Social and Development Commitment

- Work with a social mission to contribute in poverty reduction.
- Pursue commercial objective to provide sustainable microfinance service.

Timeline

Year	Chronicle of Major Events
1990	The genesis of the organization is ingrained in the study conducted by USAID/PACT Inc. Initiated five “Model Branches of Sustainable Rural Financial Service” funded by USAID/ PACT Inc.
1991	Strengthened five “model branches” followed by two external evaluations.
1992	Research Department, Bangladesh Bank (Central Bank) conducted evaluation that found financial norms maintained to operate its financial services.
1993	An external evaluation by Donors looked into overall mandate of the organization, to accept the challenge for future replication of the model.
1994	Along with minimalist approach gave increased emphasis on social aspects and business skill development of the customers.
1995	An external Mid- term Review by Donors geared up further innovations. Made interventions in the flood prone areas, with the landless destitute.
1996	Intervened in social program with donor support for post disaster activities. Carried out strategic planning for complete withdrawal from donor’s support for its micro-finance program between 1997 and 2001.
1997	An operational research on “New Products” was commissioned. UN General Assembly recognized the role of BURO Bangladesh in 1997.
1998	A system was developed through “Group and Kendra Reformation” for sustaining microfinance program during and at post disaster period. Policy shift from donors grant to borrowed fund for microfinance operation.
1999	First microfinance capacity assessment was made by an overseas rating agency.
2000	Entered formal financial market for funding for micro-finance program. Reviewed Internal Control to strengthen MIS and FIS, among others.
2001	Product Development Review recognized the high quality set of financial services well adapted to the needs of the poor customer. Donors’ end-term review found the achievements of all targets set for 1997-01. Second Micro-Finance Rating Risk Assessment was conducted.
2002	Prepared first business plan (2003-07) for expansion microfinance. A strategic planning exercise was done for 2003-07 by a consortium of donors. A review of “Costing of Products” was conducted by external agency.
2003	Third Microfinance Rating - Risk Assessment was conducted by an agency. Microfinance model for the very poor in the rural areas was put into action.
2004	Microfinance model for the very poor the in urban areas was put into action. All-out efforts were taken to strengthen the Code of Corporate Governance.
2005	Geared up access to commercial banks, non-banks and international agencies.
2006	Chars Livelihood and food security program with an integrated approach began. Massive expansion of program adopted during the year. Automation of branches started.
2007	Introduced agriculture loans for small & marginal farmers. Reviewed current loan and savings products and brought about some changes. Entered the process of borrowing through ‘bank syndicate financing’.
2008	Foreign remittance service introduced for the rural people.

Recognition

CGAP/The World Bank Financial Transparency Award

BURO Bangladesh has been awarded Merit Recognition for its performance 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 countries, has awarded BURO Bangladesh the first position for the Best Presented Accounts in the category of NGO-MFI for the year 2005 as well as 2007.

ICAB National Award for Best Published Reports and Accounts

The Institute of Chartered Accountants of Bangladesh (ICAB) has awarded BURO Bangladesh for last four years consecutively for its best published Reports and Accounts for the financial year 2004 (2nd), 2005 (1st), 2006 (3rd) and 2007 (2nd). This is a notable national recognition to an NGO-MFI especially for its financial transparency.

Microfinance Information eXchange (MIX)

MIX is a non-profit private organization in Washington DC dedicated to reducing one of the key constraints of the microfinance industry. Improving financial transparency is critical to the development of the market for microfinance services. The MIX accomplishes this task through two primary services: the Mix Market and the MicroBanking Bulletin. In 2008, it carried out performance evaluation of 100 MFIs in the world where BURO Bangladesh secured top 20th position and second among MFIs from Bangladesh.

Credit and Development Form (CDF), Bangladesh

CDF is the national Network of MFIs in Bangladesh. It carries out a ranking of MFIs based on certain indicators viz. loan portfolio size, savings, client outreach, etc. in its annual published Microfinance Statistics where BURO was ranked as the 5th largest MFI in the country following BRAC, ASA, PROSHIKA and TMSS.

Corporate Governance

Constitutional Aspects

Governing Body and General Body

BURO Bangladesh strictly follows the 'Code of Corporate Governance for Bangladesh' prepared by the taskforce on corporate governance to develop corporate culture step by step. A seven-member Governing Body (Chairperson, Vice Chairperson, Finance Secretary and four Members) and a four-member Operational Board of Directors (Executive Director, Finance Director, Program Director and capacity building Deputy Director) are vested with the governance and the management of the organization. The Executive Director is not a member of the Governing Body but works as an ex-officio secretary. The Governing Body is elected bi-annually from a body of 15 general members, who come from different professions and arena viz. business, banking, law, academics, journalism, and social development.

Major Activities of Governing Body during the Year

In 2008, seven Governing Body meetings were held i.e. on 3rd January, 27th March, 25th June, 12th August, 19th August, 25th September and 24th December. The meetings provided guidelines and policy directions to the management. The meetings adopted a number of important decisions that include taking loans from the banks for microfinance operations, approved amendment of service rules, redesigned savings and credit products, customer security fund and reduced service charge on loan to be effective from January 2009.

Holding Annual General Meeting (AGM)

The 14th Annual General Meeting (AGM) was held on 10th July 2008. The AGM was attended by all the general members. It approved the annual report and the audit report of 2007, the budget and the program for 2008. The AGM also appointed the Auditor for 2008.

Policy and Functional Aspects

Policy and Procedures

In order to establish good governance in the organization, the organization gives significant importance on the implementation of various

rules and procedures that include (i) Rules of Business for Micro-finance and Micro-enterprise, (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 greater cohesion and integration towards achieving the goals 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) Committee for Building Construction, and (vii) Committee for Old Papers Disposal. All committees are approved by the governing body.

Programs Management

BURO Bangladesh operates through its branches in different places. A branch is managed by one Branch Manager, one Branch Organizer, one Accountant, and 6-8 Program Organizers (POs)/Assistant Program Organizer (APOs).

To develop smooth functional mechanism for program implementation, 70 area offices have been established at field level with an Area Manager for each area office. The key responsibility of the Area Manager is to monitor, supervise and facilitate 5-8 branch offices. Area Managers are supervised by Zonal Managers. One Zonal Manager supervises 4-6 Area Offices. The Area Manager and the Zonal Manager do not have any separate office but they sit in the offices of any Branch in a convenient location.

Staff Benefit Funds

The services 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 December 31, 2008 stood at BDT 90.01 million, which includes BDT 60.50 million as provident fund, BDT 13.52 million as gratuity, BDT 2.67 million as health fund, BDT 6.74 million as housing fund and BDT 6.58 million as staff family welfare fund.

Income Tax Return Submission

Submission of income tax return is mandatory under 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 subject to the relevant rules of taxation. The income tax assessment of the organization has been duly completed for the year. During the year, an amount of BDT 3.32 million has been paid to the national exchequer for income other than from microfinance. In addition, the organization paid BDT 7.69 million as VAT/taxes against non-financial development expenditure.

Internal Control System

To ensure transparency, efficiency and overall effectiveness, the organization pursues a rigorous internal control system. Most international standard norms and practices are also meticulously followed. These practices reflect the organization's institutional and managerial soundness. It has, of course, taken time to develop these systems. 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 branch budgets 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 per diem also exists continent-wise for all grades.

Payments/Advances

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

Monthly Program Coordination Meeting

Regular meetings are held at different levels to see if progress is being made as per plan. Monthly coordination meeting is held at the head office. All concerned officers of the respective departments, zonal managers and area managers attend the meeting. Two meetings are held every year at the head office with all branch managers. A zonal meeting is held once a year with all staff in the zone. Also, a monthly meeting is held in a branch, which is attended by the area managers. Quarterly meeting is held at zone level with all branch managers.

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 and that no cash remains at hand of the PO, the branch manager along with accountant and branch organizer conducts 100% checking of all clients' passbooks every quarter. Such checking is done in a Kendra/ Center four times a year. In case, any flaws or anomaly is detected afterwards, the respective PO would be solely responsible. The POs have to work to ensure transparent MIS that generates reports correctly. The accuracy of the reports generated by MIS is important for effective decision-making. Efforts are geared to ensure no discrepancy between the accounting information system (AIS) and clients' passbooks.

Monitoring and Supervision

The Branch Manager performs the program monitoring based on a yearly plan split into weeks whereby the manager visits the Kendra and verifies whether things are going as per plan. The Area Manager supervises 5-6 branches based on a yearly plan split into weekly programs. He too visits the Kendra and the group meetings. The Zonal Manager supervises 20-25 branches and also visits Kendra based on a yearly plan split into weeks. The Program Director, Finance Director and the Executive Director also undertake some routine visits to the fields.

Financial Control

Fund management is done effectively by internal audit and financial control. 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 the 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 department is staffed with an Audit Officer. A total of 18 audit staff work in the internal audit department who are based in the zonal offices. An internal auditor goes to a branch with a one-week visit plan along with a checklist to ensure the compliance of rules and regulations. The auditor examines different aspects on financial management, rules of business and accounts and administration. The auditor reports on 100% checking of loan portfolio. He 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, etc. Besides, he reports on fund management concerning cash and bank.

The audited 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 help the management in taking right decisions for modifying policies, systems and procedures.

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 by the General Body for a period of one year.

Standard Practices

BURO Bangladesh follows some of the internationally accepted reporting and prudential requirements – even though microfinance NGOs are not required to comply these. 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 29%.

Asset Management

Loans advanced to the customers make up the portfolio (about 87%) of the total assets and forms the biggest current asset. To determine the quality of loan portfolio, aging analysis is performed monthly. The year-end financial accounts of 2008 shows that the organization has achieved a first-rate portfolio indicating 96.87% of the portfolio with no payments in arrears.

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 staff and the customers.

Management

Human Resource Development (HRD) is well organized in a manner that provides clear guidance and support to operations 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 2.02%. 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 one year of the loan term.

Risk Management

The organization believes that perpetual dependence on grants for microfinance programs might eventually threaten the longevity of the organization. It is, therefore, pursuing a commercial principle and built adequate capacity to use commercial sources of funds. A disaster fund is being managed to combat external risks that may occur due to natural calamity like flood, cyclone, etc.

Features of Financial Products

Loan Products

BURO Bangladesh 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 the demand of its customers and specifically designed to assist their economic activities – they are market-led and customer responsive. As a result, BURO Bangladesh has many comparative advantages.

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

General Loan: The loan is intended to allow rural and urban poor households to finance their economic activities and build a strong capital base. General Loans are working capital loans given to poor and disadvantaged households. General Loans range from BDT 5,000 to BDT 45,000, 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 15 percent.

Micro-Enterprise Loan: BURO Bangladesh has developed 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 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 300,000, repayable within one-three years in 46-138 installments at an annual interest rate of 15 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 10,000 – BDT 50,000 are given for one year, depending on the activity, land-holding etc., repayable in 46 installments with an annual interest rate of 15 percent.

Hand Loan: The loan is intended to serve as a “social security net” and was designed implemented after the Customer Consultative Group Discussions and Client Satisfaction Surveys conducted by BURO Bangladesh. 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 (Eid, Puja, Christmas, marriages, etc.), health care and child education. The hand loan is a small loan of BDT 3,000, repayable within 3 months at an annual interest rate of 15 percent.

Disaster Loan: In extreme emergencies, such as cyclone and floods, BURO Bangladesh 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 3,000 – BDT

5,000 with an interest rate of 10 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 3,000 – BDT 10,000 repayable within a year with an interest rate of 15 percent.

Savings Products

All savings are payable to the customers on demand. Savings is not held as security for loan. Strong, 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 poor people, 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 2,000 at the *Kendra* (group) meeting in the village; and deposit any amount above BDT 2,000 at the branch;
- ii. Withdraw savings at any time on demand, and
- iii. Receive compounded interest at the rate of 4.5 percent per annum of their general savings account balance.

Regular Voluntary Savings: Poor people often value regular, 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 Bangladesh 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 to 8 percent.

Micro-Insurance Product

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

Remittance Services

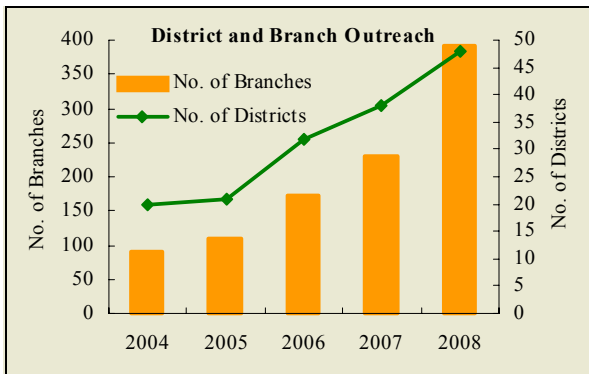
BURO Bangladesh has been selected by DFID and Bangladesh Bank to act as a channel to transfer fund to the recipients from the foreign remitters. The title of the project is "Capacity Building to Enable BURO to provide Remittance Services to Commercial Banks". The goal of the project is to establish BURO, in collaboration with the community, with a strong positive image among the most productive and efficient bridges between the commercial banks and community in remittance industry. The objective of the project is to enable BURO to deliver remittance delivery and remittance related services to commercial banks. The organization is planning to set up terminal facilities in 125 remote branches initially in order to channel remittance. The terminal facilities will have Electronic Funds Transfer Point-of-Sale and a computer package with internet connectivity.

The organization has also developed partnership relations with Bank Asia Limited and Western Union. BURO Bangladesh delivers remittances to its recipients as sub-agent of Bank Asia Limited.

Moderate Poor Microfinance

Geographical Coverage

As of December 31, 2008, BURO Bangladesh provided flexible financial services to 13,888 villages in 1,261 unions in 48 districts of all six divisions viz. Dhaka, Rajshahi, Chittagong, Barisal, Khulna and Sylhet. The year witnessed rapid expansion of branches to 393 from 230 in 2007 resulting in creation of 163 new branches.

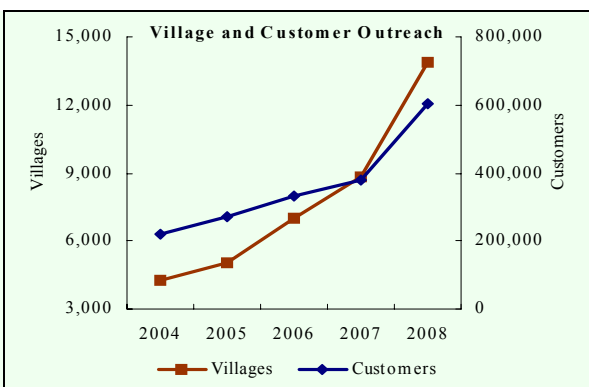


enable them to be self-reliant through increasing savings to build up their financial assets. BURO Bangladesh has two savings products for its customers that include general savings and regular voluntary savings. It maintains open access savings where there is no restriction in withdrawal. BURO's experience shows that voluntary and open access savings can mobilize more net savings

The number of branches are steadily growing over the years. But the real jump occurred since 2005 as massive program expansion plan was undertaken. The program was hugely diversified in more districts in 2008, where 163 new branches were set up indicating 71% expansion.

Customer Outreach

The number of active customers stood at 602,273 as on December 31, 2008 as against 376,710 in 2007. The net increase of customers during the year was 225,563, which is 60% higher than the preceding year. The women constitute more than 99% of the total customers. Customer dropout is common in the microfinance industry. They drop out for a variety of reasons that includes migration, business failure, and switching to other MFIs due to location convenience, etc. Dropout rate decreased to 5% from 6% in 2007.



than the compulsory locked in savings.

Savings Performance

As of December 31, 2008, the net savings balance was BDT 1,137 million as against BDT 822 million in the preceding year. Up to December 31, 2008, the customers had deposited a total of BDT 1,063 million and withdrawn BDT 748 million. The savings registered an increase of 38% during the year as opposed to 21% in 2007 indicating enormous growth in savings. This is due to the fact that savings products have been made more

Customers' growth shows a high increasing trend. The number of customers has grown from 376,710 in 2007 to 602,273 in 2008 registering 60% increase. The number of working villages also rose from 8,833 to 13,888 in 2008 effecting 57% increase.

Savings Services

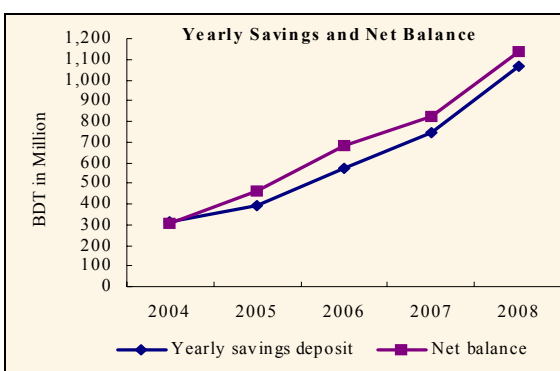
The objective of savings services is to provide a safe place for the rural and urban customers to

customer-friendly.

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 December 31

Year	Yearly		Net Balance	In-crease %	Average Savings per Customer BDT
	Deposits	With-drawals			
	Million BDT				
2004	316.28	231.61	308.30	38	1,393
2005	394.70	238.45	464.55	51	1,700
2006	574.35	359.88	679.02	46	2,049
2007	746.45	603.51	821.96	21	2,182
2008	1,063.38	748.02	1,137.32	38	1,888



Savings by Products

In 2008, the regular voluntary savings contributed to 62% of the total savings followed by 38% in general savings versus the corresponding savings of 66% and 34% respectively in 2007. Regular voluntary savings has emerged to be a popular product as it carries high interest. It is to be noted that the time savings have been closed in the year and all deposits along with interest were returned to the customers. The total savings breakdown is mapped out in table-2.

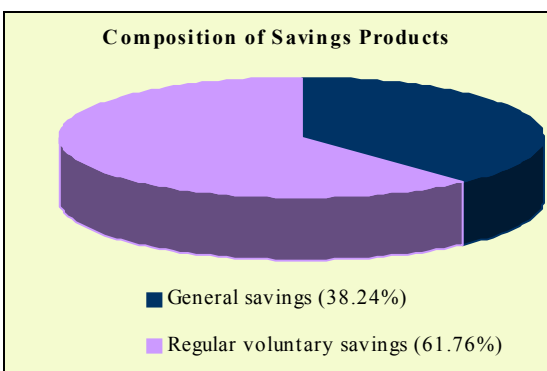


Table-2: Savings balance by product as on December 31

“Amount in Million BDT”

Products	2004	2005	2006	2007	2008
General Savings	100.28	153.69	234.80	281.38	434.92
Regular Voluntary Savings	201.79	306.52	439.75	539.58	702.39
Time Savings	6.23	4.34	4.47	1.00	0
Total	308.30	464.55	679.02	821.96	1,137.32

Loan Services

It has six loan products with interest rates within the band 10-15% that include general loan, micro-enterprise loan, agriculture loan, hand

Net savings balance is rising due to the provision of open access services. It is showing a steep rise from 2004 as number of customers increased significantly. The total savings increased from BDT 822 million in 2007 to BDT 1,137 million in 2008 exhibiting an increase of 38%.

loan, disaster loan, and water & sanitation loan. In addition to existing loan(s), the customers can have short-term loan for meeting any emergency needs. BURO Bangladesh also provides micro-enterprise and agriculture loan coupled with modicum business development support.

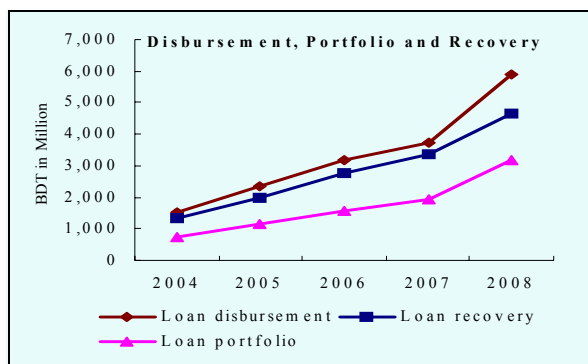
BURO’s experience indicates that the customers prefer flexible quality financial service. They want larger loans and business development support services (BDS). The organization continues to revamp its policies and plans to stay competitive in the industry.

In 2008, the regular voluntary savings occupies 61.76% and the general savings 38.24% share of total savings. Regular voluntary savings is attracting more customers as this product offers higher interest rates with varying time-periods suitable to the customers.

Loan Performance

Up to December 31, 2008, all branches have disbursed a total amount of BDT 20,062 million as against BDT 14,156 million in 2007 resulting in 42% increase. Of this, BDT 16,865 million has been recovered leaving the net outstanding loan balance at BDT 3,197 million.

size is showing a rising trend, which effectively indicates the demand for stepped up loans. The on-time loan recovery rate was 98.05% compared to 98.07% in 2007. The slight fall in the recovery is due to a setback in fund shortage for few months at the end of the year. The yearly and



Loan disbursement and recovery show symmetrical rising trend. The disbursement continues to increase every year. The disbursement was BDT 5,906 million in 2008 compared to BDT 3,752 million in 2007 showing a 57% rise.

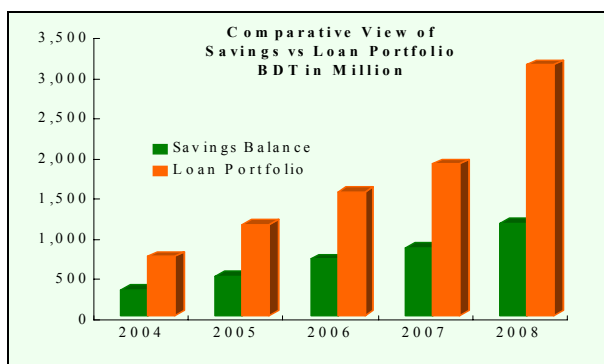
The loan portfolio also exhibits an upward trend. However, the rapid jump of portfolio was from BDT 1,944 million in 2007 to BDT 3,197 million in 2008 showcasing 64% increase.

The average loan size based on disbursement was BDT 9,035 as against BDT 8,416 in 2007. The

cumulative loan disbursement and loan outstanding positions are shown in table-3.

Table-3: Yearly loan disbursement and balance as on December 31

Year	Yearly Disbursement		Cumulative Disbursement		Outstanding Balance		Average Loan Size	
	Number of loans	Million BDT	Number of loans	Million BDT	Number of loans	Million BDT	On Yearly Disbursement	Outstanding Loan Balance
2004	279,893	1,528	880,341	4,855	199,822	751	5,459	3,756
2005	371,498	2,368	1,251,839	7,224	250,083	1,159	6,375	4,635
2006	428,566	3,180	1,680,405	10,404	306,313	1,565	7,421	5,109
2007	445,761	3,752	2,126,166	14,156	341,738	1,944	8,416	5,688
2008	653,672	5,906	2,779,838	20,062	530,102	3,197	9,035	6,031



Both savings and net loan portfolio are increasing over the years. However, the savings/loan outstanding ratio is falling in the recent years, which is 36% in 2008 relative to 42% in 2007. This is due to rapid growth in commercial borrowing.

Hardcore Poor Microfinance

Microfinance program for hardcore poor in the country is getting spotlight. Some robust interventions are progressing that includes Chars Livelihood Program (CLP), BRAC's Challenging the Frontiers of Poverty Reduction (CFPR), USAID/ CARE SHOUHARDO Program and programs run by PKSf for its partner organizations. The hardcore poor are mostly found dispersed unlike the mainstream microfinance programs. This leads to higher cost of administration as opposed to normal microfinance.

Hardcore Poor Microfinance Piloting

BURO Bangladesh piloted two projects viz. (i) Improved Living Standard of the Poorest of the Poor in Tangail rural area with the financial support from UNESCO/Stitching Gilles Foundation and (ii) Economic and Social Empowerment of the Hardcore Poor in Uttara, Dhaka urban area assisted by Stromme Foundation. The ultimate goal was assessing the viability of hardcore poor financing by providing certain financial and non financial services. This action research project indicates that the hardcore poor have a variety of needs. These include housing, health and nutrition, education for children, safe water and sanitation.

Two branches cover 4,803 customers and 4,227 borrowers. Urban customers include 3,102 and borrowers 2,845. On the other hand, rural customers include 1,701 and borrowers 1,382. BURO is having continued losses in both these two branches since inception. The current experience suggests that sustainability is pretty difficult in dealing with hardcore poor following traditional microcredit and borrowing fund at commercial rates. The bottom line in financing hardcore poor should be looked at more from societal point of view and with long term perspective. BURO finds the hardcore issue very challenging. The operation is very costly in view of small loan of absorption capacity and dispersed populace.

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

Table-4: Summarized balance sheet as on 31 December 2008

Particulars	"Amount in BDT"	
	Rural (Opened on Jul. 2002)	Urban (Opened on Jan. 2004)
Property & Assets		
Fixed Assets	38	36,879
Loans net of Loan Loss Reserve	4,943,984	11,195,022
Current Assets	113,700	35,800
Cash and Bank Balance	144,190	454,217
Total Assets	5,201,912	11,721,918
Fund and Liabilities		
Customers' Savings	3,565,211	5,034,647
BURO Bangladesh's Fund	1,592,060	295,771
UNESCO/Gilles Grants Fund	2,147,712	-
Borrowing from Stromme Foundation (SF)	-	7,000,000
Accumulated Profit/(Loss)	(2,103,071)	(1,615,500)
Grants Operating Expenses (SF)	-	1,007,000
Total Funds & Liabilities	5,201,912	11,721,918

Table-5: Summarized Income & Expenditure Statement for the year ended on 31 December 2008

Particulars	"Amount in BDT"	
	Rural (Opened on Jul. 2002)	Urban (Opened on Jan. 2004)
Income		
Interest on Loan	1,340,759	2,627,448
Other Income	80,250	169,541
Total Income	1,421,009	2,796,989
Expenditures		
Interest on Savings	210,736	172,561
Interest on Borrowings	481,049	495,738
Salary & Allowances	881,163	1,434,439
Rental Cost	-	177,000
Loan Loss Provision	125,000	275,000
Other Expenses	162,623	330,953
Total Expenditure	1,860,571	2,885,691
Net Profit/(Loss)	(439,562)	(88,702)

The current package of non-financial services in the Dhaka urban branch include child and adult education, health services, basic life management training for the customers, nutrition training, water & sanitation awareness

support. The performance of providing non-financial services with Stromme Foundation support in the last three years is exhibited in table-6:

Table-6: Performance of hardcore poor branches
“Figures in Quantity”

Non-financial services	2004	2005	2006	2007	2008
School					
- Children	750	750	1,250	1,250	1,250
- Adult	500	1,000	500	-	-
Health Service					
- Counseling	230	1,151	734	685	1,450
- Referral services	6	86	31	31	35
Nutrition Awareness	500	1,481	817	1,251	3,280
Water & Sanitation					
- Posters produced	2,000	4,500	3,000	358	459
- Awareness	548	1,100	1,650	624	985
- Free distribution of tube-well	-	5	-	-	-

Food Security Program (SHOUHARDO)

The program is designed for the *char* hardcore poor people. Despite the fact that some gains have been achieved during the last decade in food security and recent pronouncements in food grain self-sufficiency, the imbalance between rise in population and food production together with other factors, such as, declining employment opportunity in non-farm sector in rural areas etc. has created tremendous pressure on agriculture.

Food security in Bangladesh, though agriculture is the supplier of food and fundamental to all occupations, is still in critical stages in its cycle: availability, accessibility and utilization, due to natural shocks, economic, social, health, and governance related issues. Chronic vulnerability to food insecurity can be increased through economic entitlement failure, social exploitation and discrimination backed by the influence of political power.

BURO Bangladesh is a partner of SHOUHARDO (Strengthened Household Abilities to Respond to Development Opportunities) Program of CARE Bangladesh funded by USAID to promote food security of

vulnerable households in Bangladesh. The objectives of the program are:

- Improved availability and economic access to food for targeted vulnerable households through strengthening livelihoods, securing entitlements and enhancing accountability of service providers.
- Sustainable improvement in the health and nutrition of project participants.
- Enhanced empowerment of women and girls from targeted vulnerable households.
- Targeted communities and institutions are better able to prepare for, mitigate and respond to natural disasters.
- Encouraged the participation of community stakeholders and community target groups in different disciplines that affect food security issue of the target groups.

SHOUHARDO program is being carried out by BURO Bangladesh in Tangail district. The area of operations covers 68 villages in 17 unions in four upazilas (sub-districts). The total beneficiaries include 19,097 very poor households. The program is being implemented with 46 staff and 182 volunteers. The program has five components that include capacity building of village development center (VDC), income generation activities, agriculture technology development, health & nutrition activities and humanitarian assistance. The performance of BURO Bangladesh in the program is shown in table-7.

Table-7: Performance of the SHOUHARDO Project

SHOUHARDO Project: Basic Information	Coverage
District	Tangail
Number of Upazilla	4
Number of Union	17
Number of Villages	68
Beneficiary Households	19,097
Staffs	46
Volunteers	182

SHOUHARDO Project Components	2006		2007		2008	
	Client Coverage	BDT Million	Client Coverage	BDT Million	Client Coverage	BDT Million
Capacity Building of Village Development Centre (VDC)	7,561	0.30	7,765	0.35	2,336	0.37
Income Generation Activities	2,156	8.37	4,062	13.60	2,959	5.67
Agriculture Technology Development	10,738	1.50	15,748	3.77	3,503	3.08
Health & Nutrition Activities	536	0.44	3,402	18.65	3,202	16.14
Humanitarian Assistance	4,623	2.88	7,408	3.07	19,934	2.56
Total		13.49		39.44		27.81

Agriculture Financing

Agriculture Financing

BURO Bangladesh has taken a policy to finance farming activities in a massive way. The objective is to boost agriculture production for fostering food security in the country. The organization has opened a new window for financing the small and marginal farmers. Small and marginal farmers constitute more than 50% of the total farmers. They are a segment, who finds it still difficult to access either MFI or bank financing. The lenders consider it as highly risk-prone area. Increased financing in this sector will help augment agriculture production and generate more seasonal employment.

The organization has provided the farmers with various training to build their capacity to raise crop production. The training were given on a number of issues that will enhance the livelihoods of the clients. These include basic training for the customers on land practices, training on crop diversification, pest control, irrigation and modern technology dissemination for land cultivation.

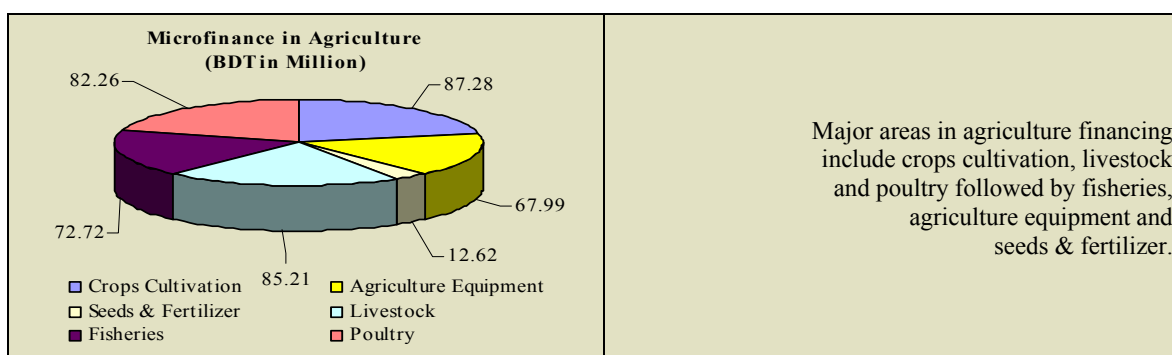
Over the period, BURO Bangladesh has built its training capacity, gradually developed into specialized training service providing organization at home and abroad. The training to the customers are now given by the organization on a number of issues that influence the lives of the beneficiaries.

The organization since its inception has been engaged in providing microfinance services to the customers of the organization spread over in different regions of the country. The microfinance services limits itself to conducting skill development training to the customers of the organization, and maintaining smooth provision of capital and technology supply to the customers to facilitate their economic activities.

An amount of BDT 408.08 million was disbursed to 31,603 small and marginal farmers. The sub-sectors include crops cultivation, agriculture equipment, seeds & fertilizer, livestock, fisheries and poultry. The rate of loan recovery was 100%. The details of loan disbursement are given in table-8.

Table-8: Sub-sectors in agriculture financing in 2008

Agriculture Loan	No. of Clients	BDT in Million
Crops Cultivation	8,472	87.28
Agriculture Equipment	4,617	67.99
Seeds & Fertilizer	714	12.62
Livestock	6,757	85.21
Fisheries	5,189	72.72
Poultry	5,854	82.26
Total	31,603	408.08



Micro Enterprise Financing

Micro Enterprise Financing

The micro-enterprise (ME) development is being recognized by BURO as an important means of economic empowerment of the poor. Micro-enterprise financing is taking off as an important financial activity of many MFIs in the country. Many studies show that there has been a growing demand for micro enterprise loans among microcredit borrowers. There are several reasons for this increase:

- MFIs generally provide small initial loan amounts; this indeed limits opportunities to generate income and employment;
- As borrowers gradually learn how to manage larger loans they wish to initiate new or multiple IGAs that require 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 form another group of potential customers who seek larger loans to support the growing needs of capital.

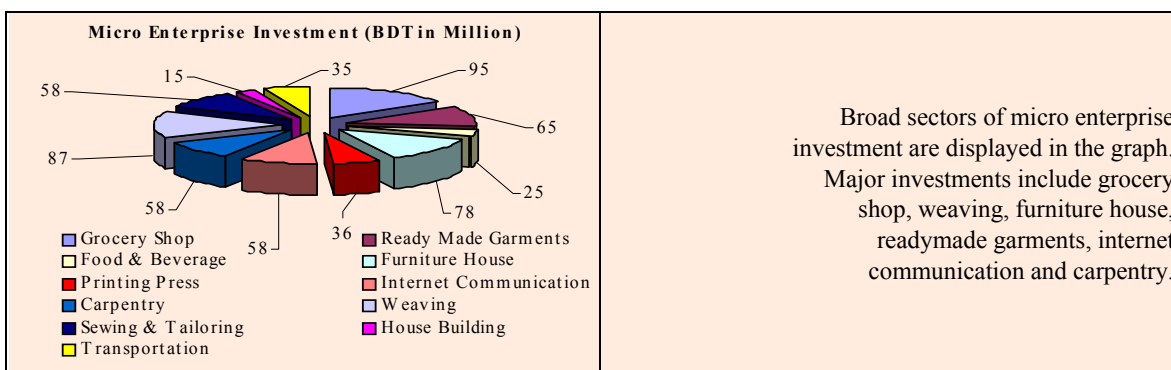
Apart from financing, the organization also provides limited Business Development Services (BDS) support to the entrepreneurs.

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.

During 2008, an amount of BDT 610 million was disbursed to 5,444 borrowers. The loan outstanding at the end of the year was BDT 101 million. The sub-sectors include grocery, ready made garments, food & beverage, furniture house, printing press, communication, carpentry, weaving, etc. The rate of loan recovery was 100%. The details of loan disbursement are shown in table-9.

Table-9: Sub-sectors in micro-enterprise financing in 2008

Micro Enterprise	No. of Clients	BDT in Million
Grocery Shop	1,505	95
Ready Made Garments	825	65
Food & Beverage	198	25
Furniture House	194	78
Printing Press	28	36
Communication	158	58
Carpentry	552	58
Weaving	789	87
Sewing & Tailoring	685	58
House Building	158	15
Transportation	352	35
Total	5,444	610



Micro-Insurance

BURO Bangladesh's micro-insurance has been introduced as a mechanism for reducing the vulnerability of the customers of the organization. Three types of customers, viz. the very poor, poor and micro-entrepreneurs and small & marginal farmers are covered. It secures their households against those risks that they are unable to protect themselves through informal mechanisms like savings or credit.

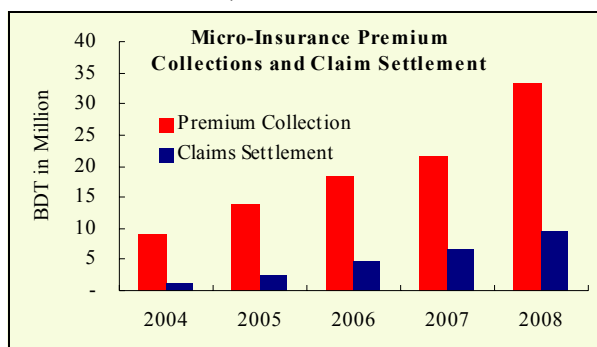
The poor and micro-entrepreneurs and small & marginal farmers customers have to pay premium of BDT 50 to BDT 200, while the very poor customers are required to pay BDT 30. The premiums are one-time payment in a year. The insurance yields three benefits after the death of the customer. First, cash benefits will be 100

registers and *Kendra* house repairing/renovations, etc. The details are exhibited in table-10.

Table-10: Yearly premium collection and claims settlement

“Amount in Million BDT”

Year	Premium Collection		Claims Settlement		Kendra Expenditure BDT
	Nos.	BDT	Nos.	BDT	
2004	161,917	9.16	199	1.12	0.91
2005	233,492	13.83	547	2.44	6.55
2006	290,374	18.20	1,267	4.93	7.31
2007	331,458	21.55	1,593	6.67	10.05
2008	537,850	33.48	2,367	9.71	36.92



Premium collection and claims settlement figures have registered a rising trend. The claims settlement against premium collection is also up-going. So far, 6,041 claims were settled.

times of the premium chosen. Secondly, the entire outstanding loan of the clients will be waived and thirdly, after the death of the principal loan guarantor, the family of the guarantor will also receive half of the cash benefits.

During the year, 537,850 insurance holders were registered against 331,458 in 2007 resulting in 62% increase. Premiums were collected to the tune of BDT 34 million compared to BDT 22 million in 2007 showing 55% rise. During the year, 2,367 claims were settled amounting BDT 9.71 million compared to 1,593 claims in the preceding year involving BDT 6.67 million. The portion of this insurance fund is used in the development of *Kendra*/Centre. So far, BDT 36.92 million was spent for the development of *Kendra* activities, which is 3.68 times higher than the preceding year. The *Kendra* activities include buying sitting mats, signboards, attendance

Micro Insurance Pilot Project- MIME

INAFI Bangladesh and Stromme Foundation have taken an initiative for establishing a social security project named Micro Insurance of Mutual Entity (MIME) under INAFI Bangladesh (Lead Agency of MIME). An appraisal was carried out in November 26, 2006 to understand the opportunity and risk of micro insurance in Bangladesh, which gave an insight about the need of the poor and ultra poor people (including and excluding microfinance clients). The project has been financed by Oxfam Novib and Rabobank Foundation in 2006. MIME started its operation as a pilot project in 2007 and will continue as a pilot project until 2010. The main objective of MIME is to provide microinsurance services to the poor and very poor people reducing the vulnerability on a mutuality basis. A total of 11 MFIs are now the partners of the project that includes also BURO

Bangladesh. All these MFIs have covered about 30,000 insurance clients in 2008.

Two products are being offered to the clients. These include (i) simple term life insurance and (ii) term life insurance. The simple life provides two types of benefits viz. (a) policy benefits are given to the nominee of the client, (b) policy benefits are given to the husband or the guardian of the client. The client deposits BDT 10 per month until the age of 60 years. In the second product, the client deposits 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. Here the policy benefits are given to the nominee.

BURO is piloting this project in its three branches. A total of 2,015 clients have been enrolled in 2008. Of them, 1,602 (80%) have chosen life term policy while 413 (20%) have bought simple term policy. There is no compulsion to the members. However, education and awareness on formal life

insurance is given to them. A total of BDT 633,280 has been collected as premiums. Claim settlement was done for one client in Gazipur Branch who paid a total of BDT 50 @ BDT 5 per month for 5 months. The nominee got BDT 1,935. The performance of MIME project in respect of BURO Bangladesh branches are shown in table- 11.

Table-11: Performance of MIME piloting in 2008

Branch	Total Customers	Term Life Insurance		Simple Term Life Insurance	
		Policy-holders	Premium (BDT)	Policy-holders	Premium (BDT)
Azampur	3,012	354	195,850	-	-
Savar	3,795	678	235,870	142	7,975
Gazipur	3,482	570	180,080	271	13,505
Total	10,289	1,602	611,800	413	21,480

Remittance Services

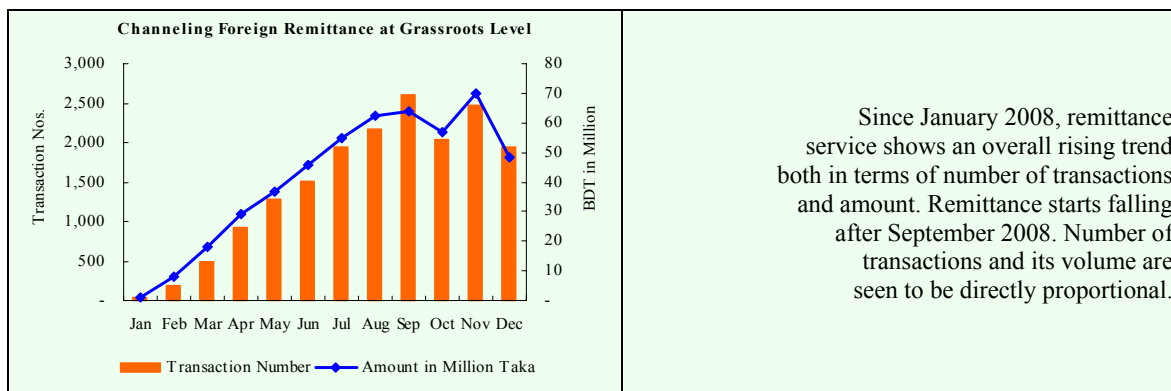
Remittance Services

Remittance program is aimed at channeling foreign earnings of Bangladeshi expatriates who have been working abroad and sending their earnings to their relatives at home. The traditional process that is being followed is the informal *hundi* system which causes huge mental tensions, even causing financial losses to the remitters. The formal financial institutions have entered 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 Bangladesh has been selected by DFID and Bangladesh Bank (Central Bank) to act as a channel to transfer fund to the recipients from the foreign remitters. The title of the project is “Capacity Building to Enable BURO to provide Remittance Services to Commercial Banks”. The goal of the project is to establish BURO, in collaboration with the community, with a strong positive image among the most productive and

efficient bridges between the commercial banks and community in remittance industry. The objective of the project is to enable BURO to deliver remittance delivery and remittance related services to commercial banks. The organization is planning to set up terminal facilities in 125 remote branches initially in order to channel remittance. The terminal facilities will have Electronic Funds Transfer Point-of-Sale and a computer package with internet connectivity.

The organization has developed partnership relations with Bank Asia Limited and Western Union. It has started remittance operations since January 2008. Until December 2008, a total of 17,602 customers were served. The transacted volume of transfer amounted to BDT 495 million (US\$ 7.28 million). The organization has set up a remittance service department staffed with four officials. They work closely with the banks and various branches of the BURO Bangladesh. In the branches, the Manager and Accountant handle this remittance function. They have been provided necessary training in this regard.



Since January 2008, remittance service shows an overall rising trend both in terms of number of transactions and amount. Remittance starts falling after September 2008. Number of transactions and its volume are seen to be directly proportional.

Financial Ratio Analysis

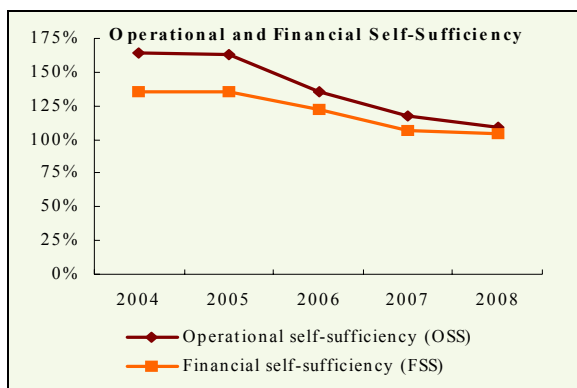
Sustainability and Profitability

BURO Bangladesh has been operating as a profitable and sustainable organization since 1998. During the year, the organization has achieved 109% operational self-sufficiency (OSS). Last years' self-sufficiency (OSS) was 118%. The financial self-sufficiency (FSS) attained in the year was 104% as opposed to 107% in 2007. The fall has occurred due to significant increase of financial cost for commercial borrowing and increase of operational cost aimed at substantial expansion. The full potentials of the investment could not be reaped in the year. The picture, however, will bounce next year.

The resultant fall in the profitability and sustainability has occurred due to rapid microfinance program expansion in 163 new branches, while required fund could not be disbursed in the field. These involved significant cost in hiring staff, providing training, meeting branch establishment cost and organizing customer groups in the field.

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 has been maintaining a high quality portfolio of loans. The on-time loan recovery rate in 2008 was

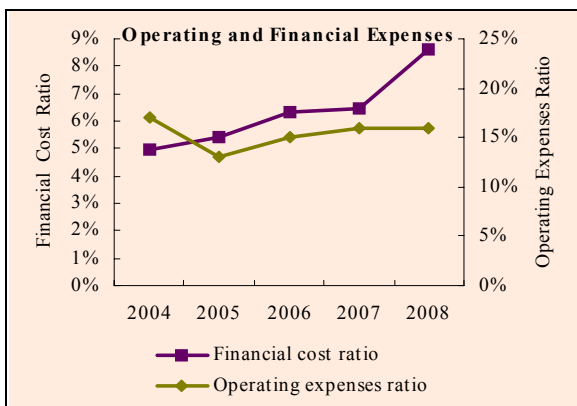


For operational self-sufficiency (OSS) and financial self-sufficiency (FSS), 100% is ideal for both the cases. Higher the ratio away from the ideal figure, the better is its performance. Due to rapid expansion and increased operational and financial costs since 2006, the OSS and FSS figures show a slightly falling trend. During the year, OSS has decreased to 109% from 118% in 2007, while FSS has decreased to 104% from 107% in 2007.

Net profit of BDT 47 million has been posted in 2008 compared to BDT 57 million in 2007. The net profit has dipped by 18% over the preceding year. The fall in the net profit has slightly affected all profitability ratios. The return on equity (ROE) has stood at 7% compared to 9% in 2007. The return on performing assets was 28% which however did not change.

registered at 98.05% versus 98.07% in 2007.

As on December 31, 2008, 96.87% of the portfolio has no payments in arrears at all, 1.26% is in arrears by 1-25 weeks and 1.87% by more than 26 weeks. Portfolio at risk (>60 days) was at 2.47% at the end of 2008, compared to 2.89% in 2007. Loan loss reserve ratio was figured out at 2.02% compared to 2.54% in the



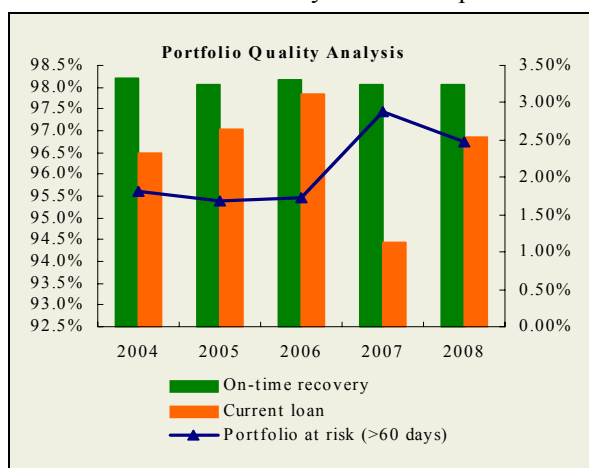
Financial cost ratio shows a rising trend due to increased commercial borrowing as well as customers' increased savings. The overall ratio was 8.58% in 2008 compared to 6.46% in 2007.

On average operating cost is 15.4% during the last five years. The cost has fallen since 2004 and is stable over the years.

preceding year. The reserve contains adequate fund to absorb potential risks or capital losses. Loan write-off was made by 0.60% compared to

Leverage Ratio

In the financial market, equity is considered as a base for commercial borrowing. Before an MFI



On-time loan recovery rate is still splendid. The rate is always well above 98%, which is a commonly understood benchmark. It was 98.05% in 2008 compared to 98.07% in 2007.

In 2008, 96.87% of the current loans had no arrears compared to 94.43% in 2007. The situation has much improved. During the last five years, an average 96.53% current loans had no arrears.

Portfolio at risk (PAR > 60 days) is gradually rising over the years but is not to cause any concern. The average PAR during the five years was 2.12%, which is remarkably low reflecting high quality of portfolio. PAR should be less than 5% as per standard practice. In 2008, PAR was 2.47% compared to 2.89% in 2007 indicating improvement.

0.33% in 2007. Efforts to collect bad loans continued during the year. As per policy, the loan loss reserve requirement has been worked out at BDT 58 million while provision has been made at BDT 64 million. The ageing of portfolio is shown in table-12.

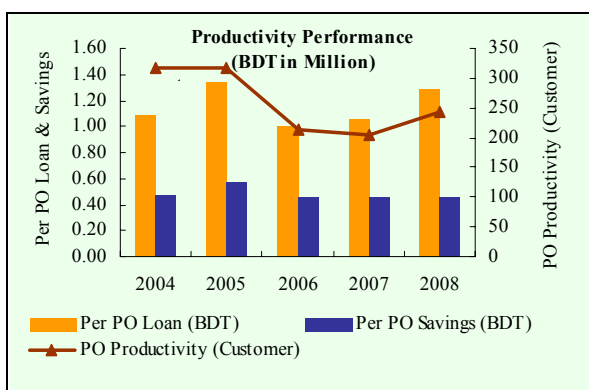
Table-12: Ageing of Portfolio as on December 31, 2008

#	Number of payments in arrears by weeks	Ageing of portfolio		
		%	No. of Loans	BDT in Million
1	Current loan	96.87	508,477	3,096.97
2	1-4 payment past due	0.37	2,062	11.93
3	5-8 payment past due	0.28	1,514	9.05
4	9-16 payment past due	0.36	1,742	11.41
5	17-25 payment past due	0.25	1,291	7.86
6	26-50 payment past due	0.21	1,194	6.55
7	>50 payment past due	1.66	13,822	53.18
Total		100	530,102	3,196.95

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). Leverage refers to the borrowed fund of an MFI relative to its equity. In 2008, the debt-equity ratio has been figured out at 71:29. Besides, the equity to total assets (capital adequacy) was at 19% and Debt Service Coverage Ratio was 1.18 times. The ratios are favorable enough to encourage the lenders and the savers to have ample confidence in the BURO Bangladesh.

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

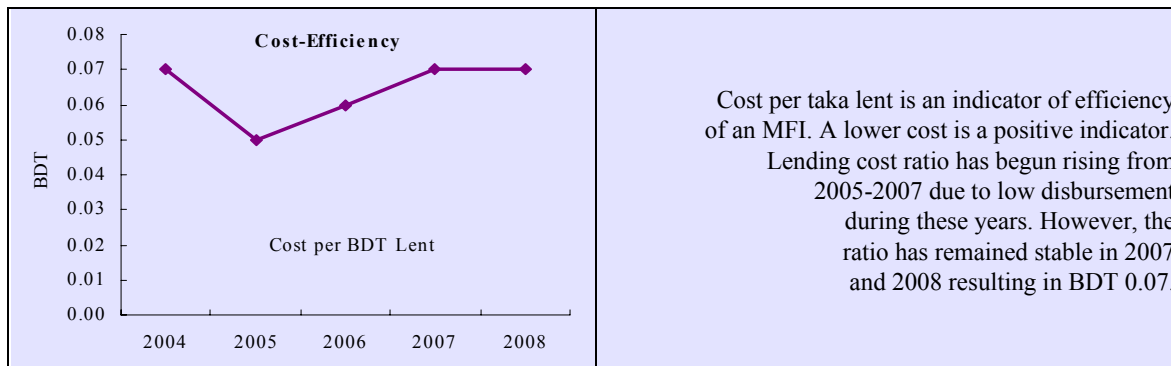


PO productivity in terms of customer handling shows a bit rising and falling trend over the years. The main reason of low productivity in 2006 and 2007 was due to hiring more staffs during expansion, while the target customers could not be enrolled.

However, the productivity has risen to 242 in 2008 from 206 in 2007. The savings and loan handling were also affected due to the aforesaid reason.

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.

average performance of a typical Loan Officer in the industry. The loan outstanding per PO has risen to BDT 1,282,886 in 2008 from BDT 1,062,208 in 2007. The savings balance per PO



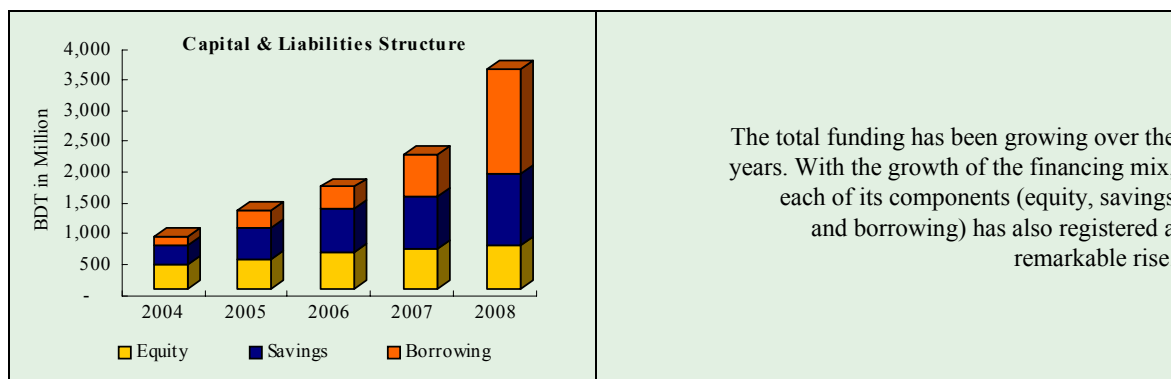
Cost per taka lent is an indicator of efficiency of an MFI. A lower cost is a positive indicator. Lending cost ratio has begun rising from 2005-2007 due to low disbursement during these years. However, the ratio has remained stable in 2007 and 2008 resulting in BDT 0.07.

The operating cost ratio, a measure of efficiency has not increased in 2008. It has remained stable at 16% as in 2007. Like-wise, the cost per unit of money lent has also remained stable at BDT 0.07 as in 2007. The financial cost ratio increased to 8.58% in 2008, compared to 6.46% in the preceding year. The increase has been largely due to payment of more interest on the increased volume of savings and commercial borrowing capital.

has fallen slightly to BDT 463,605 from BDT 467,450 in 2007.

Financing Mix

The overall capital has been growing steadily in the last couple of years with the infusion of borrowed funds, client savings and retained earnings. The financial resources deployed stood at BDT 3,576.39 million as opposed to BDT 2,187.55 million in 2007 showing a significant



The total funding has been growing over the years. With the growth of the financing mix, each of its components (equity, savings and borrowing) has also registered a remarkable rise.

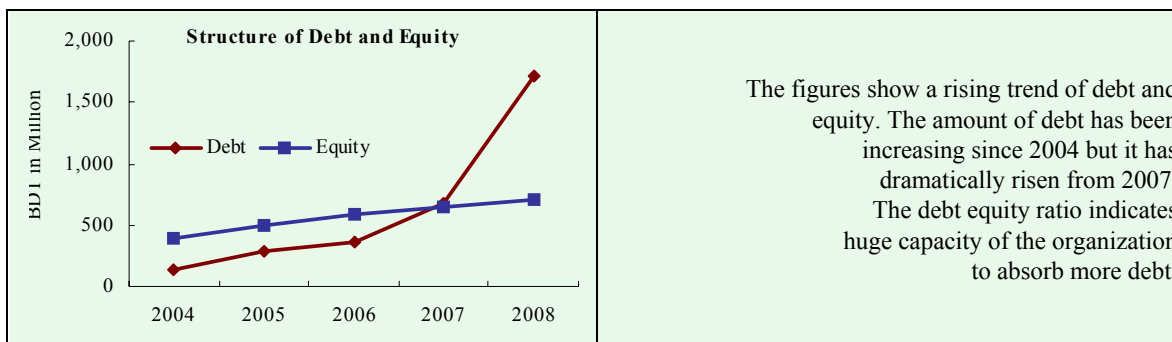
The customer/Program Organizer (Loan Officer) ratio has remarkably gone up to 242 in 2008 from 206 in 2007. It is due to the fact that more customers were enrolled during the year. Unlike most MF-NGOs, a Program Organizer (PO) of the organization performs more than three types of financial transactions with a single customer. Thus this performance clearly outstripped the

increase of 63%. Of the total resources employed 20% is contributed by equity/own fund, 32% by commercial borrowing and 48% by customers' savings. The commercial borrowing has increased to 48% from 31% in 2007. The average revolving loan fund (RLF) was used 2.05 times in 2008. The details of financing mix are shown in table-13.

Table-13: Yearly RLF as on December 31

“Amount in Million BDT”

Financial Resources Employed in RLF	2006		2007		2008	
	Taka	%	Taka	%	Taka	%
Equity/Net Worth	590.50	35%	652.44	30%	705.46	20%
Client Savings	709.57	43%	855.43	39%	1,155.31	32%
Commercial Borrowing	357.31	22%	679.68	31%	1,715.62	48%
Total	1,657.38	100%	2,187.55	100%	3,576.39	100%
Growth rate	31%		32%		63%	



Asset Composition

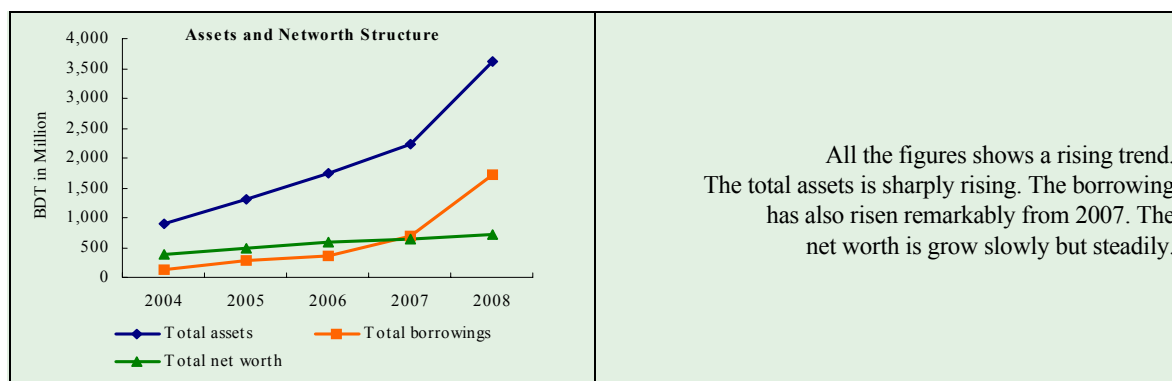
The asset structure shows that in 2008, 87% of the total assets was held in terms of loan portfolio compared to 85% in 2007. The fixed assets amounted to 3% as against 4% in the preceding year. The nature of fixed assets mostly included purchased plots of lands for

office premises for head office and some branch offices. The long-term investments stood at 5% as against 3% in 2007. The cash and bank balance was 3% as against 6% in 2007, while other current assets remained at 2% like that of 2007. The details are shown in table-14.

Table-14: Asset composition as on December 31

“Amount in Million BDT”

Assets Composition	2006		2007		2008	
	Taka	%	Taka	%	Taka	%
Fixed assets net of depreciation	76.08	4%	88.20	4%	124.58	3%
Loan portfolio net of loan loss reserve	1,541.70	89%	1,894.43	85%	3,132.51	87%
Investment	60.01	3%	69.46	3%	169.36	5%
Other current assets	32.67	2%	50.14	2%	68.26	2%
Cash and bank balance	27.32	2%	123.35	6%	124.76	3%
Total	1,737.78	100%	2,225.57	100%	3,619.48	100%
Growth rate	32%		28%		63%	



Disaster Management

Bangladesh is a disaster prone country. People become victims of cyclone, tornadoes and flood almost every year, which worsen their poverty. Disaster management is therefore one of the vital programs of BURO Bangladesh. 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 technical assistance from the organization.

Capability Functioning: The genesis of effective disaster management lies in exploring maximum utilization of capability functioning of disaster-affected victims. The infusion of knowledge from the external environment 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 transformation into human capital. Disaster management is intended to reduce economic erosion of the customers through providing two services. First, the disaster preparedness service by, and second, disaster response from the disaster affected people. Human capital at the state, community and family level are the most essential entities to transform the technological and capital assistance into building 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 Bangladesh 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 maxim in disaster management by the organization.

Shared Sense of Ownership Feeling: Maximum utility in disaster management can be achieved through intermingling community people and local government, which will also avoid wastage of resources. Union Parishad, one of the local government tiers is the centripetal force for the community elite who represent different institutions followed by the community people in general, as such to proliferate 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 NGOs about the means to abate the miseries themselves during disaster. Strive for greater reliance within the limited resources is encouraging and just requires to fuel constantly to reduce their disaster losses.

Cooperation and Coordination: Sensitizing the issue at the 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 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 significant public awareness raising through education 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 has been 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 Bangladesh comes forward to the aid of its affected customers. In this context, BURO Bangladesh 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 provided grants of BDT 30.27 million, so far, which now stands at BDT 59.04 million resulting in an increase of 95%.

Rehabilitation Assistance to the Flood Victims

BURO Bangladesh worked in 6 unions of Tangail district with support from SDC. Besides it worked in 2 unions of Munshiganj district with support from Stromme Foundation. With their support, the following activities were accomplished.

- constructed 928 low cost houses.
- Installed 1,200 slab latrines.
- Installed 250 new tube-wells.
- agriculture rehabilitation of 600 families.

Output of Disaster Management Program

Over the period, the disaster program has emerged as an integral entity of the organization in its poverty reduction for the hardcore poor, poor and vulnerable non-poor. BURO Bangladesh 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 Bangladesh.
- Rehabilitation support e.g. new house building/repair, road construction/repair, ground raising 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)

The objective of human resource development is to orient, train and develop the employees of the organization by improving the skills, knowledge, abilities and competencies. The objective is also to maximize the return on investment from the organization's human capital. In fact, it aims to improve the productive contribution of individuals while simultaneously attempting to attain other societal and individual employee objectives. BURO Bangladesh has taken major initiatives since 1995 in regard to 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 will eventually lower the costs of the services to the organization.

The organization organizes training both for its customers and staff. Staff training is very rigorous that is used to build their professional capacity. Capacity building enhanced 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: loan portfolio management improvement, loan balancing, consolidation of on-time recovery, aging of overdue, monitoring tools development, MIS tracking, product costing, etc.

Customer Development Training

The customers are involved in many income generation activities in the field of microfinance and enterprise. BURO Bangladesh believes that the customers should be provided with some training to enhance their capacity and skill to boost their income. The following training are provided to customers.

Basic Life Management (BLM)

The BLM training is imparted when the customers meet regularly to carry out 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.

Enterprise Development Training

The micro-enterprise development initiatives are considered as an important means of economic empowerment. It provides financial and technical assistance services to its entrepreneurial clients that include a series of training courses for them e.g. new business creation, quality product development, simple book-keeping and accounting, business planning and management, trade based skill development, etc.

Annual Kendra Chief Workshop

To continue information and experience sharing at regular intervals among the Kendra Chiefs, The organization has initiated an annual Kendra Chief Workshop in 1992. This type of workshop enables experience sharing among all the Kendra Chiefs of a particular branch that results into more productive program management.

Staff Development Training

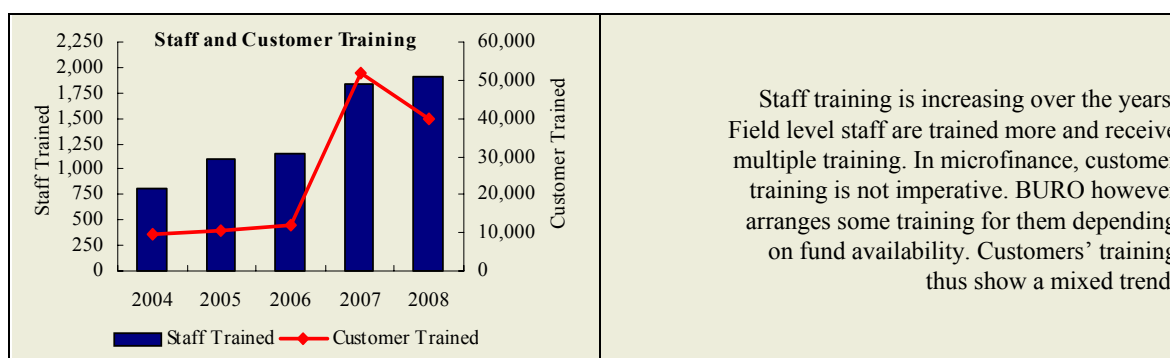
The staff training program has produced clear impact in improving the professional capacity of staff, particularly the operational staff. BURO Bangladesh has decentralized its functions, authority and responsibility down to the branches. It is now fairly satisfied with the managerial and operational skills of the branch managers, which outperform 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 staff are provided with a 12-day foundation training that

gives an overview of BURO Bangladesh and its operations.

of training and the incurred costs during the last two years appear in table-15.



Staff training is increasing over the years. Field level staff are trained more and receive multiple training. In microfinance, customer training is not imperative. BURO however arranges some training for them depending on fund availability. Customers' training thus show a mixed trend.

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 Program

The program is a major priority for the organization to support the objective to create and develop awareness, capacity and skills in order to enable managers to think, analyze and act positively.

HRD Impacted Positively

The organization gives stress on the development of efficiency of staff 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 considerably and this has resulted in scaling up efficiency of operations.

HRD Performance

During the year, 1,909 staff received training (both internal and external) as against 1,836 in 2007 indicating a 4% increase. On the other hand, 39,794 customers were trained as against 51,887 in 2007 resulting in 23% decrease. These training were, however, organized as per target and needs of the customers. The detail statistics

Table-15: HRD recipients: participants and costs as on December 31

Particulars	Participants			Cost (BDT Million)		
	2006	2007	2008	2006	2007	2008
Internal Staff Training						
Foundation	681	609	1,421	3.09	3.08	4.02
On-the-Job	-	25	260	-	0.02	0.46
Refresher	142	832	180	0.75	2.65	0.46
Development	269	352	48	1.11	0.90	9.24
External Staff Training						
MDP	53	18	-	2.38	1.35	-
Sub-Total	1,145	1,836	1,909	7.33	8.00	14.18
Customers Training						
Annual Workshop	12,025	12,200	15,250	3.88	4.00	4.25
Awareness	-	38,845	24,499	-	7.20	6.58
Disaster	-	842	-	-	1.80	-
Sub-Total	12,025	51,887	39,749	3.88	13.00	10.83
Total	13,170	53,723	41,658	11.21	21.00	25.01

Training Cost

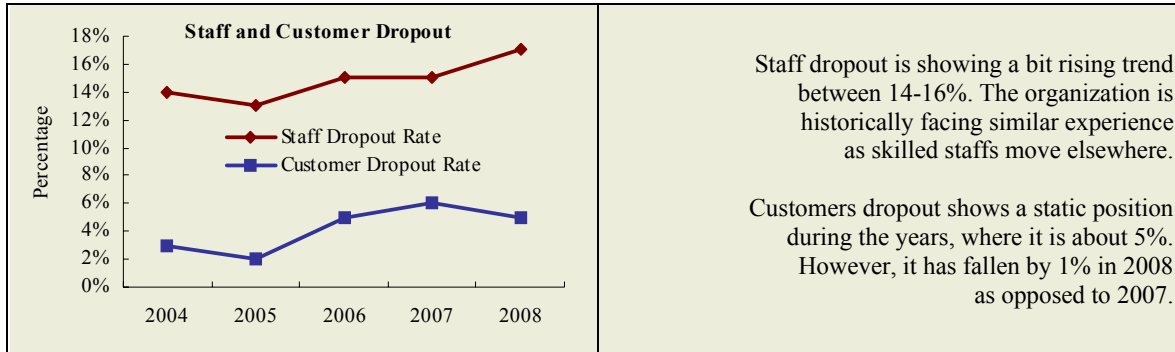
All training programs were financed from the organizations' own fund. During the year, a total of BDT 25 million was incurred compared to BDT 21 million in 2007 resulting in 19% increase.

Staff Position and Recruitment

The organization has a total of 3,558 staff that includes 2,846 male (80%) and 712 (20%) female. The head office maintains a staff size of

65. In 2008, 1,746 staff were recruited mostly at the entry level to fill up the opening positions at branch level. The staff dropout rate has gone slightly higher to 17% in 2008. This is due to the

highly professionalized skill of BURO Bangladesh staff in the industry, who mostly get positions elsewhere two to three rungs above in the career ladder.



Rural Water Supply

Rural Water Supply

Arsenic contamination of ground water is of grave concern in Bangladesh. For reducing the health hazards due to arsenic contamination, the World Bank has planned to provide financial grants support of 40-50% for piloting village piped water supply project. BURO Bangladesh has been selected to work in this field. In this context, it is implementing the project in Puran Baushia village in Gazaria Upazila of Munshigonj District.

The project aims at supplying water free from arsenic, iron and other harmful elements to 796 target households through a piped network at a

price that is affordable to the population and making the project commercially viable. BURO Bangladesh has constructed a water tank of 75,000 liter capacity. The number of households that were connected has stood so far at 289 including 5% households from hardcore poor community. The number of pipe line connections is gradually increasing. BURO Bangladesh is getting bills from the users regularly.

The total cost of the project is BDT 7.10 million. The community contribution is BDT 0.71 million (10%). BURO Bangladesh will put in BDT 2.84 million (40%) while SDF/The World Bank will provide BDT 3.55 million (50%).

Audit Report 2008

S. F. AHMED & CO
Chartered Accountants

**Auditors' report on financial statements of BURO Bangladesh
for the year ended 31 December 2008**

We have audited the accompanying financial statements of BURO Bangladesh, namely, Balance Sheet as of 31 December 2008 and related Income and Expenditures Statement, Receipts and Payments Statement, Cash Flow Statement and notes thereto for the year ended on that date. The preparation of these financial statements is the responsibility of BURO Bangladesh's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the financial values of transactions and their 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 presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

We accordingly report that:

- (a) we have obtained all the documents, information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit, and made due verification thereof;
- (b) in our opinion, proper books of account and other requisite records as required by law were maintained by BURO Bangladesh so far as it appeared from our examination of those books and records; and
- (c) the said financial statements dealt with by this report are in agreement with the books of account maintained by BURO Bangladesh.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 13 April 2009

S. F. AHMED & CO
Chartered Accountants

BURO Bangladesh**Balance Sheet at 31 December 2008**

	Notes	Amounts in Taka	
		At 31 Dec. 2008	At 31 Dec. 2007
PROPERTY AND ASSETS			
Current Assets			
Cash and bank balances	4	158,832,567	123,349,415
Investments	5	169,364,899	69,456,423
Other current assets	6	68,261,121	50,218,006
Loan portfolio - net of loan loss reserve	7	3,132,512,597	1,894,426,400
Total Current Assets		3,528,971,184	2,137,450,244
Long - Term Assets			
Fixed assets - net of accumulated depreciation	8	124,581,907	88,198,229
Total Long - Term Assets		124,581,907	88,198,229
Total Assets		3,653,553,091	2,225,648,473
LIABILITIES AND FUNDS			
Current Liabilities			
Employees' security deposits	9	28,440,188	19,083,809
Customers' general savings	10	434,923,458	281,425,513
Bank overdraft	11	338,486,051	117,176,758
Other liabilities	12	151,198	183,498
Total Current Liabilities		802,000,895	417,869,578
Long - Term Liabilities			
Customers' time savings	13	-	996,088
Customers' regular voluntary savings	14	702,393,893	539,539,250
Customers' emergency fund	15	2,003,373	4,341,495
Customers' micro insurance fund	16	15,982,612	29,130,889
Borrowing from specialised institutions	17	116,000,000	108,187,500
Borrowing from commercial banks	18	1,219,968,253	346,792,505
Borrowing from non-banking financial institutions	19	89,740,418	126,355,096
Total Long - Term Liabilities		2,146,088,549	1,155,342,823
Funds and Surplus			
Revolving loan fund (donors' grant)	20	138,815,884	138,815,884
Emergency disaster fund (donors' grant)	21	59,037,742	52,594,801
Accumulated surplus	22	507,610,021	461,025,387
Total Net Worth		705,463,647	652,436,072
Total Liabilities and Net Worth		3,653,553,091	2,225,648,473

for BURO Bangladesh

(S K Sarkar)
President**(Zakir Hossain)**
Executive Director**(M. Mosharrof Hossain)**
Finance Director

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 13 April 2009S. F. AHMED & CO
Chartered Accountants

BURO Bangladesh**Income and Expenditures Statement for the year ended 31 December 2008**

	Notes	Amounts in Taka	
		Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
A Financial and Micro-Credit Income			
Interest on loan (Service charge)		690,559,966	475,173,170
Service charge on remittance services		2,058,226	-
Interest on bank deposits		5,483,552	1,139,140
Interest staff loan		142,474	-
Sale of forms		22,954,352	15,143,544
Admission fee		8,472,694	3,829,260
Others		3,670,129	1,920,582
Total Financial and Micro-Credit Income (A)		733,341,393	497,205,696
B Financial Costs			
Interest on borrowings from banks, etc.	23	163,456,202	64,894,549
Interest on customers' savings	24	54,551,591	48,462,801
Total Financial Costs (B)		218,007,793	113,357,350
C Gross Financial Margin (A-B)		515,333,600	383,848,346
D Provision for loan losses	7	30,442,221	32,056,500
E Net Financial Margin (C-D)		484,891,379	351,791,846
F Operating Expenses			
Salary and allowances	25	298,267,420	205,500,913
Rental-office		27,899,477	17,025,766
Payment to national exchequer	26	3,321,150	1,163,171
Transportation	27	26,717,832	17,427,628
Training and research	28	15,817,093	20,226,899
Office supplies		17,402,422	8,185,784
Depreciation	8	9,703,734	5,936,185
Audit fees	29	195,000	214,268
Other professional fees	30	2,586,750	1,304,944
Disaster expenses		169,500	905,133
Other direct cost	31	36,226,367	17,187,014
Total Operating Expenses (F)		438,306,745	295,077,705
G Net Income from Operations (E-F)		46,584,634	56,714,141

for BURO Bangladesh

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BURO Bangladesh**Cash Flow Statement for the year ended 31 December 2008**

	Amounts in Taka	
	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
Cash Flows from Operating Activities		
Net operational income	46,584,634	56,714,141
Adjustments to determine net cash from operating activities:		
Depreciation on fixed assets	9,703,734	5,936,185
Loan loss provision	30,442,221	32,056,500
Increase in other current assets	(18,043,113)	(17,546,093)
Increase/(Decrease) in current liabilities	384,131,317	103,676,282
Net cash from operating activities	452,818,793	180,837,015
Cash Flows from Investing Activities		
Net increase in loan portfolio	(1,268,528,418)	(384,780,105)
Increase in investment	(99,908,476)	(9,449,201)
Purchase of fixed assets	(46,087,414)	(18,051,745)
Net cash used in investment activities	(1,414,524,308)	(412,281,051)
Cash Flows from Financing Activities		
Increase in clients' savings	159,520,433	94,399,865
Increase in borrowing	844,373,570	224,029,482
Decrease in customers' micro insurance fund	(13,148,277)	4,833,312
Increase in emergency disaster fund	6,442,941	5,221,913
Loan repaid to banks - vehicle loans	-	(1,010,830)
Net cash from financing activities	997,188,667	327,473,742
Net Increase/(Decrease) in Cash	35,483,152	96,029,706
Opening Cash and Bank Balances	123,349,415	27,319,709
Closing Cash and Bank Balances	158,832,567	123,349,415

for BURO Bangladesh

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BURO Bangladesh**Statement of Changes in Equity for the year ended 31 December 2008**

Particulars	Donors' Grant		Accumulated Surplus	Total
	Revolving loan fund	Emergency disaster fund		

Amounts in Taka

For the year 2008

Balance at 01 January 2008	138,815,884	52,594,801	461,025,387	652,436,072
Addition during the year	-	6,442,941	46,584,634	53,027,575
Balance at 31 December 2008	<u>138,815,884</u>	<u>59,037,742</u>	<u>507,610,021</u>	<u>705,463,647</u>

For the year 2007

Balance at 01 January 2007	138,815,884	47,372,888	404,311,246	590,500,018
Addition during the year	-	5,221,913	56,714,141	61,936,054
Balance at 31 December 2007	<u>138,815,884</u>	<u>52,594,801</u>	<u>461,025,387</u>	<u>652,436,072</u>

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BURO Bangladesh**Statement of Liquidity Analysis (Maturity of Assets and Liabilities) at 31 December 2008**

Amounts in Taka

Particulars	Up to 1 month's maturity	1-3 months' maturity	3 -12 months' maturity	1 -5 years' maturity	More than 5 years' maturity	Total
Assets						
Cash	6,496,605	-	-	-	-	6,496,605
Bank Balance	152,335,962	-	-	-	-	152,335,962
Investment	-	-	169,364,899	-	-	169,364,899
Other Current Assets	6,826,112	10,921,779	27,304,448	23,208,780	-	68,261,119
Loan Portfolio	313,251,260	626,502,519	2,192,758,818	-	-	3,132,512,597
Fixed Assets	-	-	-	27,708,036	96,873,872	124,581,908
Total Assets:	478,909,939	637,424,298	2,389,428,165	50,916,816	96,873,872	3,653,553,090
Liabilities						
Borrowings	5,000,000	70,000,000	396,451,938	954,256,733	-	1,425,708,671
Savings	79,612,215	136,478,082	511,792,808	409,434,246	-	1,137,317,351
Other Liabilities	15,402,537	26,954,440	103,967,124	154,025,369	80,863,319	381,212,789
Total Liabilities :	100,014,752	233,432,522	1,012,211,870	1,517,716,348	80,863,319	2,944,238,811
Net Liquidity Excess/ (Shortage)	378,895,187	403,991,776	1,377,216,295	(1,466,799,532)	16,010,553	709,314,279
Percentage of Net Liquidity Difference	79.12	63.38	57.64	(2,880.78)	16.53	19.41

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

- i) Investments are on the basis of their respective maturity.
- ii) Other current assets are on the basis of their realisation.
- iii) Loan portfolio is on the basis of realisation/recovery.
- iv) Fixed assets are on the basis of their useful lives.
- vi) Borrowings are on the basis of their repayments.
- vii) Savings and other liabilities are on the basis of their maturity and repayments.

for BURO Bangladesh

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BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

General

1. 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, micro-insurance and remittance services. The recipients of micro-financial services are poor, particularly women. Remittance services are provided to the relatives of overseas Bangladeshi.

BURO Bangladesh is governed by a seven-member governing body and its management is vested in a four-member operational board of directors. The governing body is elected by the general body of 15 members in annual general meeting.

The organization is registered under the Societies Registration Act 1860, the Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961 and the Foreign Donations (Voluntary Activities) Regulation Ordinance 1978. Micro Credit Regulatory Authority (MRA) has issued license to the organisation to perform micro credit operations.

2. Significant Accounting Policies

2.1 Basis of accounting

The accounts are prepared on accrual basis, except for interest on loans which is accounted on a cash basis, under historical cost convention in conformance with generally accepted accounting principles. Wherever appropriate, such principles are explained in the succeeding notes.

2.2 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 operations in the 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 realise its assets and discharge its liabilities in the normal course of business.

2.3 Accounting for grants and donation

Grants and donations related to operations (revenue) are recognised as income for the relevant period and shown in Income and Expenditures Statement below the heading 'net income from operations'. Grants and donations for periods beyond the current operating year are recorded under liabilities as deferred 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 the current year's depreciation is charged to fixed assets fund (donor's grant) over the useful lives of the assets that were acquired from donors' grant.

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

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

2.4 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 a straight-line method at the following rates based on the nature and estimated useful life of each asset:

<u>Asset category</u>	<u>Rate of depreciation (%)</u>
Building construction	25
Electrical equipment	25
Office equipment	20
Furniture and fixtures	20
Motor vehicles	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 (donors' grant), for the assets acquired from this fund, and the balance to revenue account (Income and Expenditures Statement).

2.5 Provision for loan losses and writing 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 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:

<u>Loan overdue status (weeks)</u>	<u>Provision (%)</u>
1-4	0
5-8	10
9-25	15
26-50	25
above 50	100

The organisation'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 one year of the loan term.

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

2.6 Interest on loan (service charge)

The rate of interest for all types of loan 15% per annum except disaster loan which is 10% per annum according to the policy of BURO Bangladesh. The interest rate for all types of loan for hardcore poor customers is 12.50%.

2.7 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 the funds, identifying balance sheet management issues like balance sheet gaps, interest rate gaps, etc and also reviews liquidity contingency plan and implements liability pricing strategy.

2.8 Preparation of Balance Sheet

The Balance Sheet of BURO Bangladesh has been prepared by consolidating the Balance Sheets of 385 Branch Offices and Head Office.

2.9 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, or the Institution, operates a contributory provident fund benefits from which are given to its employees in accordance with its policies. National Board of Revenue (NBR) approved and recognised this fund for the purpose of taxation. The fund is operated by a board of trustees consisting of seven members selected from the employees of the Institution. All permanent employees of the Institution are contributing monthly to the fund an amount equal to 5% to 20% of their basic salaries. The Institution also contributes 10% of the employees' basic salary to the fund each month. Interest earned from the investment 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 Institution operates a gratuity scheme for its permanent employees and maintains a separate account for this. Gratuity is payable from the fund to staff leaving the Institution at the rate of one month's basic salary last drawn for each completed year of service after completion of five years' uninterrupted service.

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

Health Fund

The Institution 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 the Institution.

Housing Fund

The Institution operates a housing fund and maintains a separate account for this. 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 the 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 100 each as subscription per month. 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 50,000. If some one leaves the Institution after two years of service, he/she will get back the money deposited so far. In case the staff leaves before completing two years of service, he/she will not be entitled to get back any amount.

3. Significant Policy on Financial Services

3.1 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:

- i. 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
- ii. Improving the sustainability of the institution by developing a relatively stable means to finance its loan portfolio.

3.2 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 the demand of its customers. Policy on loan services is under:

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

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

3.3 Micro insurance services

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

- i. The social protection of the customers is necessary to reduce the vulnerability of households to income and consumption shocks.
- ii. 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.

3.4 Remittance services

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

Balance Sheet

	Amounts in Taka	
	At 31 Dec. 2008	At 31 Dec. 2007
4. Cash and Bank Balances		
Cash in hand	6,496,605	4,583,953
Cash at banks in		
Current accounts	151,868,883	117,594,259
Savings accounts	55,877	1,039,456
Term-deposit accounts	411,202	131,747
	152,335,962	118,765,462
	158,832,567	123,349,415
5. Investments		
Purchase of five shops (possession) in Tangail town	750,200	750,200
Fixed deposits with banks against		
Staff security deposit		
BRAC Bank Limited	15,732,950	8,537,698
Emergency disaster fund		
Jamuna Bank Limited	1,982,581	1,782,534
Bank Asia Limited	16,547,500	15,000,000
BRAC Bank Limited	48,081,385	43,385,991
	66,611,466	60,168,525
Fixed deposits with banks		
Bangladesh Krishi Bank	30,000,000	-
Standard Chartered	26,270,283	-
BRAC Bank Limited	25,000,000	-
Rupali Bank Limited	5,000,000	-
	86,270,283	-
	169,364,899	69,456,423

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

	Amounts in Taka	
	At	At
	31 Dec. 2008	31 Dec. 2007
6. Other Current Assets		
Security deposits		
Bangladesh Telegraph and Telephone Board	66,520	66,520
Grameen Phone	239,751	239,751
GSP Finance Company (Bangladesh) Limited	124,919	124,919
Rajdhani Unnayan Kartipakkha	600,000	-
	1,031,190	431,190
Staff loans and advances		
Motorcycle loan	16,954,890	10,489,015
Bicycle loan	7,540,896	4,699,494
Car loan	2,603,612	2,951,388
Mobile phone loan	64,500	89,000
	27,163,898	18,228,897
Other advances		
Zonal Office rental advance	1,415,500	67,500
Branch Office rental advance	8,534,183	6,550,837
Training advance	87,259	-
Others including advance against salary, TA, DA, etc.	30,029,091	24,939,582
	40,066,033	31,557,919
	<u>68,261,121</u>	<u>50,218,006</u>

Loans and advances except for car 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%.

7. Loan Portfolio - net of loan loss reserve

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

General loan

This loan is to allow rural and urban poor households to finance their economic activities. General loans are working capital loans given to poor and disadvantaged households. General loans range from Taka 5,000 to Taka 45,000. The loans are repayable within a year.

Micro-enterprise loan

Micro-enterprise loans are assessed on the basis of household cash flow, business projections and the reputation of the borrower. The micro-enterprise loan borrowers are expected to generate equity and wage labour employment. Micro-enterprise loans range between Taka 50,000-Taka 300,000, repayable within one to three years.

Agriculture loan

This loan is exclusively for agricultural activities and is designed to increase the farm activities. The agriculture loan also enhances food security of the households. Agriculture loans of Taka 10,000 – Taka 50,000 are given for one year.

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

Hand/emergency loan

This loan is intended to serve as a 'social security net'. Hand loans are used to finance important festivals, health care and child education. The hand loan is a small loan of Taka 3,000, repayable within 3 months.

Disaster loan

This loan is intended to reduce the effect of shocks to the households' financial and physical assets immediately after natural disasters. The disaster loan ranges from Taka 3,000 – Taka 5,000 and are repayable within a 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 labour productivity. The loans range from Taka 3,000 – Taka 10,000 and are repayable within a year.

	Amounts in Taka	
	At 31 Dec. 2008	At 31 Dec. 2007
The breakdown of loans, by products, is given below:		
General loan	2,789,637,621	1,748,906,929
Micro-enterprise loan	101,101,347	17,938,745
Agriculture Loan	221,193,003	101,254,200
Hand/emergency loan	67,206,800	57,996,945
Disaster loan	-	128,431
Water and sanitation loan	17,812,707	17,615,829
	<u>3,196,951,478</u>	<u>1,943,841,079</u>
Less: Loan loss reserve	64,438,881	49,414,679
	<u>3,132,512,597</u>	<u>1,894,426,400</u>

BURO Bangladesh had 530,102 loan accounts outstanding at the end of the year 2008 compared to 341,738 at the end of the year 2007.

The loan loss reserve (LLR) has been worked out at Taka 64,438,881 at 31 December 2008 as per existing policy, as explained in note 2.5. Accordingly, during the year under reporting, an amount of Taka 30,442,221 has been added to loan loss provision and an amount of Taka 15,418,019 involving 8,372 loans has been written off as per existing policy. 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		508,477	96.86	3,546,510,035	-	-
Payment past due by weeks						
1-4		2,062	0.37	13,716,082	2.21	302,500
5-8		1,514	0.28	10,403,618	4.45	462,636
9-25		3,033	0.61	22,161,490	10.31	2,285,684
26-50		1,194	0.21	7,538,102	26.46	1,994,876
Over 50		13,822	1.67	61,157,588	97.11	59,393,185
Total		<u>530,102</u>	<u>100</u>	<u>3,661,486,915</u>		<u>64,438,881</u>

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

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

The members of the governing body and those of the operation board of directors are not eligible for loans and, hence, the Institution does not need to disclose any related-party (insider) loans.

	Amounts in Taka	
	At	At
	31 Dec. 2008	31 Dec. 2007
Movement of loan loss reserve:		
Balance at 01 January	49,414,679	23,148,875
<u>Add</u> : Provision made during the year	30,442,221	32,056,500
<u>Less</u> : Amount written off during the year	15,418,019	5,790,696
Balance at 31 December	<u>64,438,881</u>	<u>49,414,679</u>

8. Fixed Assets	Amounts in Taka		
	Head Office	Branch Offices	Total
Cost			
Balance at 01 January 2008	103,691,457	22,861,188	126,552,645
<u>Add</u> : Additions during the year	20,698,932	25,388,528	46,087,460
<u>Less</u> : Disposal during the year	3,278,900	-	3,278,900
Balance at 31 December 2008 (A)	<u>121,111,489</u>	<u>48,249,716</u>	<u>169,361,205</u>
Depreciation			
Balance to 01 January 2008	27,462,305	10,892,111	38,354,416
<u>Add</u> : Charge for the year	4,004,638	5,699,096	9,703,734
<u>Less</u> : Adjustment on disposal	3,278,852	-	3,278,852
Accumulated depreciation to 31 Dec 2008 (B)	<u>28,188,091</u>	<u>16,591,207</u>	<u>44,779,298</u>
Written Down Value at 31 Dec 2008 (A-B)	<u>92,923,398</u>	<u>31,658,509</u>	<u>124,581,907</u>

9. Employees' Security Deposits

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

Balance at 01 January	19,083,809	16,232,053
<u>Add</u> : Received during the year	12,731,669	5,295,809
<u>Less</u> : Refunded during the year	3,375,290	2,444,053
Balance at 31 December	<u>28,440,188</u>	<u>19,083,809</u>

10. Customers' General Savings

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 Taka 10. Savings of any amount from Taka 10 to Taka 2,000 can be deposited at the kendra meeting and any amount above Taka 2,000 is to be deposited to the branch. The rate of interest is 4.5% compound per annum of their general savings account balance.

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

	Amounts in Taka	
	At 31 Dec. 2008	At 31 Dec. 2007
The under noted figures represents the general savings transaction:		
Balance at 01 January	281,425,513	234,798,242
<u>Add</u> : Deposits during the year	620,658,546	408,511,349
<u>Less</u> : Withdrawals during the year	467,160,601	361,884,078
Balance at 31 December	<u>434,923,458</u>	<u>281,425,513</u>

The number of general savings accounts was 602,273 at the end of the year 2008 compared to 376,710 at the end of the year 2007.

11. Bank Overdraft

The figures below represent the overdraft transaction:

Balance at 01 January	117,176,758	62,860,010
Addition during the year	441,195,715	148,448,025
<u>Less</u> : Repayment during the year	219,886,422	94,131,277
Balance at 31 December	<u>338,486,051</u>	<u>117,176,758</u>

The break-up of the closing balance is given below:

Secured Overdraft		
Bank Asia Limited	10,504,033	12,997,263
Jamuna Bank Limited	3,998,719	5,833,926
BRAC Bank Limited	34,069,192	-
Overdraft for Agriculture Loan		
Bank Asia Limited	289,914,107	98,345,569
Balance at 31 December	<u>338,486,051</u>	<u>117,176,758</u>

The overdraft facilities are secured by fixed deposits with the respective banks. The rate of interest is 1.50% higher than the interest rate of fixed deposits given to the organization by the respective banks. The overdraft for agriculture loan carries 13% interest and is backed by institutional guarantee. The overdrafts were taken to use in microfinance program.

12. Other Liabilities

The break-up is given below:

BURO Bangladesh Staff Family Security Fund	500	17,800
Security deposit from shops	100,000	115,000
Loan from staff funds	50,698	50,698
	<u>151,198</u>	<u>183,498</u>

Loan from staff funds bears 10% interest per annum and is repayable on demand.

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

	Amounts in Taka	
	At	At
	31 Dec. 2008	31 Dec. 2007
13. Customers' Time Savings		
The customers earn lump sum amount at a time from business or sales. Under the circumstances, the organization allows such customers to deposit a maximum amount of Taka 5,000 in this account for various periods with interest rate within the range of 6% to 8%. The figures below represent the time savings transactions:		
Balance at 01 January	996,088	4,470,426
<u>Add</u> : Deposits during the year	258,855	1,028,057
<u>Less</u> : Withdrawals during the year	1,254,943	4,502,395
Balance at 31 December	-	996,088

14. Customers' Regular Voluntary Savings

In the regular voluntary savings account, clients agree to regularly deposit an amount fixed by them. They can withdraw the entire amount including interest thereon. Customers can choose to deposit on a weekly or monthly basis. Customers can choose to deposit weekly savings in the range of Taka 10 – Taka 250; and monthly savings in the range of Taka 40 – Taka 1,000. They can open more than one account simultaneously. Interest is paid on a compound basis in the range of 6% to 8%. The under noted figures represent the regular voluntary savings transactions:

Balance at 01 January	539,539,250	439,751,124
<u>Add</u> : Deposits during the year	442,461,769	336,911,904
<u>Less</u> : Withdrawals during the year	279,607,126	237,123,778
Balance at 31 December	<u>702,393,893</u>	<u>539,539,250</u>

The number of regular voluntary savings accounts was 534,136 at the end of the year 2008 compared to 340,653 at the end of the year 2007.

15. Customers' Emergency Fund

The balance represents fund generated by the loanees up to 31 December 2002. The organisation, 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 the loanees' death or permanent disability;
- to issue supplemental loans in the event of loss of the loanees' income earning capability through loss or damage to the assets purchased with the original loans; and
- to meet small expenses/emergencies agreed upon by the kendra (centre).

Balance at 01 January	4,341,495	6,255,419
<u>Less</u> : Withdrawals during the year	2,338,122	1,913,924
Balance at 31 December	<u>2,003,373</u>	<u>4,341,495</u>

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

Amounts in Taka	
At	At
31 Dec. 2008	31 Dec. 2007

16. Customers' Micro Insurance Fund

The moderate poor and micro-entrepreneurial customers have to pay premium of Taka 50 to Taka 200, while the very poor customers are required to pay Taka 30. The premiums are one-time payment in a year. The insurance yields three benefits after the death of the customer. First, cash benefits will be 100 times of the premium chosen. Secondly, the entire outstanding loan of the clients will be waived and thirdly, after the death of the principal loan guarantor, the family of the guarantor will also receive half of the cash benefits. Break-up of the fund is given below:

Balance at 01 January	29,130,889	24,297,577
<u>Add</u> : Deposits during the year	33,472,010	21,545,100
<u>Less</u> : Withdrawals during the year	46,620,287	16,711,788
Balance at 31 December	<u>15,982,612</u>	<u>29,130,889</u>

17. Borrowing from Specialised Institutions

Borrowing from Stromme Foundation (note 17.1)	106,000,000	108,187,500
Borrowing from Anukul Foundation (note 17.2)	10,000,000	-
	<u>116,000,000</u>	<u>108,187,500</u>

17.1 Borrowing from Stromme Foundation

A number of loans were borrowed from Stromme Foundation for on-lending to BURO Bangladesh's customers. Interest rate is 7% to 9% 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 the said loan is given below:

Balance at 01 January	108,187,500	99,437,500
<u>Add</u> : Received during the year	82,500,000	84,500,000
<u>Less</u> : Refunded during the year	84,687,500	75,750,000
Balance at 31 December	<u>106,000,000</u>	<u>108,187,500</u>

The break up of the closing balance is given below:

Mainstream Microfinance Program	81,250,000	95,937,500
Talent Financing/Micro Enterprise	17,750,000	5,250,000
Hardcore Poor Microfinance Program	7,000,000	7,000,000
	<u>106,000,000</u>	<u>108,187,500</u>

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

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

Amounts in Taka	
At	At
31 Dec. 2008	31 Dec. 2007

17.2 Borrowing from Anukul Foundation

A number of loans were borrowed from Anukul Foundation for on-lending to BURO Bangladesh's customers. Interest rate is 8% 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.

Received during the year	10,000,000	-
Balance at 31 December	10,000,000	-

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. Borrowing from Commercial Banks	Notes		
Bank Asia Limited	18.1	13,855,160	52,183,701
BRAC Bank Limited	18.2	79,999,998	126,702,802
Pubali Bank Limited	18.3	37,315,990	19,815,990
NCC Bank Limited	18.4	29,597,108	46,577,031
Dhaka Bank Limited- through CDF		-	3,133,972
NCC Bank Limited- through CDF		-	1,379,009
Mutual Trust Bank Limited-through CDF	18.5	4,200,000	7,000,000
Citibank NA	18.6	90,000,000	90,000,000
Mutual Trust Bank Limited	18.7	25,000,000	-
Standard Chartered Bank	18.8	250,000,000	-
Rupali Bank Limited	18.9	100,000,000	-
Southeast Bank Limited	18.10	50,000,000	-
Jamuna Bank Limited	18.11	40,000,000	-
BRAC Bank Limited-Syndicate Finance	18.12	499,999,997	-
		<u>1,219,968,253</u>	<u>346,792,505</u>

18.1 Bank Asia Limited

Two loans were taken from Bank Asia Limited for on-lending to BURO Bangladesh's customers. The loans have a two-year and six months' term with interest at 13% to 14.25% with six months' moratorium. Repayment of the loan is due to be made in quarterly installments. Security includes personal guarantees of the members of governing body and the operational board of directors.

18.2 BRAC Bank Limited

Two loans were taken from BRAC Bank Limited for on-lending to BURO Bangladesh's customers with a three-year term at 13% interest rate which was subsequently increased to 14%. During the moratorium period, interest is being paid quarterly. Repayment of the loans along with accrued interest falls due in quarterly equal installments. Security includes land and building of BURO Bangladesh.

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

18.3 Pubali Bank Limited

Five loans were taken from Pubali Bank Limited for on-lending to BURO Bangladesh's customers. Each loan has a three-year term with interest rates varying between 10%-12% per annum and one year 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. Security includes personal guarantees of the members of governing body and the operational board of directors.

18.4 NCC Bank Limited

Three loans were taken from NCC Bank Limited for on-lending to BURO Bangladesh's customers. The loans carry a three-year term with interest rates at 14.25%-14.50% per annum with six months' moratorium. During the moratorium period, interest is being paid quarterly. Repayment of the loans fallen due is to be made in quarterly installments. Security includes personal guarantees of the members of governing body and the operational board of directors.

18.5 Mutual Trust Bank Limited-through CDF

This loan was borrowed from Mutual Trust Bank Limited through CDF for on-lending to BURO Bangladesh's customers. The loan has a three-year term with interest rate at 14%. Repayment of the loan along with accrued interest falls due in ten equal installments. The loan from Mutual Trust Bank Limited through CDF, is secured by the institutional guarantee given by BURO Bangladesh.

18.6 Citibank NA

This loan was taken from Citibank NA for on-lending to BURO Bangladesh's customers. This has a three-year term with interest at 14% and six months' moratorium. Repayment of this loan along with accrued interest is being made. The loan is secured by the charge over listed unencumbered microfinance receivables for an aggregated value of Taka 99,000,000.

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

18.7 Mutual Trust Bank Limited

This loan was taken from Mutual Trust Bank Limited for the expansion of agricultural micro credit program of BURO Bangladesh. The loan has a three-year term with interest rate at 13.50%. Repayment of the loan along with accrued interest falls due in nine equal installments. It is secured by the institutional guarantee given by BURO Bangladesh.

18.8 Standard Chartered Bank

Loan was taken from Standard Chartered Bank for on-lending to BURO Bangladesh's customers. This has a one-year term with interest at 15.50%. Repayment of this loan along with accrued interest is being made annually. The loan is secured by charge over listed unencumbered microfinance receivables for an aggregated value of Taka 250,000,000.

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

18.9 Rupali Bank Limited

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 10% and six months' moratorium. The interest rate will not exceed above 14%. 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.

18.10 Southeast Bank Limited

This loan was taken from Southeast Bank Limited for on-lending to BURO Bangladesh's customers. This has a five-year term with interest at 14.50% and twelve months' moratorium. Repayment of this loan along with accrued interest is being made regularly and is secured by the institutional guarantee given by BURO Bangladesh.

18.11 Jamuna Bank Limited

This loan was taken from Jamuna Bank Limited for on-lending to BURO Bangladesh's customers. This has a five-year term with interest at 14.50% and twelve months' moratorium. Repayment of this loan along with accrued interest is being made regularly. Security for this loan includes personal guarantees of the members of board of directors.

18.12 BRAC Bank Limited-Syndicate Finance

Syndicate financing by a group of financial institutions selected by BRAC Bank Limited as lead arranger for on-lending to BURO Bangladesh's customers for a period of five-year term with interest at 14.50% including twelve months' moratorium. During the moratorium period, quarterly interest will be paid by the organisation. After the moratorium period, both principle 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 with BRAC Bank Limited as the lead agent. The other eight banks are AB Bank Limited, Bank Alfalah, Mercantile Bank Limited, ONE Bank Limited, Prime Bank Limited, Pubali Bank Limited, the Trust Bank Limited and United Commercial Bank Limited.

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

	Notes	Amounts in Taka	
		At 31 Dec. 2008	At 31 Dec. 2007
19. Borrowing from non-Banking Financial Institution			
GSP Finance Company (Bangladesh) Limited	19.1	45,990,418	76,355,096
MIDAS Financing Limited	19.2	43,750,000	50,000,000
		<u>89,740,418</u>	<u>126,355,096</u>

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

19.1 GSP Finance Company (Bangladesh) Limited

Three loans were taken from GSP Finance Company (Bangladesh) Limited by BURO Bangladesh for on-lending to its customers. All loans have a three-year term with interest rate in the range of 13%-15% 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. Security includes land in Tangail District. Break-up of the loan is given below:

	Amounts in Taka	
	At 31 Dec. 2008	At 31 Dec. 2007
Balance at 01 January	76,355,096	37,782,762
<u>Add</u> : Received during the year	-	50,000,000
<u>Less</u> : Refunded during the year	30,364,678	11,427,666
Balance at 31 December	<u>45,990,418</u>	<u>76,355,096</u>

19.2 MIDAS Financing Limited

This loan was taken from MIDAS Financing Limited for on-lending to BURO Bangladesh's customers. This loan has a five-year term with interest at 16.5% and twelve 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. Security includes personal guarantees of the members of governing body and the operational board of directors. Break-up of the loan is given below:

Balance at 01 January	50,000,000	-
<u>Add</u> : Received during the year	-	50,000,000
<u>Less</u> :Refunded during the year	6,250,000	-
Balance at 31 December	<u>43,750,000</u>	<u>50,000,000</u>

There is no overdue in respect of repayment of principal and interest of commercial borrowings by BURO Bangladesh from their respective due dates.

20. Revolving Loan Funds (Donors' Grant)

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 Gillès – Foundation, Belgium	2,147,712	2,147,712
Canada Fund	1,163,139	1,163,139
PACT Inc/USAID	284,500	284,500
	<u>138,815,884</u>	<u>138,815,884</u>

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

21. Emergency Disaster Fund (Donors' Grant)

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. 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:

	Amounts in Taka	
	At 31 Dec. 2008	At 31 Dec. 2007
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 (AUSAID)	651,000	651,000
	<u>30,273,000</u>	<u>30,273,000</u>
<u>Add:</u> Interest on investment of the above funds	<u>28,764,742</u>	<u>22,321,801</u>
	<u>59,037,742</u>	<u>52,594,801</u>

22. Accumulated Surplus

Balance at 01 January	461,025,387	404,311,246
<u>Add:</u> Surplus/ (deficit) for the year		
Head Office	3,247,184	(19,839,443)
Branch Offices	43,337,450	76,553,584
	<u>46,584,634</u>	<u>56,714,141</u>
Balance at 31 December	<u>507,610,021</u>	<u>461,025,387</u>

BURO Bangladesh**Notes to financial statements for the year ended 31 December 2008****Income and Expenditure Statement**

	Amounts in Taka	
	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
23. Interest on Borrowings from Banks, etc.		
Banks		
BRAC Bank Limited	13,220,091	14,346,544
Bank Asia Limited	5,297,036	9,736,125
NCC Bank Limited	4,772,077	3,095,151
Pubali Bank Limited	4,517,450	3,088,196
Citibank NA	12,180,288	2,380,000
Jamuna Bank Limited	-	1,037,209
Dhaka Bank Limited- through CDF	298,491	732,272
NCC Bank Limited- through CDF	195,464	336,365
Mutual Trust Bank Limited- through CDF	928,320	7,000
Standard Chartered Bank	3,659,722	-
Rupali Bank Limited	1,512,082	-
BRAC Bank Limited-Syndicate Finance	59,574,828	-
	106,155,849	34,758,862
GSP Finance Company (Bangladesh) Limited	13,183,698	9,996,897
MIDAS Financing Limited	8,255,728	4,070,671
Stromme Foundation	9,815,927	8,627,875
Anukul Foundation	200,000	-
Employees' Security Money	635,430	497,809
Employees' Provident Fund	204,021	-
Bank overdraft, from		
BRAC Bank Limited	3,021,165	3,227,496
Jamuna Bank Limited	1,235,162	1,899,348
Bank Asia Limited	20,749,222	1,602,388
	25,005,549	6,729,232
Office transport loan, from		
HSBC	-	81,764
Pubali Bank Limited	-	131,439
	-	213,203
	<u>163,456,202</u>	<u>64,894,549</u>
24. Interest on Customers' Savings		
General savings	9,263,335	7,057,818
Regular voluntary savings	45,049,401	40,844,700
Time savings	238,855	560,283
	<u>54,551,591</u>	<u>48,462,801</u>
25. Salary and Allowances		
Field Offices (Branch/ Area/Zonal Offices)	281,961,225	190,977,820
Head Office	16,306,195	14,523,093
	<u>298,267,420</u>	<u>205,500,913</u>

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

26. Payment to National Exchequer

It is mandatory for all NGOs and Micro-Finance Institutions (MFIs) to submit their income tax returns as per income tax laws. Income earned by a non-government organisation registered with NGO 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.

Details of payment made to government exchequer for the year 2008 are as under:

	Amounts in Taka	
	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
Indirect Tax		
Value-added tax on supply of goods, etc.	2,136,258	621,279
Direct Tax		
Corporate income tax on income other than from micro-credit	52,908	16,376
Income tax on staff salary	487,786	363,530
Tax deducted at source from interest on bank deposits	627,728	121,414
	1,168,422	501,320
Other Tax/Fees		
Land tax	16,470	40,572
	16,470	40,572
	<u>3,321,150</u>	<u>1,163,171</u>

The income tax assessment position of BURO Bangladesh up to the income year ended 31 December 2007 is given below:

Income year ended 31 December	Assessment year	Income as per return filed	Taxable income	Tax paid
2003	2004-2005	9,477,932	760,101	99,520
2004	2005-2006	1,861,585	1,861,585	406,679
2005	2006-2007	983,878	983,878	120,393
2006	2007-2008	860,599	860,599	98,370
2007	2008-2009	1,139,140	1,139,140	151,078

Corporate tax assessment up to the income year 2007 has been duly completed.

27. Transportation

Fuel and lubricants	13,727,385	8,613,412
Traveling allowances	10,307,699	7,116,072
Office transport maintenance	1,791,305	1,053,518
Daily allowances	891,443	644,626
	<u>26,717,832</u>	<u>17,427,628</u>

BURO Bangladesh**Notes to financial statements for the year ended 31 December 2008**

	Amounts in Taka	
	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
28. Training and Research		
Staff training	9,527,349	15,129,972
Customers' training	5,039,936	3,999,959
Operation research	1,249,808	1,096,968
	<u>15,817,093</u>	<u>20,226,899</u>
29. Audit Fees		
Annual external audit	175,000	193,325
Provident Fund audit	20,000	20,943
	<u>195,000</u>	<u>214,268</u>
30. Other Professional Fees		
Consultancy fees	2,422,250	1,149,294
Legal advisor's fees	164,500	155,650
	<u>2,586,750</u>	<u>1,304,944</u>
31. Other Direct Cost		
Office maintenance, etc.	13,212,491	7,369,501
E-mail, telephone and fax	5,070,048	3,291,526
Contribution to remittances and payments challenge fund	5,001,000	-
Electricity, gas and water	3,873,186	2,808,628
Entertainment	3,602,551	2,434,048
Bank charges	2,634,892	1,192,967
Loan processing fee	2,612,969	-
Postage and telegram	219,230	90,344
	<u>36,226,367</u>	<u>17,187,014</u>
32. Key Micro-Finance Ratios		
32.1 Sustainability/Profitability		
Return on Equity (ROE)	7%	9%
Return on Total Assets	2%	3%
Operating Self-sufficiency (OSS)	109%	118%
Financial Self-sufficiency (FSS)	104%	107%
Net Financial Spread	3%	5%
32.2 Portfolio Quality		
On Time Recovery Rate (OTR)	98.05%	98.07%
Portfolio at Risk-PAR (>60days)	2.47%	2.89%
Risk Coverage Ratio	110%	127%
Loan Loss Reserve Ratio	2.02%	2.54%
Write-Off Ratio	0.60%	0.33%

BURO Bangladesh

Notes to financial statements for the year ended 31 December 2008

	Amounts in Taka	
	Year ended 31 Dec. 2008	Year ended 31 Dec. 2007
32.3 Assets/Liability Management		
Yield on Gross Portfolio	29%	29%
Current Ratio	731%	669%
Financial Cost Ratio	8.58%	6.46%
Annual Growth to Total Assets	63%	28%
32.4 Leverage		
Debt to Equity	2.43	1.04
Debt Service Coverage Ratio by Times	1.18	1.37
Equity as Percent of Total Assets	19%	29%
32.5 Efficiency/Productivity		
Loan Officer (LO) Productivity	242	206
LO Productivity (Loan-BDT)	1,282,886	1,062,208
LO Productivity (Savings-BDT)	463,605	467,450
Average Disbursed Loan Size (BDT)	9,035	8,416
Average Outstanding Loan Size (BDT)	6,031	5,688
Cost of per Unit Money Lent (BDT)	0.07	0.07
Operating Expenses Ratio	16%	16%

Others

33. Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.
34. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
35. Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, causing any impact on the net surplus as well as on the values of assets and liabilities.

for BURO Bangladesh

(S K Sarkar)
President

(Zakir Hossain)
Executive Director

(M. Mosharrof Hossain)
Finance Director

Dhaka, Bangladesh
Dated, 13 April 2009

Five Years At a Glance
as on December 31

Particulars	2004	2005	2006	2007	2008
A. Institutional Profile					
Number of Districts	20	21	32	38	48
Number of Upazilas	67	91	148	221	296
Number of Unions	440	521	707	1,123	1,261
Number of Villages	4,238	5,047	7,029	8,833	13,888
Number of Branches	90	110	173	230	393
Total Personnel/Staff Strength	1,071	1,265	2,069	2,537	3,558
Staff Dropout Rate	14%	13%	15%	15%	17%
Number of Active Customers	221,366	273,286	331,329	376,710	602,273
Number of Active Borrowers	155,819	209,808	263,503	308,495	496,603
Borrower/Customers Ratio	70%	77%	80%	82%	82%
B. Savings Portfolio (million BD Taka)					
Yearly Savings Deposit	316.28	394.70	574.35	746.45	1,063.38
Cumulative Savings Deposit	1,042.47	1,437.18	2,011.53	2,757.98	3,821.36
Yearly Savings Withdrawals	231.61	238.44	359.88	603.51	748.02
Cumulative Savings Withdrawals	734.17	972.63	1,332.51	1,936.02	2,648.04
Savings Portfolio	308.30	464.55	679.02	821.96	1,137.32
Savings Portfolio Growth	38%	51%	46%	21%	38%
Savings Portfolio to Total Assets	37%	37%	41%	38%	32%
C. Loan Portfolio (million BD Taka)					
Yearly Loan Disbursed	1,528.04	2,368.40	3,180.27	3,751.65	5,905.77
Cumulative Loan Disbursed	4,855.34	7,223.75	10,404.02	14,155.67	20,061.44
Yearly Loan Recovered	1,325.23	1,959.97	2,774.45	3,372.66	4,652.66
Cumulative Loan Recovered	4,104.74	6,064.71	8,839.17	12,211.83	16,864.49
Loan Portfolio	750.60	1,159.03	1,564.85	1,943.84	3,196.95
Loan Portfolio Growth	37%	54%	35%	24%	64%
D. Sustainability/Profitability					
Return on Equity (ROE)	25%	25%	18%	9%	7%
Return on Performing Assets	34%	31%	29%	28%	28%
Operating Self-Sufficiency	164%	163%	136%	118%	109%
Financial Self-Sufficiency	136%	136%	122%	107%	104%
Financial Spread (Net Financial Margin)	14%	12%	8%	5%	3%
E. Portfolio Quality					
On Time Recovery Rate (OTR)	98.19%	98.07%	98.17%	98.07%	98.05%
Portfolio at Risk-PAR (>60days)	1.82%	1.69%	1.73%	2.89%	2.47%
Risk Coverage Ratio	131%	103%	118%	127%	110%
Loan Loss Reserve Ratio	1.44%	1.32%	1.48%	2.54%	2.02%
Write-Off Ratio	1%	0.14%	0.24%	0.33%	0.60%
F. Assets/Liability Management					
Yield on Gross Portfolio	35%	31%	28%	29%	29%
Current Ratio	608%	627%	529%	669%	731%
Financial Cost Ratio	4.93%	5.40%	6.33%	6.46%	8.58%
Annual Growth to Total Assets	35%	46%	32%	28%	63%
G. Leverage					
Debt to Equity	x0.36	x0.58	x0.61	x1.04	x2.43
Debt Service Coverage Ratio by times	3.54	2.37	1.62	1.37	1.18
Equity as Percent of Total Assets	43%	37%	34%	29%	19%
H. Efficiency/Productivity					
Loan Officer (LO) Productivity	318	318	213	206	242
LO Productivity (Loan-BDT)	1,078,446	1,347,714	1,006,335	1,062,208	1,282,886
LO Productivity (Savings-BDT)	476,067	572,599	456,317	467,450	463,605
Average Disbursed Loan Size (BDT)	5,459	6,375	7,421	8,416	9,035
Average Outstanding Loan Size (BDT)	3,756	4,635	5,109	5,688	6,031
Cost of per Unit Money Lent (BDT)	0.07	0.05	0.06	0.07	0.07
Operating Expenses Ratio	17%	13%	15%	16%	16%
Cumulative Average Exchange Rate: US\$1=BDT	56	58	60	65	66

**Five Years Balance Sheet
as on December 31**

PARTICULARS	2004	2005	2006	2007	2008
PROPERTY AND ASSETS					
Current Assets					
Cash and bank balance	38,651,264	37,854,041	27,319,709	123,349,415	124,763,375
Investment	45,500,311	55,178,855	60,007,222	69,456,423	169,364,899
Other current assets	14,335,375	18,477,802	32,671,913	50,140,408	68,261,119
<i>Loan portfolio</i>	<i>750,598,185</i>	<i>1,159,033,962</i>	<i>1,564,851,670</i>	<i>1,943,841,079</i>	<i>3,196,951,477</i>
<i>Loan loss reserve (LLR)</i>	<i>10,815,778</i>	<i>15,312,436</i>	<i>23,148,875</i>	<i>49,414,679</i>	<i>64,438,880</i>
Loan portfolio-net of LLR	739,782,407	1,143,721,526	1,541,702,795	1,894,426,400	3,132,512,597
Total Current Assets	838,269,357	1,255,232,224	1,661,701,639	2,137,372,646	3,494,901,990
Long - Term Assets					
<i>Fixed assets at cost</i>	<i>83,522,491</i>	<i>88,785,654</i>	<i>108,536,900</i>	<i>126,552,645</i>	<i>169,361,206</i>
<i>Accumulated depreciation</i>	<i>20,048,472</i>	<i>26,174,919</i>	<i>32,454,230</i>	<i>38,354,416</i>	<i>44,779,298</i>
Fixed assets -net of accumulated depreciation	63,474,019	62,610,735	76,082,670	88,198,229	124,581,908
Total Long - Term Assets	63,474,019	62,610,735	76,082,670	88,198,229	124,581,908
Total Assets	901,743,376	1,317,842,959	1,737,784,309	2,225,570,875	3,619,483,898
LIABILITIES AND FUNDS					
Current Liabilities					
Employees' security deposits	6,807,477	8,369,513	16,232,053	19,083,809	28,440,188
Members' general savings	100,281,126	153,692,988	234,798,242	281,425,513	434,923,458
Bank overdraft	20,852,087	37,684,335	62,860,010	18,831,189	14,502,752
Other liabilities	10,009,827	507,885	302,991	105,900	151,198
Total Current Liabilities	137,950,517	200,254,721	314,193,296	319,446,411	478,017,596
Long-Term Liabilities					
Members' time savings	6,225,036	4,330,969	4,470,426	996,088	-
Members' regular voluntary savings	201,789,670	306,523,299	439,751,124	539,539,250	702,393,892
Members' emergency funds	9,561,453	9,555,184	6,255,419	4,341,495	2,003,373
Members' security funds	13,485,509	18,332,939	24,297,577	29,130,889	15,982,612
Borrowing from Specialized Institution	83,775,496	100,678,374	99,437,500	108,187,500	116,000,000
Borrowing from Commercial Banks	55,000,000	173,875,000	220,085,357	445,138,074	1,509,882,360
Borrowing from Non-Bank Financial Institution	-	10,000,000	37,782,762	126,355,096	89,740,418
Other borrowing	6,345,830	3,490,830	1,010,830	-	-
Total Long-Term Liabilities	376,182,994	626,786,595	833,090,995	1,253,688,392	2,436,002,655
Funds and Surplus					
Revolving loan fund (donors' grant)	138,815,884	138,815,884	138,815,884	138,815,884	138,815,884
Emergency disaster fund (donors' grant)	42,015,034	43,198,689	47,372,888	52,594,801	59,037,742
Fixed assets fund (donors' grant)	901,070	375,814	-	-	-
Accumulated surplus	205,877,877	308,411,256	404,311,246	461,025,387	507,610,021
Total Net Worth	387,609,865	490,801,643	590,500,018	652,436,072	705,463,647
Total Liabilities and Net Worth	901,743,376	1,317,842,959	1,737,784,309	2,225,570,875	3,619,483,898

Source: Audit Report

Five Years Income and Expenditure Account
as on December 31

Particulars	2004	2005	2006	2007	2008
A Financial & Micro Credit Income					
Service charges/Interest on Loans	226,536,026	287,577,369	381,546,399	475,173,170	691,062,971
Service Charge on Remittance	-	-	-	1,066	1,555,221
Interest on bank deposit	361,585	587,299	860,599	1,139,140	5,483,552
Sale of forms	4,553,213	11,971,870	14,289,612	15,143,544	22,954,352
Admission fee	958,490	2,329,065	3,169,980	3,829,260	8,472,694
Others	2,799,650	448,779	2,526,537	1,801,214	3,812,600
Total Financial & Micro Credit Income (A)	235,208,964	302,914,382	402,393,127	497,087,394	733,341,390
B Financial Cost					
Interest on borrowings	11,937,951	23,768,856	47,852,804	64,776,247	166,069,171
Interest on members' savings	20,098,913	27,778,013	38,318,547	48,462,801	54,551,591
Total Financial Cost (B)	32,036,864	51,546,869	86,171,351	113,239,048	220,620,762
C Gross Financial Margin (A-B)	203,172,100	251,367,513	316,221,776	383,848,346	512,720,628
D Provision for loan losses	3,869,000	5,835,000	11,044,000	32,056,500	30,442,221
E Net Financial Margin (C-D)	199,303,100	245,532,513	305,177,776	351,791,846	482,278,407
F Operating Expenses					
Salary and allowances	75,988,613	91,712,698	142,289,760	205,500,913	298,267,420
Rental office	5,327,150	6,291,100	9,950,013	17,025,766	27,899,477
Payment to national exchequer	966,052	1,241,581	1,688,648	1,163,171	3,321,150
Transportation	5,040,330	6,250,045	10,741,835	17,427,628	26,717,832
Training & research expenses	5,345,967	5,988,894	11,060,849	20,226,899	15,817,093
Office supplies	4,009,554	4,570,490	7,298,253	8,185,784	17,402,422
Depreciation	5,714,361	5,867,239	7,134,026	5,936,185	9,703,734
Audit & professional fees	433,425	857,300	1,801,000	1,519,212	2,781,750
Other expenses	10,197,889	11,274,650	17,313,402	18,092,147	33,782,898
Total Operating Expenses (F)	113,023,341	134,053,997	209,277,786	295,077,705	435,693,776
G Net Income/(Loss) from Operations (E-F)	86,279,759	111,478,516	95,899,990	56,714,141	46,584,631
H Foreign Donations	827,000	180,000	-	-	-
I Net Surplus/(Deficit)	87,106,759	111,658,516	95,899,990	56,714,141	46,584,631

Source: Audit Report

Governing Body and Operational Board of Directors

Governing Body

Chairperson

S K Sarkar

Director (Administration and Risk Management), BRAC and Treasurer of BRAC University

Vice Chairperson

Altaf Hossain

Director-Marketing
Danish Condensed Milk Limited, Dhaka

Finance Secretary

M. Mukitul Islam

Development Trainer

Members:

Shamima Abbasy Shelly

Architect and Development Planner

Khondoker Mahafuzur Rahman,

Assistant General Manager, Grameen Bank,
Dhaka

Major (Rtd) Mir Hashmat Ullah, PSC.

Retired DIG of Police and Managing Director of Watch and Watch Pvt. Limited

Kazi Mohammad Shoab Rana

Social Activist and Businessman

Ex-Officio Secretary

Zakir Hossain

Executive Director

Operational Board of Directors

Zakir Hossain

Executive Director

M. Mosharrof Hossain

Finance Director

Md. Sirajul Islam

Program Director

Pranesh Chandra Banik

Microfinance Immersion and Capacity Building Deputy Director

Adviser

Graham A.N. Wright

Program Director, *MicroSave.*

Senior and Mid Level Professionals

Program	
	Anower Hossain, Program Coordinator Munirul Islam, Program Coordinator Md. Atikuzzaman, Assistant Program Coordinator Sayed Ahmad Khan, Assistant Program Coordinator Khondoker Moklasur Rahman, Assistant Program Coordinator Zonal Managers Abdur Razzak Chowdhury, Narayanganj Md. Shajahan, Dhaka Metropolitan Abdul Aziz, Noakhali A. N. M. Mostaqul Hasan, Tangail Abu Saleh Md. Jarzis, Pabna Ashraful Alam Khan, Moulovee Bazar Shaheenoor Islam Khan, Comilla Jafar Ahmed Jewel, Chittagong Mohsin Hossain Khan, Modhupur Saidur Rahman, Faridpur Arshad Alam, Bogra Rafiqul Islam, Gazipur Motaleb Hossain Miah, Mymensingh Istak Ahamed, Barisal Abdur Rahman Miah, Jessore
Finance and Accounts	
	A.B.M. Aminul Karim Mazumder, Assistant Finance Coordinator Sajedul Haque, Accounts Officer Abdul Halim, Accounts Officer Tapas Kumar Sikder, Accounts Officer
Administration	
	Sarker Hirendra Chandra, Assistant Admin Coordinator Abdus Sabur, Senior Computer Manager Umme Kulsum, Senior Admin Associate
Human Resource Management (HRM)	
	M Muhith Hussain, Personnel Associate M Shah Imran, Personnel Associate
Internal Audit	
	Anil Saha, Assistant Audit Coordinator Md. Montashir Mamun Chowdhury, Assistant Audit Officer Suria Tul Mowla, Assistant Audit Officer
Microfinance Immersion and Capacity Building	
	Nazrul Islam, Training Officer Sk. Naeem Ferdous, Assistant Training Officer
Research and Publication	
	S M A Rakib, Assistant Research & Publications Officer
Information Technology (IT)	
	Md. Ziaus Shams, Sr. Systems Support Manager Md. Kamrul Ahasan, Systems Support Manager Nur Mohammad, Systems Support Manager A S M Tarequr Rahman, Systems Support Manager Md. Shaheenur Islam, Systems Support Manager
Foreign Remittance	
	Md. Ariful Islam, Manager Mahasin Uddin, Manager Md. Rasheadul Kabir, Manager Fahmina Mustafa, Assistant Manager
Monitoring and Reporting	
	Sarojit Kumar Mandal, Assistant Monitoring Officer Taslima Bari, Data Processor
Public Relation	
	Md. Enamul Kabir, Office Manager
Disaster Management	
	Waliul Islam Chowdhury, Disaster Manager



BURO
Bangladesh

BURO Bangladesh

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