

# Annual Report 2010

**BURO** *Bangladesh*



# Annual Report 2010

**BURO** *Bangladesh*  
An Emerging Commercial  
MFI in Bangladesh

## Content

Chapter-1	Message from CEO	03
Chapter-2	BURO Bangladesh in a Glimpse	04
	Highlights	07
	What We Stand For	08
	Our Values	09
	Marching With Time	10
	Recognition	11
Chapter-3	Corporate Governance	12
Chapter-4	Features of Financial Products	17
Chapter-5	Microfinance for Moderate Poor	21
Chapter-6	Microfinance for Hardcore Poor	25
Chapter-7	Microfinance in Agriculture	28
Chapter-8	Micro Enterprise Financing	30
Chapter-9	Micro Insurance	32
Chapter-10	Remittance Services	35
Chapter-11	Financial Ratio Analysis	37
Chapter-12	Disaster Management	42
Chapter-13	Human Resource Development (HRD)	45
Chapter-14	Rural Water Supply	49
Chapter-15	Audit Report	51
Chapter-16	Five Years At a Glance	79
Chapter-17	Governing Body and Operational Board of Directors	82
Chapter-18	Senior and Mid Level Professionals	83

## Message from CEO

This gives us immense pleasure in presenting our Annual Report 2010. Like the past few years, the current year has also witnessed significant program expansion. We have increased geographical outreach to 57 districts covering 985,182 customers. We are serving them through 621 branches. We have decided to reach the customers level at one and half million at the end of 2011. Candidly speaking, we are pursuing a market-oriented approach in delivering flexible quality financial services for the poor and at the same time striving toward commercialization following cost covering principle and achieving self-sufficiency.

BURO Bangladesh is a specialized microfinance institution that provides flexible financial services to low-income people. In fact, we work for promoting the financial and economic empowerment of these people to enhance their economic well-being. To meet their ever-growing financial needs, it has launched six loan products, two savings products and one insurance scheme. The organization provides remittance services to the people through its branch network. It provides agriculture loans to small and marginal farmers and stepped up loans to the graduated clients called enterprise loan. The organization also has a disaster mitigation program for the affected microfinance clients.

We know that hardcore poor have a variety of needs along with seed money. These include housing, health and nutrition, education for children, safe water and sanitation etc. With a view to improving the livelihood of the hardcore poor people, BURO Bangladesh has been operating two projects for last couple of years.

BURO has already demonstrated that voluntary open-access savings schemes can mobilize more net savings (and thus capital) per member per year than compulsory locked-in savings schemes and also can provide a valued, and well used financial services. BURO does not “teach” its customers the virtues of savings because it believes that they have already known it.

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

Finally, we would like to thank all of 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: March, 2011

# **BURO Bangladesh in a Glimpse**

## 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, two savings products and one insurance scheme. The organization provides remittance services to the people through its branch network. 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 microfinance clients. 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 20,000 and having assets less than BDT 30,000
- age limit between 18-60 years

#### Moderate Poor

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

### Micro Entrepreneurs and Small & Marginal Farmers

- owning more than 0.50 acres of land
- annual income equal to or less than BDT 100,000 and having assets less than BDT 500,000
- age limit between 18-60 years

### Legal Status

BURO Bangladesh is registered with:

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

### Linkages

BURO Bangladesh has established linkages with:

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

### 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 985,182 to 1,500,000 in 2011.

#### **Going Extensive Automation**

The organization is contemplating full automation of its branches by 2014. In this context, steps have already been taken. Currently 75 branches have full automation. In 2011, a total of 250 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. The organization has decided to launch a massive micro-enterprise program in 2011 through bank financing for increased rural employment generation.

## Highlights

### Professional Attainment

- Awarded second position in the NGO-MFI sector in 2009 by the Institute of Chartered Accountants of Bangladesh (ICAB) for Best Published Reports and Accounts.
- Awarded first runner-up in NGO/MFI category by the South Asian Federation of Accountants-SAFA in 2009 for Best Published Reports and Accounts.

### Legal and Compliance

- Paid off BDT 8.55 million as overall taxes in the National Exchequer.

### Product and Services

- Some financial products redesigned.
- Working with hard-core poor in seven branches with flexible approach.
- Introduced agriculture loan for small and marginal farmers.

### Policy and Implementation

- A rigorous internal control system is in place.
- Strengthened channeling foreign remittance to the rural areas.

- All customers can withdraw all savings from the general account leaving BDT 10 only to keep the account active.

### Major Expansion in 2010

- Revolving loan fund increased by 6%.
- Loan portfolio increased by 37%.
- Savings portfolio increased by 40%.
- Customers outreach increased by 32%.

### Operational Performance

- Operational self-sufficiency and financial self-sufficiency is 99% and 95% respectively.
- Portfolio at risk (>60 days) is 2.61% and 97.01% portfolio has no payments in arrears.
- On-time recovery (OTR) rate is 98.35%.
- Customers' savings constitutes 34% of total revolving loan fund.
- Operational expense ratio is slightly falling and is now 17%.
- Cost per unit of money lent is BDT 0.08 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' likings 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.

## Matching with Time

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 in the 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 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.
2009	First ever commercial bank syndicated financing in agriculture sector in the country.
2010	Massive expansion of Micro Enterprise program adopted during the year.

## **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.

In 2008, BURO, Bangladesh has been awarded joint winner along with BRAC, and in 2009, awarded first runner-up for the best Published Reports and Accounts by the South Asian Federation of Accountants (SAFA).

### **ICAB National Award for Best Published Reports and Accounts**

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

# 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. A seven-member Governing Body is in place that includes Chairperson, Vice Chairperson, Finance Secretary and four other Members. The management is vested under a leadership of Executive Director along with three-member Operational Board of Directors includes Finance Director, Program Director and Training and Capacity Building Deputy Director. 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.

In 2010, five Governing Body meetings were held i.e. on 14<sup>th</sup> March, 06<sup>th</sup> May, 16<sup>th</sup> August, 20<sup>th</sup> November, and 10<sup>th</sup> December. The meetings provided guidelines and policy directions to the management for streamlining operations.

The 17<sup>th</sup> Annual General Meeting (AGM) was held on 24 December 2010. The meeting approved audit reports, annual report and appointment of auditor. The meeting also approve budget and operational plan for 2010 and 2011. The meeting elected the Governing Body for 2011 and 2012.

## 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.

## Program Management Structure

BURO Bangladesh operates through its branches in different places. A branch is managed by one Branch Manager, one Accountant, and 6-8 Program Organizers (POs)/ Assistant Program Organizer (APOs). There are 621 branches which are supervised by 80 Area Officers. Overall, there are 18 Zonal Officers that administer all the branches and area offices.

## 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, 2010 stood at BDT 169.86 million, which includes BDT 113.24 million as provident fund, BDT 16.21 million as gratuity, BDT 3.15 million as health fund, BDT 9.26 million as housing fund and BDT 28 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 8.55 million has been paid to the national exchequer for income other than from microfinance. In addition, the organization paid BDT 1.35 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.

#### **Clients Passbook Checking**

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

#### **Financial Control**

Fund management is done prudently keeping in view the demand of funds and its availability at the branch and head office. Financial control is generally exercised at three levels: the Governing Body, the Head Office and the respective Branch. Governing Body monitors all financial matters quarterly through Governing Body meeting. The Executive Director and 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 and risk management department is staffed with an Assistant Audit Coordinator. A total of 43 audit staff work in this department who are based in the zonal offices. The internal auditor reports on 100% checking of loan portfolio. Auditor also reports on 100% checking on loan and savings balancing (reconcile the balance with collection sheet) and program-wise reporting and reports on passbook verification of at least 100 passbooks of 10 *kendras* done by the concerned PO/APO, etc. Auditor reports on fund management concerning cash and bank.

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

### **Risk Management**

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

### **External Audit**

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

### **Standard Practices**

BURO Bangladesh follows some of the internationally accepted reporting and prudential

requirements. This is being done to conform to the standard norms and practices pursued worldwide and to prepare for any future prudential requirements in the country. These practices and the relevant indicators portray a clear picture of the organization's financial and managerial soundness.

### **Capital Adequacy**

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

### **Asset Management**

Loans advanced to the customers make up the portfolio of the total assets and forms the biggest current asset. To determine the quality of loan portfolio, aging analysis is performed monthly. The year-end financial accounts of 2010 shows that the organization has achieved a first-rate portfolio indicating 97.01% 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 2.20%. 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.

## 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 500,000, 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 and ceremonies (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.

### **Remittances Services**

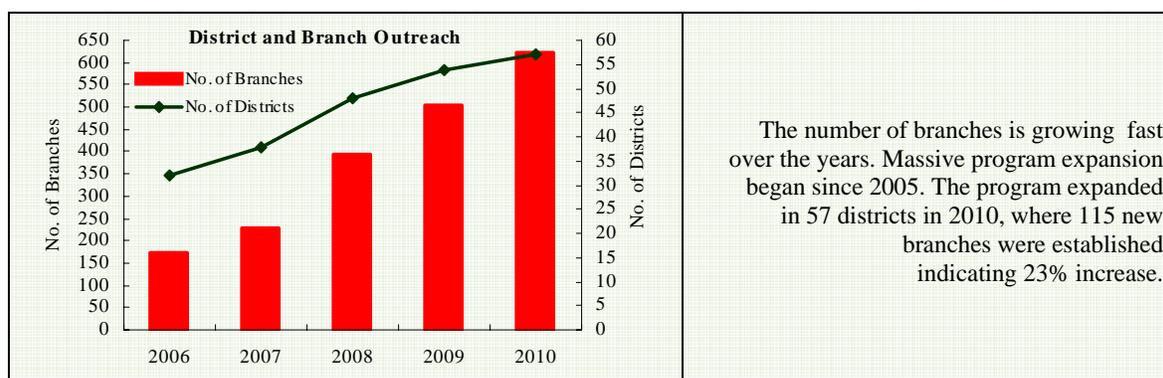
BURO, Bangladesh provides foreign remittances to the people through its widespread network in the country. The money is sent to the families by the migrants abroad.

In this context, BURO, Bangladesh has been working as an official channel of some commercial banks.

## **Microfinance for Moderate Poor**

## Geographical Coverage

As of December 31, 2010, BURO Bangladesh provided flexible financial services to 22,994 villages in 1,405 unions in 57 districts of all seven divisions viz. Dhaka, Rajshahi, Chittagong, Barisal, Khulna, Sylhet and Rangpur. The year witnessed rapid expansion of branches to 621 from 506 in 2009 resulting in creation of 115 new branches.



## Customer Outreach

The number of active customers stood at 985,182 as on December 31, 2010 as against 746,938 in 2009. The net increase of customers during the year was 238,244, which is 32% 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 2009.

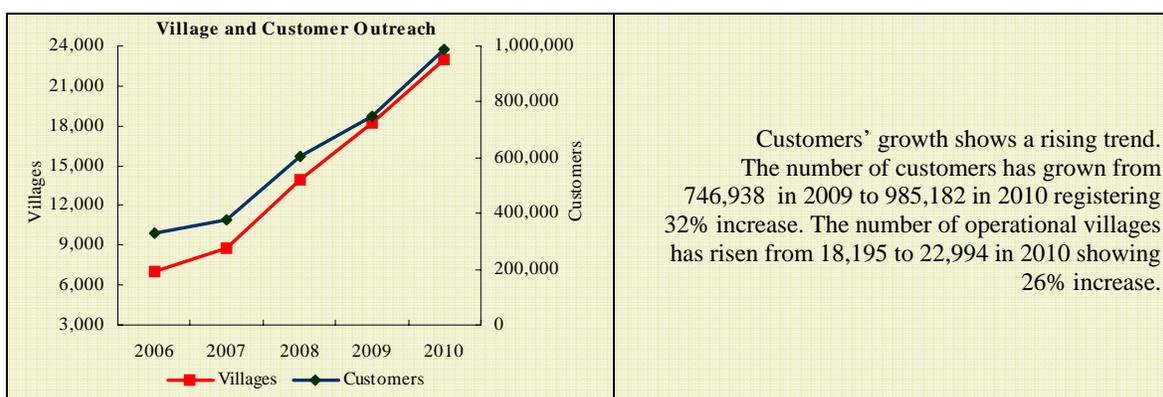
## Savings Services

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

## Savings Performance

As of December 31, 2010, the net savings balance was BDT 2,075 million as against BDT 1,485 million in the preceding year. Up to December 31, 2010, the customers had deposited a total of BDT 1,931 million and withdrawn BDT 1,341 million. The savings registered an increase of 40% during the year as opposed to 31% in 2009 indicating enormous growth in savings.



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					
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
2009	1,480.70	1,133.18	1,484.84	31	1,988
2010	1,931.39	1,341.64	2,074.59	40	2,106

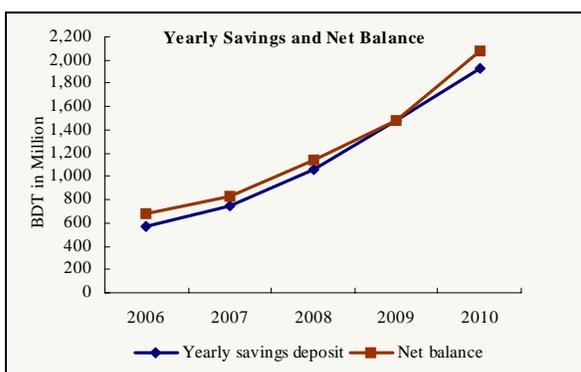
Table-2: Savings balance by product as on December 31

“Amount in Million BDT”

Products	2006	2007	2008	2009	2010
General Savings	234.80	281.38	434.92	597.90	881.47
Regular Voluntary Savings	439.75	539.58	702.39	886.94	1,193.12
Time Savings	4.47	1.00	-	-	-
<b>Total</b>	<b>679.02</b>	<b>821.96</b>	<b>1,137.32</b>	<b>1,484.84</b>	<b>2,074.59</b>

### Loan Services

BURO’s experience indicates that the customers prefer flexible quality financial service. They want larger loans and business development



Net savings balance is rising due to the provision of open access services and increased membership. It is showing a steep rise since 2005 as number of customers increased significantly. The total savings increased from BDT 1,485 million in 2009 to BDT 2,075 million in 2010 showcasing 40% rise.

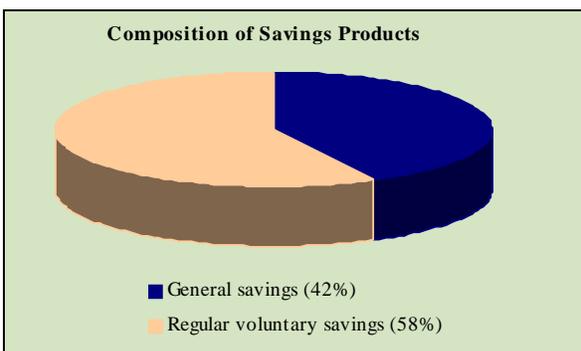
### Savings by Products

In 2010, the regular voluntary savings contributed to 58% of the total savings followed by 42% in general savings versus the corresponding savings of 60% and 40% respectively in 2009. Regular voluntary savings has emerged to be a popular product as it carries high interest.

The total savings breakdown is mapped out in table-2.

support services (BDS). The organization continues to revamp its policies and plans to stay competitive in the industry.

It has six loan products with interest rates within the band 10-15% that include general loan, micro-enterprise loan, agriculture loan, hand loan, disaster loan, and water & sanitation loan. In addition to existing loan(s), the customers can have short-term loan for meeting any emergency



The regular voluntary savings has contributed 58% in 2010, while the general savings has made 42%. Regular voluntary savings is attracting more customers as this product offers higher interest rates convenient to the customers.

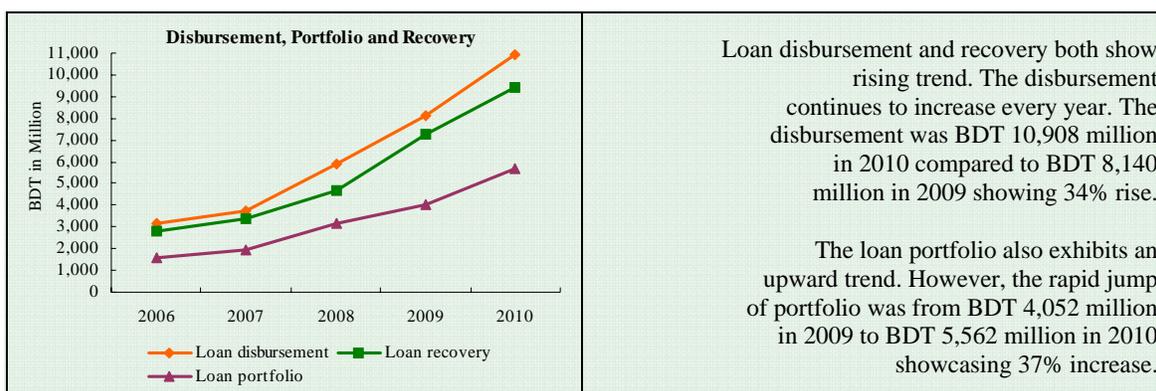
needs. BURO Bangladesh also provides micro-enterprise and agriculture loan coupled with modicum business development support.

### Loan Performance

The average loan size based on disbursement was BDT 10,661 as against BDT 9,999 in 2009. The size is showing a rising trend, which effectively indicates the demand for stepped up loans. The on-time loan recovery rate was 98.35% compared to 98.15% in 2009.

Up to December 31, 2010, all branches have disbursed a total amount of BDT 39,110 million as against BDT 28,201 million in 2009 resulting in 39% increase. Of this, BDT 33,548 million has been recovered leaving the net outstanding loan balance at BDT 5,562 million.

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

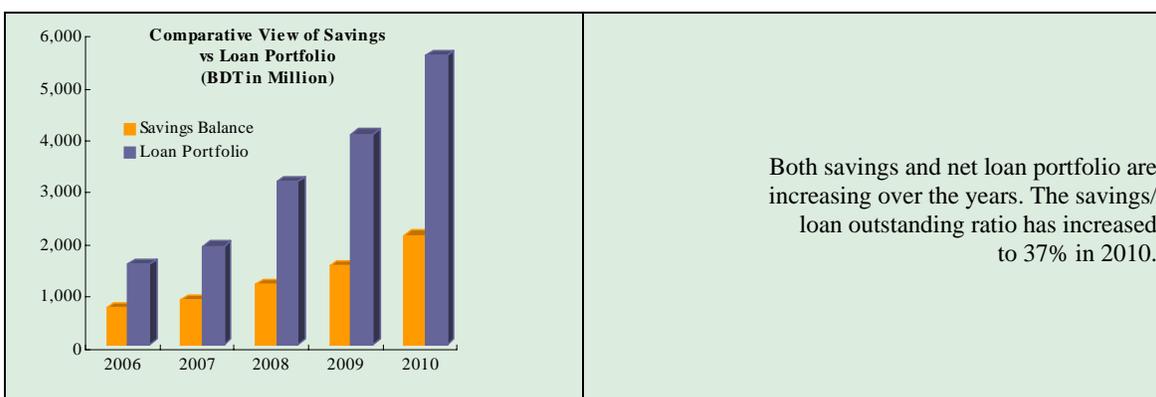


Loan disbursement and recovery both show rising trend. The disbursement continues to increase every year. The disbursement was BDT 10,908 million in 2010 compared to BDT 8,140 million in 2009 showing 34% rise.

The loan portfolio also exhibits an upward trend. However, the rapid jump of portfolio was from BDT 4,052 million in 2009 to BDT 5,562 million in 2010 showcasing 37% increase.

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
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
2009	814,026	8,140	3,593,864	28,202	621,391	4,052	9,999	6,520
2010	1,023,234	10,908	4,617,096	39,110	821,826	5,562	10,661	6,767



Both savings and net loan portfolio are increasing over the years. The savings/loan outstanding ratio has increased to 37% in 2010.

## **Microfinance for Hardcore Poor**

Hardcore poor have a variety of needs along with seed money. These include housing, health and nutrition, education for children, safe water and sanitation etc. With a view to improving the livelihood of the hardcore poor people, BURO Bangladesh has been operating two projects for last couple of years. These include: (i) Improved Living Standard of the Poorest of the Poor in Tangail peri-urban area with the financial support from UNESCO/Stichting Gilles Foundation and (ii) Economic and Social Empowerment of the Hardcore Poor (ESEHP) project in Uttara, Dhaka, urban area assisted by Stromme Foundation. In early 2009 BURO has replicated the ESEHP project in the Kurigram

branches covered 9,620 customers and 8,148 borrowers. The current experience suggests that sustainability is pretty difficult in dealing with hardcore poor following traditional microcredit and borrowing fund at commercial rates. Financing the hardcore poor should be looked at more from societal point of view and with long term perspective. BURO thinks that the hardcore poor issue is very challenging. The operation is very costly in view of small loan of absorption capacity and dispersed populace.

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

Table-4: Summarized balance sheet as on 31 December 2010

**“Amount in BDT”**

Particulars	Hard Core Poor-Rural (Kurigram) (Opened on March 2009)	Hard Core Poor-Urban (Dhaka) (Opened on January 2004)	Hard Core Poor-Peri-urban (Tangail) (Opened on July 2002)	Total
<b>Property &amp; Assets</b>				
Fixed Assets	269,865	77,623	38	347,526
Loan Portfolio net of LLR	26,071,778	13,333,091	5,524,379	44,929,248
Advance	345,005	171,852	13,800	530,657
Current Assets	90,335	27,074	3,424	120,833
Cash at Bank Balance	1,261,120	87,215	116,750	1,465,085
<b>Total Assets</b>	<b>28,038,103</b>	<b>13,696,855</b>	<b>5,658,391</b>	<b>47,393,349</b>
<b>Fund and Liabilities</b>				
Customers' Saving	6,517,005	7,067,252	4,793,454	18,377,711
BURO Bangladesh Fund	17,419,949	1,972,074	3,293,591	22,685,614
Stromme Foundation	12,034,085	5,965,915	-	18,000,000
Accumulated Profit	(7,932,936)	(1,308,386)	(2,428,654)	(11,669,976)
<b>Total Fund and Liabilities</b>	<b>28,038,103</b>	<b>13,696,855</b>	<b>5,658,391</b>	<b>47,393,349</b>

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

In 2010 all the seven branches covered 14,502 customers and 12,268 borrowers. The urban branch in Uttara included 3,123 customers and 2,750 borrowers. On the other hand, Tangail peri-urban branch covered 1,759 customers and 1,370 borrowers and the 5 Kurigram rural

In 2010, non-financial services provided in the Dhaka urban branch and five Kurigram branches includes non-formal child education, adolescent awareness program, basic life management training includes nutrition, water & sanitation awareness support etc. for the customers, as per plan. The performance of providing non-financial services with the support of Stromme Foundation in 2010 is exhibited in table-6:

Table-5: Summarized Income & Expenditure Statement for the year ended on 31 December 2010

“Amount in BDT”

Particulars	Hard Core Poor-Rural (Kurigram) (Opened on March 2009)	Hard Core Poor-Urban (Dhaka) (Opened on January 2004)	Hard Core Poor-Peri-urban (Tangail) (Opened on July 2002)	Total
<b>Income</b>				
Interest on Loan	4,281,048	3,281,620	1,707,582	9,270,250
Other Income	968,687	289,990	62,090	1,320,767
<b>Total Income</b>	<b>5,249,735</b>	<b>3,571,610</b>	<b>1,769,672</b>	<b>10,591,017</b>
<b>Expenditures</b>				
Interest on Savings	73,293	259,068	258,542	590,903
Interest on Borrowing	937,434	368,491	-	1,305,925
Interest on HO Fund	2,208,286	233,683	404,476	2,846,445
Salary & Allowances	5,154,601	2,061,182	1,067,498	8,283,281
Loan Loss Provision	-	177,000	60,000	237,000
Other Expenses	1,297,875	469,657	147,613	1,915,145
<b>Total Expenditure</b>	<b>9,671,489</b>	<b>3,569,081</b>	<b>1,938,129</b>	<b>1,5178,699</b>
<b>Net Profit/(Loss)</b>	<b>(4,421,754)</b>	<b>2,529</b>	<b>(168,457)</b>	<b>(4,587,682)</b>

Table-6: Performance of hardcore poor branches

“Figures in Quantity”

Name of activities accomplished	2010
Pre School established for poor children	40
Children enrollment	1,000
Formation of School Management Committee	40
Shonglap Center established	60
Adolescent Girls enrollment	1,500
Skill base training for adolescent girls	1,198
Formation of Shonglap support team-SST	60
Formation of Peoples' Organization	7
Leadership Development training for Peoples Organization leaders and members	150
Business Development training for Microfinance program beneficiaries	150
Awareness build up training for beneficiaries	200

## Microfinance in Agriculture

BURO Bangladesh has been financing farming activities in a massive way. The objective is to boost agriculture production for fostering food security. The organization has opened a new window for financing the small and marginal farmers. Small and marginal farmers constitute more than 90% of the total farmers. This 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.

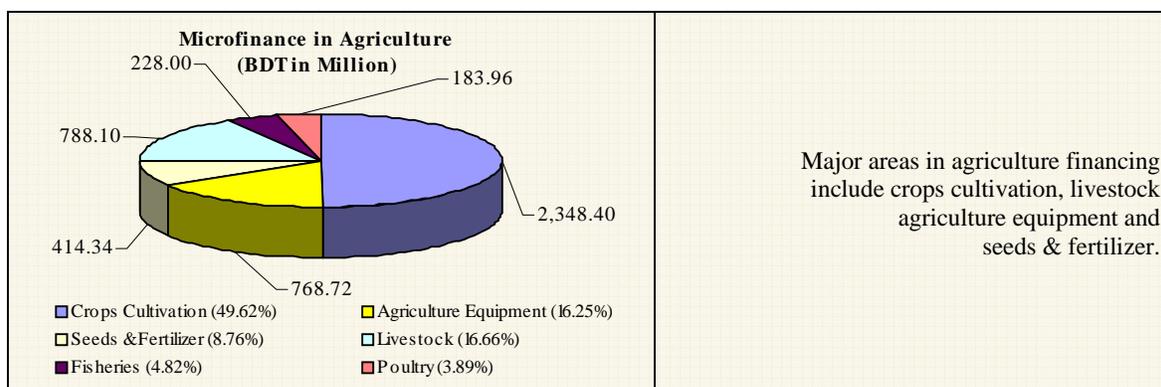
The organization has provided the farmers with various training to build their capacity to raise crop production. Trainings were given on a number of fields that will enhance the livelihoods of the clients. These include basic training for the customers on land practices, training on crop diversification, 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 areas that influence the lives of the beneficiaries.

In 2010, an amount of BDT 4,731.52 million was disbursed to small and marginal farmers compared to BDT 2,263.05 million in 2009 resulting in 109% increase. The amount was disbursed to 458,787 clients in 2010 as against 219,515 clients in 2009. The client growth was 2.09 times. The sub-sectors include crops cultivation, agriculture equipment, seeds & fertilizer, livestock, fisheries and poultry. The rate of loan recovery was 100%. So far, BURO Bangladesh has received BDT 3,000 million for agriculture financing from 20 commercial banks. The details of loan disbursement are given in table-7.

Table-7: Sub-sectors in agriculture financing as on December 31

Agriculture Loan	2008		2009		2010	
	No. of Clients	BDT in Million	No. of Clients	BDT in Million	No. of Clients	BDT in Million
Crops Cultivation	8,472	87.28	112,176	1,122.80	234,448	2,348.40
Agriculture Equipment	4,617	67.99	32,499	367.81	67,923	768.72
Seeds & Fertilizer	714	12.62	20,265	198.25	42,354	414.34
Livestock	6,757	85.21	35,405	377.08	73,996	788.10
Fisheries	5,189	72.72	10,364	109.09	21,661	228.00
Poultry	5,854	82.26	8,806	88.02	18,405	183.96
<b>Total</b>	<b>31,603</b>	<b>408.08</b>	<b>219,515</b>	<b>2,263.05</b>	<b>458,787</b>	<b>4,731.52</b>



## **Micro Enterprise Financing**

The micro-enterprise (ME) development is recognized by BURO as an important means of economic empowerment of the people. Micro-enterprise financing is taking off as an important financial activity of many MFIs in the country. A growing demand is spotted for micro enterprise loans among microcredit borrowers. There are several reasons may be factored in that include:

- 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

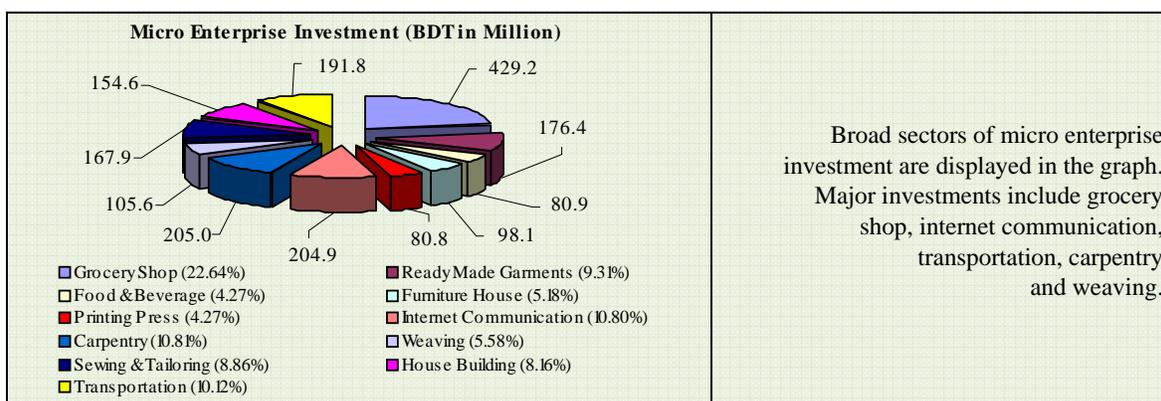
microenterprise programs form another group of potential customers who seek larger loans to support the growing needs of capital.

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.

In 2010, an amount of BDT 1,895.69 million was disbursed as against BDT 1,528.78 million resulting in 24% increase. The amount was disbursed to 13,776 borrowers as opposed to 11,480 in 2009. The client growth was 1.2 times. The sub-sector includes grocery, readymade 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-8.

Table-8: Sub-sectors in micro-enterprise financing as on December 31

Micro Enterprise	2008		2009		2010	
	No. of Clients	BDT in Million	No. of Clients	BDT in Million	No. of Clients	BDT in Million
Grocery Shop	1,505	95	4,488	346.19	5,386	429.28
Ready Made Garments	825	65	254	142.31	305	176.46
Food & Beverage	198	25	385	65.31	462	80.98
Furniture House	194	78	225	79.12	270	98.11
Printing Press	28	36	25	65.21	30	80.86
Communication	158	58	265	165.24	318	204.90
Carpentry	552	58	658	165.32	789	205.00
Weaving	789	87	1,258	85.23	1,509	105.69
Sewing & Tailoring	685	58	895	135.47	1,075	167.98
House Building	158	15	369	124.69	443	154.62
Transportation	352	35	2,658	154.69	3,189	191.82
<b>Total</b>	<b>5,444</b>	<b>610</b>	<b>11,480</b>	<b>1,528.78</b>	<b>13,776</b>	<b>1,895.69</b>



Broad sectors of micro enterprise investment are displayed in the graph. Major investments include grocery shop, internet communication, transportation, carpentry and weaving.

# Micro-Insurance

Micro-insurance has been introduced as a mechanism for reducing the vulnerability of the customers. Three types of customers, viz. the very poor, poor and micro-entrepreneurs/small & marginal farmers are covered. It secures them against those risks which they are unable to protect themselves by savings or credit.

The poor and the micro-entrepreneurs and the small & marginal farmers have to pay premium of BDT 50 to BDT 300, 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 benefit is 100 times of the premium mode chosen. Secondly, the entire outstanding loan of the clients is waived and thirdly, after the death of the principal loan guarantor, the family of the guarantor also receives half of the cash benefit.

A total of 915,208 insurance holders were registered in the year against 691,748 in 2009 resulting in 32% increase. Premiums were collected to the tune of BDT 61 million compared to BDT 46 million in 2009 showing 33% rise. During the year, 2,648 claims were settled amounting BDT 11.20 million compared to 3,482 claims in the preceding year involving BDT 14.15 million. The portion of this insurance fund is used in the development of Kendra/Centre. The details are exhibited in table-9.

*Table-9: Yearly premium collection and claims settlement*

*“Amount in Million BDT”*

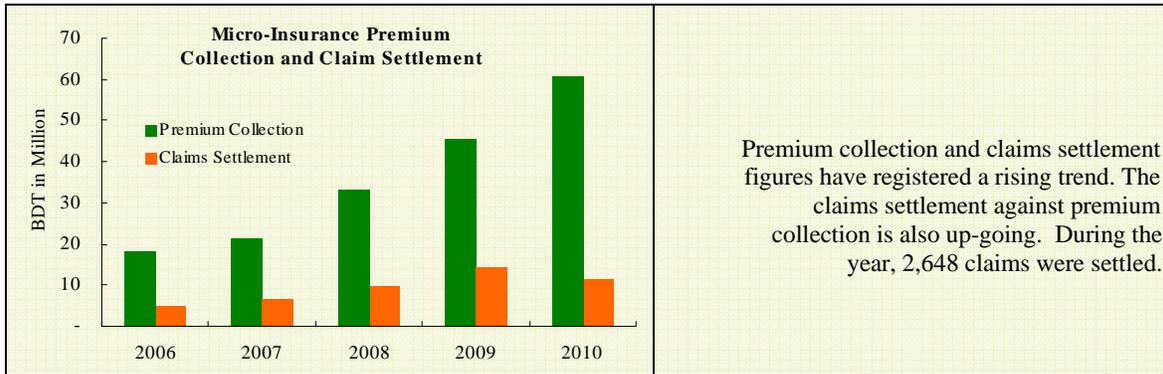
Year	Premium Collection		Claims Settlement		Kendra Expenditure BDT
	Nos.	BDT	Nos.	BDT	
2006	290,374	18.20	1,267	4.93	7.31
2007	331,458	21.55	1,593	6.67	10.05
2008	537,850	33.48	2,367	9.71	36.92
2009	691,748	45.53	3,482	14.15	12.07
2010	915,208	60.72	2,648	11.20	55.19

### **MIME Insurance Pilot Project**

INAFI Bangladesh has taken an initiative for establishing a social security project named Micro Insurance of Mutual Entity (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 needs 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 2012. The main objective of MIME is to provide microinsurance services to the poor and very people reducing the vulnerability on a mutuality basis. A total of 13 MFIs is now the partners of the project that includes BURO Bangladesh. All these MFIs have covered about 71,457 insurance clients in 2010.

Two products are offered to the clients. These include (i) simple term life insurance which has two products. (a) In this product, benefits will be given to the nominee of the client, (b) In this product benefits will be 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 case, the clients deposit BDT 50 or its multiple every month for a period of 5, 7, 10 or 12 years. The age of the clients is from 18-47 years.

BURO is piloting this project in three of its branches. A total of 3,115 clients have been enrolled up to 2010. Of them, 2,606 (84%) have chosen life term policy while 509 (16%) 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 2,383,005 has been collected as premiums. So far, four claim settlements have been made that include three for term life and one for simple term life.



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

Table-10: Performance of MIME piloting up to 2010

#	Branch	Term Life Insurance		Simple Term Life Insurance		Claim Settlement (TLI)		Claim Settlement (STLI)	
		Policy holders	Premium (BDT)	Policy holders	Premium (BDT)	Policy holders	Taka	Policy holders	Taka
1	Azampur	668	668,010	-	-	2	13,830	-	-
2	Savar	1,017	891,660	142	9,275	3	11,040	-	-
3	Gazipur	921	789,950	367	24,110	-	-	1	1,935
	<b>Total</b>	<b>2,606</b>	<b>2,349,620</b>	<b>509</b>	<b>33,385</b>	<b>5</b>	<b>24,870</b>	<b>1</b>	<b>1,935</b>

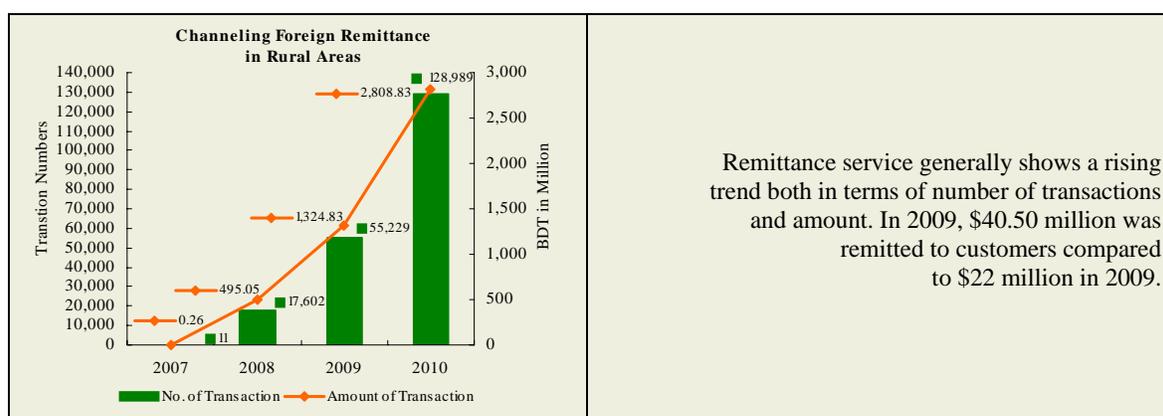
## Remittance Services

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

Bank Limited, Social Islamic Bank Limited and Mercantile Bank Limited. All implementing partners collect remittances through the Exchange House and BURO delivers remittances to beneficiaries at the respective locations on behalf of each of the respective banks. It has started remittance operations since December 2007. In 2010, a total of 128,989 customers were served. The transacted volume of transfer amounted to US \$40.50 million. The organization has set up a remittance service department for furthering its operations.

BURO, DFID/RPCF and Bangladesh Bank have jointly contributed in setting up terminal facilities in 125 remote branches to channel remittance. BURO is implementing another project titled “Expanding Remittances in Rural Bangladesh” with the support of UN Specialized Agency “**International Fund for Agricultural Development**” (IFAD) for providing technical assistance to augment remittance services through another 100 terminals across the country totaling 250 terminals. This initiative includes significant contribution from BURO Bangladesh.

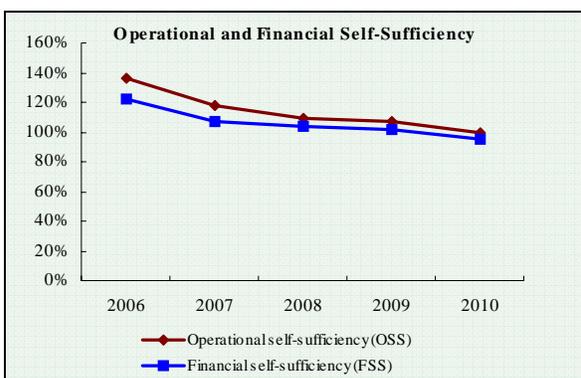


Remittance service generally shows a rising trend both in terms of number of transactions and amount. In 2009, \$40.50 million was remitted to customers compared to \$22 million in 2009.

# 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 99% operational self-sufficiency (OSS) as opposed to 107% in the last year. The financial self-sufficiency (FSS) attained in the year was 95% as compared to 102% in 2009. The fall has occurred due to significant increase of financial cost for commercial borrowing and increase of operational cost aimed at substantial expansion. This year 115 new branches were opened. The full potentials of the investment could not be reaped in the year. The picture, however, will bounce next year.



## Portfolio Quality

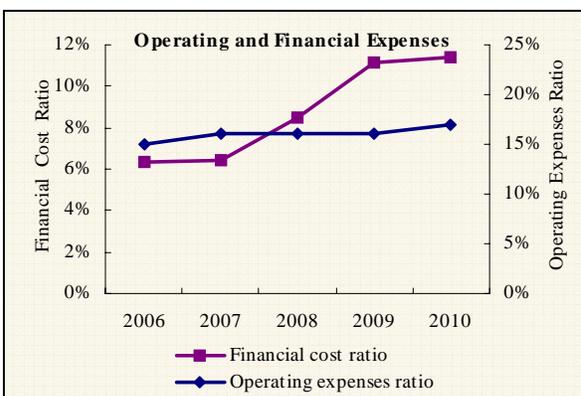
Loan portfolio is the greatest asset of an MFI. Quality is characterized by low portfolio risk and high loan recovery rate. The organization has been maintaining a high quality portfolio of loans. The on-time loan recovery rate in 2010 was registered at 98.35% versus 98.15% in 2009.

As on December 31, 2010, 97.01% of the portfolio had no payments in arrears at all, 0.73% is in arrears by 1-25 weeks and 2.26% by more than 26 weeks. Portfolio at risk (>60 days) was at 2.61% at the end of 2010, compared to

For operational self-sufficiency (OSS) and financial self-sufficiency (FSS) 100% is ideal. Higher the ratio, the better is its performance. Due to rapid expansion and increased operational and financial costs since 2006, the OSS has decreased to 99% from 107% in 2010, while FSS has decreased to 95% from 102%.

Net loss of BDT 33 million has been posted in 2010 compared to BDT 66 million profit in 2009. The net surplus has decreased by 50% over the preceding year. The return on equity (ROE) has stood at (4%) compared to 9% in 2009. The return on performing assets has shot up to 30%.

3.72% in 2009. Loan loss reserve ratio was figured out at 2.20% compared to 1.82% in the preceding year. The reserve contains adequate fund to absorb potential risks or capital losses. Loan write-off was made by 1.39% compared to 1.32% in 2009. Efforts to collect bad loans continued during the year. As per policy, the loan loss reserve requirement has been worked



Financial cost ratio shows a rising trend due to increased commercial borrowing and customers' increased savings. The overall ratio was 11.43% in 2010 compared to 11.15% in 2009.

The operating cost is currently 17%, which has remained stable for the last four years.

out at BDT 122.08 million while provision has been made at BDT 122.52 million. The ageing of portfolio is shown in table-11.

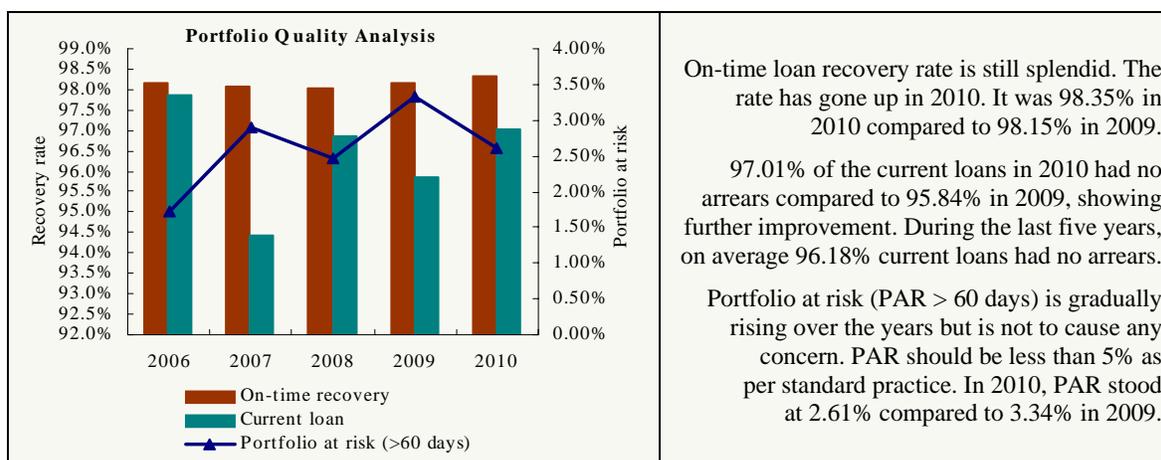
Table-11: Ageing of Portfolio as on December 31, 2010

#	Number of payments in arrears by weeks	Ageing of portfolio		
		%	No. of Loans	BDT in Million
1	Current loan	97.01	779,806	5,395.40
2	1-4 payment past due	0.22	2,100	12.24
3	5-8 payment past due	0.16	1,936	8.76
4	9-16 payment past due	0.16	2,460	9.15
5	17-25 payment past due	0.19	1,830	10.46
6	26-50 payment past due	0.19	2,198	10.52
7	>50 payment past due	2.07	31,496	115.11
<b>Total</b>		<b>100</b>	<b>821,826</b>	<b>5,561.64</b>

can borrow commercially it is imperative that the organization is financially viable and that it will continue to be viable in the long term. This is understood by debt-equity ratio, equity to asset ratio and debt service coverage ratio (DSCR). In 2010, the debt-equity ratio has been figured out at 82:18. Besides, the equity to total assets (capital adequacy) was at 12% and Debt Service Coverage Ratio was 1.05 times. The ratios are favorable enough to encourage the lenders and the savers to have ample confidence in the BURU Bangladesh.

### Efficiency and Productivity

Efficiency and productivity ratios refer to the ability of the MFIs to minimize costs of operations and enhance profitability. These



On-time loan recovery rate is still splendid. The rate has gone up in 2010. It was 98.35% in 2010 compared to 98.15% in 2009.

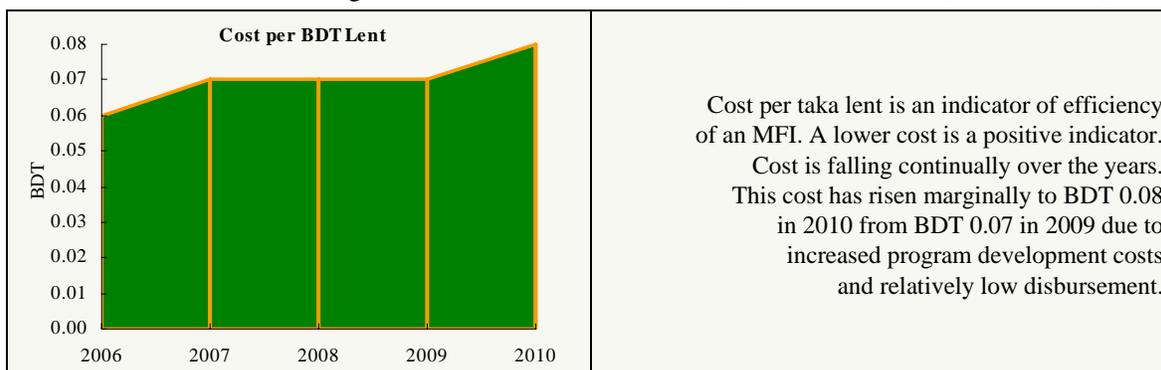
97.01% of the current loans in 2010 had no arrears compared to 95.84% in 2009, showing further improvement. During the last five years, on average 96.18% current loans had no arrears.

Portfolio at risk (PAR > 60 days) is gradually rising over the years but is not to cause any concern. PAR should be less than 5% as per standard practice. In 2010, PAR stood at 2.61% compared to 3.34% in 2009.

### Leverage Ratio

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

ratios indicate whether the MFIs are maximizing the use of resources. Productivity refers to the volume of business that is generated (output) for a given resource or asset (input), while efficiency refers to the cost per unit of output.

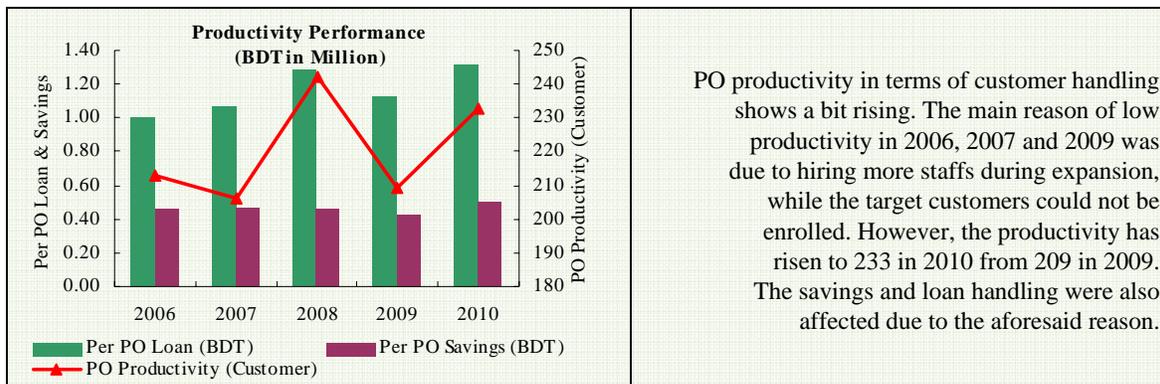


Cost per taka lent is an indicator of efficiency of an MFI. A lower cost is a positive indicator.

Cost is falling continually over the years. This cost has risen marginally to BDT 0.08 in 2010 from BDT 0.07 in 2009 due to increased program development costs and relatively low disbursement.

The operating cost ratio, a measure of efficiency has not increased in 2010. It has remained stable at 17% as in 2009. Like-wise, the cost per unit of money lent has also remained stable at BDT 0.08 as in 2009. The financial cost ratio increased to 11.43% in 2010, compared to 11.15% in the preceding year. The increase has been largely due to payment of more interest on the increased volume of commercial borrowing capital.

organization performs more than three types of financial transactions with a single customer. Thus this performance clearly outstripped the average performance of a typical Loan Officer in the industry. The loan outstanding per PO has increased to BDT 1,315,119 in 2010 from BDT 1,133,317 in 2009. The savings balance per PO has increased to BDT 497,800 from BDT 425,497 in 2009.



PO productivity in terms of customer handling shows a bit rising. The main reason of low productivity in 2006, 2007 and 2009 was due to hiring more staffs during expansion, while the target customers could not be enrolled. However, the productivity has risen to 233 in 2010 from 209 in 2009. The savings and loan handling were also affected due to the aforesaid reason.

### Financing Mix

The customer/Program Organizer (Loan Officer) ratio has remarkably gone up to 233 in 2010 from 209 in 2009. It is due to the fact that more customers could not be completely enrolled as

The overall capital has been growing steadily in the last couple of years with the infusion of borrowed funds, client savings and retained

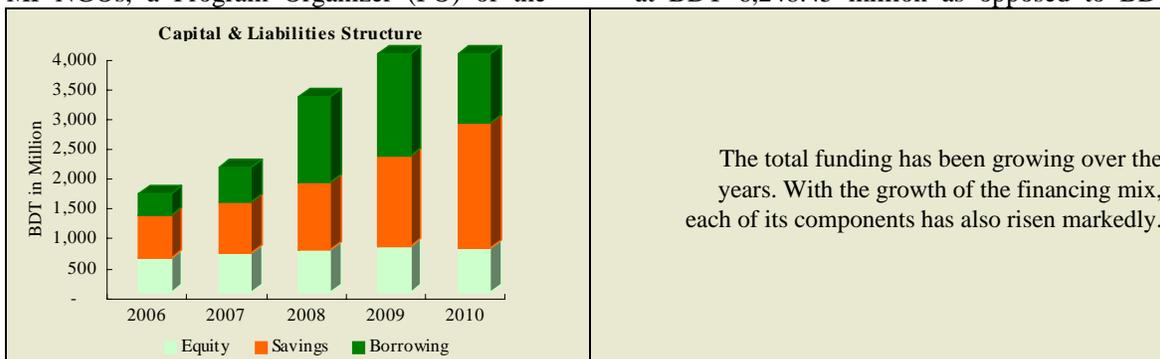
Table-12: Yearly RLF as on December 31

“Amount in Million BDT”

Financial Resources Employed in RLF	2008		2009		2010	
	Taka	%	Taka	%	Taka	%
Equity/Net Worth	705.46	21%	779.75	13%	752.71	12%
Client Savings	1,155.30	35%	1,521.15	26%	2,105.19	34%
Commercial Borrowing	1,425.71	43%	3,612.87	61%	3,390.55	54%
<b>Total</b>	<b>3,286.48</b>	<b>100%</b>	<b>5,913.78</b>	<b>100%</b>	<b>6,248.45</b>	<b>100%</b>
<b>Growth rate</b>	<b>57%</b>		<b>80%</b>		<b>6%</b>	

the expansion phased was going on. Unlike most MF-NGOs, a Program Organizer (PO) of the

earnings. The financial resources deployed stood at BDT 6,248.45 million as opposed to BDT



The total funding has been growing over the years. With the growth of the financing mix, each of its components has also risen markedly.

5,913.78 million in 2009 showing a slightly increase of 6%. Of the total resources employed 12% is contributed by equity/own fund, 54% by commercial borrowing and 34% by customers' savings. The commercial borrowing has decreased to 6% as against increased by 153% in 2009. The average revolving loan fund (RLF) was used 1.79 times in 2010 as compared to 1.77% in 2009. The details of financing mix are shown in table-12.

portfolio compared to 67% in 2009. The portfolio assets ratio was low due to the fact that the earmarked borrowed fund for the purpose was posted in the bank account at the end of the year for which the cash position has significantly gone up. The fixed assets amounted to 6% as against 3% 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



The figures show a rising trend of debt and equity. The quantum of debt has been going up since 2005. It has risen significantly from 2008 and the growth is continuing through 2010.

### Asset Composition

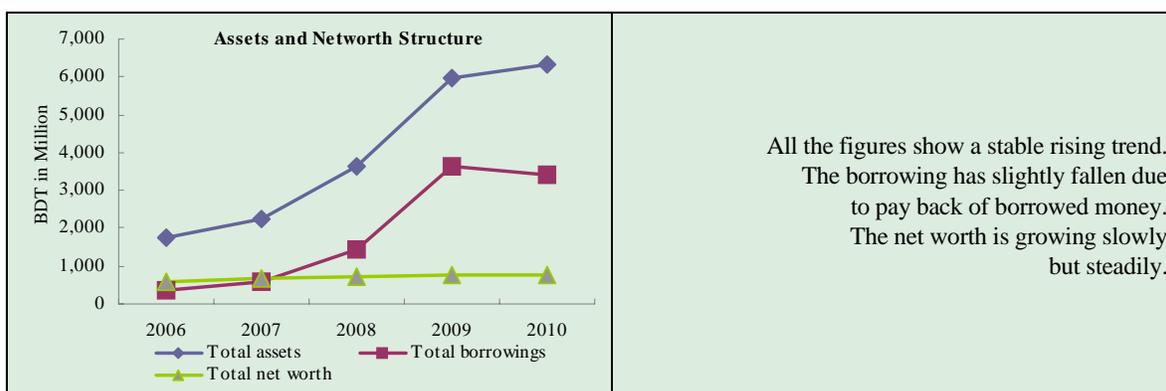
The asset structure shows that in 2010, 86% of the total assets was held in terms of loan

investments stood at 3% as against 5% in 2009. The cash and bank balance was 3% as against 24% in 2009, while other current assets remained at 2% like that of 2009. The details are shown in table-13.

Table-13: Asset composition as on December 31

Assets Composition	2008		2009		2010	
	Taka	%	Taka	%	Taka	%
Fixed assets net of depreciation	124.58	3%	181.08	3%	351.44	6%
Loan portfolio-net of loan loss reserve	3,132.51	86%	3,977.78	67%	5,439.12	86%
Investment	169.36	5%	293.44	5%	221.02	3%
Other current assets	68.26	2%	97.97	2%	113.76	2%
Cash and bank balance	158.83	4%	1,408.92	24%	196.28	3%
<b>Total</b>	<b>3,653.55</b>	<b>100%</b>	<b>5,959.19</b>	<b>100%</b>	<b>6,321.62</b>	<b>100%</b>
<b>Growth rate</b>	<b>64%</b>		<b>63%</b>		<b>6%</b>	

“Amount in Million BDT”



All the figures show a stable rising trend. The borrowing has slightly fallen due to pay back of borrowed money. The net worth is growing slowly but steadily.

## **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 73.81 million resulting in an increase of 2.43 times.

### **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)

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 eventually lowers the cost of the services to the organization.

For this purpose, 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 has been enhancing the ability of the institution to materialize its action plans and achieve the stated mission. It is being accomplished in three ways viz. increasing the knowledge based capacity of the staff, formalizing systems & procedures as well as strengthening the existing systems in the organization and learning from trial and errors over time. The core areas considered for capacity building include: microfinance program management and accounting, delinquency management, product diversification, quality service delivery, branch office management, monitoring and supervision, strengthening MIS and FIS, etc.

### Customer Development Training

The customers are carrying on income generation activities in the field of microfinance and enterprise. BURO Bangladesh thinks 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 on financial

transactions and discuss the basic issues of their lives.

#### Awareness Raising

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

#### Enterprise Development Training

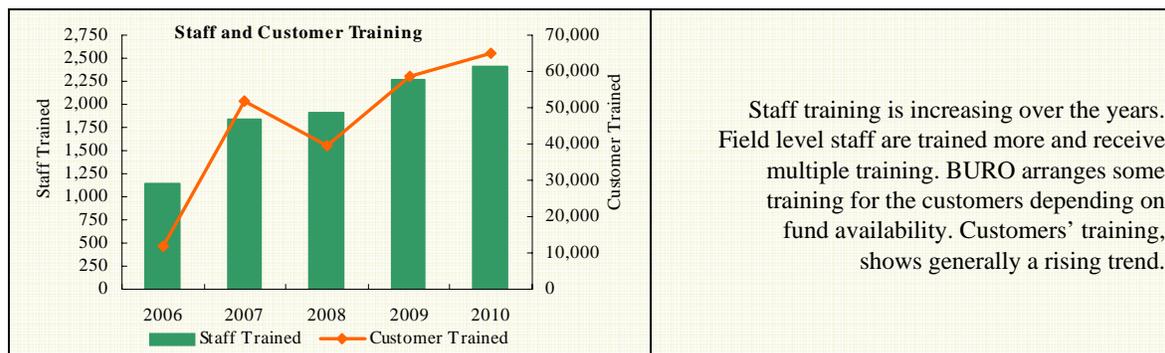
The micro-enterprise development initiatives are considered as an important means of economic empowerment. It provides financial and technical assistance services to its entrepreneurial clients that include a series of training courses for them e.g. new business creation, quality product development,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

#### Staff Development Training

The staff training program has improved the professional capacity of staff, particularly the operational staff. BURO Bangladesh has decentralized its functions, authority and responsibility down to the branch offices. The managerial and operational skills of the branch managers are now at satisfactory level, which 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 overall operations.

#### **On-the-Job**

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

#### **Development Management Training Program**

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

#### **HRD Impacted Positively**

The organization 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 substantially and this has resulted in scaling up efficiency of operations.

#### **HRD Performance**

In 2010, a total of 2,413 staff received training (both internal and external) as against 2,274 in 2009 indicating a 6% increase. On the other hand, 65,200 customers were trained in 2010 specially on social awareness issues. These training were, however, organized as per target and needs of the customers. The detail statistics of training and the incurred costs during the last three years appear in table-14.

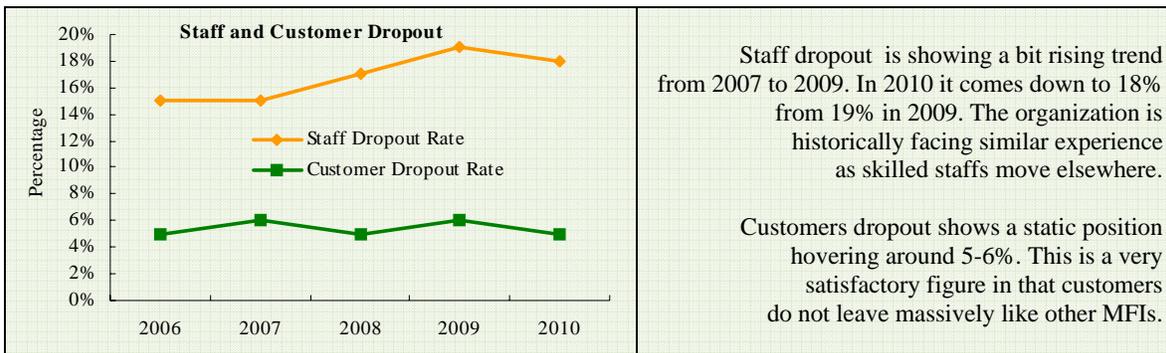
*Table-14: HRD recipients: participants and costs as on December 31*

Particulars	Participants			Cost (BDT Million)		
	2008	2009	2010	2008	2009	2010
<b>Internal Staff Training</b>						
Foundation	1,421	1,998	1,792	4.02	5.54	5.76
Development Management	0	0	495	0	0	1.62
On-the-Job	260	87	0	0.46	0.28	0
Refreshers	180	0	0	0.46	0	0
Skills Development	48	181	65	9.24	0.40	0.20
<b>External Staff Training</b>						
Development Management	0	8	24	0	1.09	0.40
TOT	0	0	17	0	0	0.19
Internal Auditing	0	0	20	0	0	0.21
<b>Sub-Total</b>	<b>1,909</b>	<b>2,274</b>	<b>2,413</b>	<b>14.18</b>	<b>7.31</b>	<b>8.38</b>
<b>Customers Training</b>						
Annual Workshop	15,250	32,005	34,140	4.25	4.31	4.25
Awareness raising	24,499	26,743	30,560	6.58	3.91	4.12
Leadership development	-	-	500	0	0	0.01
<b>Sub-Total</b>	<b>39,749</b>	<b>58,748</b>	<b>65,200</b>	<b>10.83</b>	<b>8.22</b>	<b>8.38</b>
<b>Total</b>	<b>41,658</b>	<b>61,022</b>	<b>68,294</b>	<b>25.01</b>	<b>15.53</b>	<b>16.76</b>

### Staff Position and Recruitment

As of December 2010, the organization has a total of 6,167 staff that includes 5,096 male (82%) and 1,071 (18%) female. The head office maintains a staff fleet of 110. In 2010, 2,179 staff were recruited mostly at the entry level to

fill up the opening positions at branch level. The staff dropout rate has gone down slightly to 18% in 2010 compared to 19% in 2009. This is due to the development of highly professionalized skill of staff. They usually get positions elsewhere two to three ranks above in the career ladder.



## Rural Water Supply

Potable fresh water right from the supply tap is still a dream for millions of villagers in Bangladesh. Arsenic contamination of ground water meanwhile has emerged as grave concern. However, it is a different story in a village of Munshigonj district where some 1,795 people have had access to piped water supply. The World Bank and the Social Development Foundation (SDF) has supported BURO Bangladesh to make the dream into reality.

The SDF, is implementing the government's Social Investment Program Project (SIPP) with assistance from the World Bank, launched the water pilot under 'Private Financing of Public Utilities' scheme. This has become an innovative model of public, private and people's participation.

As a part of SIPP and for reducing the health hazards due to arsenic contamination, the World Bank has provided financial grants support of 40-50% for piloting village piped water supply project. BURO Bangladesh is being implementing the project in Puran Baushia

village under Gazaria Upazila of Munshigonj District.

The project aims at supplying water free from arsenic, iron and other harmful elements to 570 target households through a piped network at a price that is affordable to the population and making the project commercially viable. BURO Bangladesh has constructed a water tank of 75,000 liter capacity along with a treatment plant of 30,000 liter capacity. The number of households that were connected has stood so far at 359 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 stands at 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 2010**

**S. F. AHMED & CO**  
**Chartered Accountants**  
**-- Established: 1958**

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

Phones: (880-2) PABX 989-4346 & 989-4258  
Others 881-6467 & 881-5101  
Fax: (880-2) 882-5135  
E-mails: sfaco@citechco.net  
sfaco@sfahmedco.org  
Website: www.sfahmedco.org

**Auditors' report on the financial statements of  
BURO Bangladesh for the year ended 31 December 2010**

We have audited the accompanying financial statements of BURO Bangladesh, namely, Statement of Financial Position (Balance Sheet) as of 31 December 2010 and related Statement of Comprehensive Income (Income and Expenditures Statement), Receipts and Payments Statement, Statement of Cash Flows and notes thereto for the year ended on that date. The preparation of these financial statements is the responsibility of 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 a 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;
- (c) the said financial statements dealt with by this report are in agreement with the books of account maintained by BURO Bangladesh; and
- (d) the expenditure incurred and payments made were for the purpose of business of BURO Bangladesh for the year.

House 25, Road 13A, Block D  
Banani, Dhaka 1213, Bangladesh  
Dated, 24 April 2011

S. F. AHMED & CO  
Chartered Accountants

**BURO Bangladesh****Statement of Financial Position (Balance Sheet) at 31 December 2010**

	Notes	Amounts in Taka	
		At 31 Dec 2010	At 31 Dec 2009
<b>PROPERTY AND ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	4	196,275,564	1,408,921,463
Investments	5	221,020,568	293,436,643
Other current assets	6	113,763,631	97,969,879
Loan portfolio - net of loan loss reserve	7	5,439,121,566	3,977,776,056
<b>Total Current Assets</b>		<b>5,970,181,329</b>	<b>5,778,104,041</b>
<b>Long - Term Assets</b>			
Property, plant and equipment	8	351,437,463	181,082,562
<b>Total Long - Term Assets</b>		<b>351,437,463</b>	<b>181,082,562</b>
<b>Total Assets</b>		<b>6,321,618,792</b>	<b>5,959,186,603</b>
<b>LIABILITIES AND FUNDS</b>			
<b>Current Liabilities</b>			
Employees' security deposits	9	53,334,077	42,069,571
Customers' general savings	10	881,522,604	597,927,464
Bank overdraft	11	16,417,940	230,732
Other liabilities	12	3,412,260	3,105,922
<b>Total Current Liabilities</b>		<b>954,686,881</b>	<b>643,333,689</b>
<b>Long - Term Liabilities</b>			
Customers' regular voluntary savings	13	1,193,117,866	886,970,222
Customers' emergency fund	14	904,131	957,071
Customers' micro insurance fund	15	29,650,358	35,297,701
Borrowings from specialised institutions	16	111,079,094	103,475,748
Borrowings from commercial banks	17	3,279,468,497	3,412,069,176
Borrowings from non-banking financial institutions	18	-	97,328,356
<b>Total Long - Term Liabilities</b>		<b>4,614,219,946</b>	<b>4,536,098,274</b>
<b>Funds and Surplus</b>			
Revolving loan fund (donors' grant)	19	138,815,884	138,815,884
Emergency disaster fund (donors' grant)	20	73,804,790	67,735,066
Accumulated surplus	21	540,091,291	573,203,690
<b>Total Net Worth</b>		<b>752,711,965</b>	<b>779,754,640</b>
<b>Total Liabilities and Net Worth</b>		<b>6,321,618,792</b>	<b>5,959,186,603</b>

for BURO Bangladesh

**(S K Sarkar)**  
**Chairperson****(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, 24 April 2011S. F. AHMED & CO  
Chartered Accountants

**BURO Bangladesh**

**Statement of Comprehensive Income (Income and Expenditures Statement)  
for the year ended 31 December 2010**

	Notes	Amounts in Taka	
		Year ended 31 Dec 2010	Year ended 31 Dec 2009
<b>A Income from Micro-Credit operation</b>			
Service charge on loan to borrowers		1,375,840,700	1,056,900,857
Service charge on foreign remittance - transfer		12,726,049	7,079,958
Sale of loan application forms		35,178,787	27,921,107
Micro credit borrowers admission fees		12,584,057	8,978,989
Interest on bank deposits		30,339,290	14,953,899
Interest staff loan		-	121,502
Others		2,208,881	2,359,035
<b>Total Income from Micro-Credit operation (A)</b>		<b>1,468,877,764</b>	<b>1,118,315,347</b>
<b>B Financial Costs for Micro-Credit operation</b>			
Interest on borrowings from banks, etc	22	466,372,212	337,106,337
Interest on customers' savings	23	82,833,160	66,846,638
<b>Total Financial Costs (B)</b>		<b>549,205,372</b>	<b>403,952,975</b>
<b>C Gross Financial Margin (A-B)</b>		<b>919,672,392</b>	<b>714,362,372</b>
<b>D Provision for loan losses</b>	7	<b>115,638,187</b>	<b>57,369,333</b>
<b>E Net Financial Margin (C-D)</b>		<b>804,034,205</b>	<b>656,993,039</b>
<b>F Operating Expenses for Micro-Credit operation</b>			
Salary and allowances	24	618,345,832	409,782,541
Rental-office		48,864,738	37,101,173
Payment to national exchequer	25	8,549,539	6,682,965
Transportation	26	47,083,839	37,182,972
Training and research	27	12,774,252	11,794,803
Office supplies		24,806,774	24,451,610
Depreciation	8	22,497,660	16,705,078
Audit fees	28	474,400	346,500
Other professional fees	29	1,500,375	3,137,208
Other direct cost	30	52,249,195	44,214,520
<b>Total Operating Expenses (F)</b>		<b>837,146,604</b>	<b>591,399,370</b>
<b>G Net Income/(Loss) from Operations (E-F)</b>		<b>(33,112,399)</b>	<b>65,593,669</b>

for BURO Bangladesh

**(S K Sarkar)**  
**Chairperson**

**(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, 24 April 2011

S. F. AHMED & CO  
Chartered Accountants

**BURO Bangladesh****Statement of Cash Flows for the year ended 31 December 2010**

	Amounts in Taka	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
<b>Cash Flows from Operating Activities</b>		
Net income/(loss) from operations	(33,112,399)	65,593,669
Adjustments to determine net cash from operating activities:		
Depreciation	22,497,660	16,705,078
Loan loss provision	115,638,187	57,369,333
Increase in other current assets	(15,793,752)	(29,708,758)
Increase/(Decrease) in current liabilities	27,758,052	(321,671,212)
<b>Net cash from/(used in) operating activities</b>	<b>116,987,748</b>	<b>(211,711,890)</b>
<b>Cash Flows from Investing Activities</b>		
Net increase in loan portfolio	(1,576,983,697)	(902,632,793)
(Increase)/Decrease in investment	72,416,075	(124,071,744)
Purchase of property, plant and equipment	(192,852,560)	(73,205,732)
<b>Net cash used in investment activities</b>	<b>(1,697,420,182)</b>	<b>(1,099,910,269)</b>
<b>Cash Flows from Financing Activities</b>		
Increase in clients' savings	589,689,843	346,534,033
Increase/(Decrease) in borrowing	(222,325,689)	2,187,164,609
Increase/(Decrease) in customers' micro insurance fund	(5,647,343)	19,315,089
Increase in emergency disaster fund	6,069,724	8,697,324
<b>Net cash from financing activities</b>	<b>367,786,535</b>	<b>2,561,711,055</b>
<b>Net Increase in Cash</b>	<b>(1,212,645,899)</b>	<b>1,250,088,896</b>
Opening Cash and Bank Balances	1,408,921,463	158,832,567
Closing Cash and Bank Balances	196,275,564	1,408,921,463

for BURO Bangladesh

**(S K Sarkar)**  
**Chairperson****(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, 24 April 2011S. F. AHMED & CO  
Chartered Accountants

**BURO Bangladesh****Statement of Changes in Equity for the year ended 31 December 2010**

Amounts in Taka

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

For the year 2010

Balance at 01 January 2010	138,815,884	67,735,066	573,203,690	779,754,640
Addition during the year	-	6,069,724	(33,112,399)	(27,042,675)
Balance at 31 December 2010	<u>138,815,884</u>	<u>73,804,790</u>	<u>540,091,291</u>	<u>752,711,965</u>

For the year 2009

Balance at 01 January 2009	138,815,884	59,037,742	507,610,021	705,463,647
Addition during the year	-	8,697,324	65,593,669	74,290,993
Balance at 31 December 2009	<u>138,815,884</u>	<u>67,735,066</u>	<u>573,203,690</u>	<u>779,754,640</u>

for BURO Bangladesh

**(S K Sarkar)**  
**Chairperson****(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, 24 April 2011S. F. AHMED & CO  
Chartered Accountants

**BURO Bangladesh****Statement of Liquidity Analysis (Maturity of Assets and Liabilities) at 31 December 2010**

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
<b>Assets</b>						
Cash	7,804,025	-	-	-	-	7,804,025
Bank Balances	188,471,539	-	-	-	-	188,471,539
Investments	-	-	221,020,568	-	-	221,020,568
Other Current Assets	11,376,363	18,202,181	45,505,452	38,679,635	-	113,763,631
Loan Portfolio	543,912,157	1,087,824,313	3,807,385,096	-	-	5,439,121,566
Fixed Assets	-	-	-	122,442,435	228,995,028	351,437,463
<b>Total Assets</b>	<b>751,564,084</b>	<b>1,106,026,494</b>	<b>4,073,911,116</b>	<b>161,122,070</b>	<b>228,995,028</b>	<b>6,321,618,792</b>
<b>Liabilities</b>						
Borrowings	5,000,000	70,000,000	396,456,838	2,919,090,753	-	3,390,547,591
Savings	145,224,833	248,956,856	933,588,212	746,870,569	-	2,074,640,470
Other Liabilities	5,185,938	7,260,314	28,004,067	41,487,506	21,780,941	103,718,766
<b>Total Liabilities</b>	<b>155,410,771</b>	<b>326,217,170</b>	<b>1,358,049,117</b>	<b>3,707,448,828</b>	<b>21,780,941</b>	<b>5,568,906,827</b>
<b>Net Liquidity</b>						
<b>Excess / (Shortage)</b>	<b>596,153,313</b>	<b>779,809,324</b>	<b>2,715,861,999</b>	<b>(3,546,326,758)</b>	<b>207,214,087</b>	<b>752,711,965</b>
<b>Percentage of Net Liquidity Difference</b>						
	79.32	70.51	66.66	(2,201.02)	90.49	11.91

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

- Investments are on the basis of their respective maturities.
- Other current assets are on the basis of their realisation.
- Loan portfolio is on the basis of realisation/recovery.
- Property, plant and equipment are on the basis of their useful lives.
- Borrowings are on the basis of their repayments.
- Savings and other liabilities are on the basis of their maturities for repayments.

for BURO Bangladesh

**(S K Sarkar)**  
**Chairperson****(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, 24 April 2011S. F. AHMED & CO  
Chartered Accountants

## **BURO Bangladesh**

### **Notes to financial statements for the year ended 31 December 2010**

#### **General**

##### **1. Organisation**

BURO Bangladesh is a national 'not-for-profit' organisation that was set up in 1990 with a view to work for the poor on sustainable basis to reduce poverty. It is a specialised micro-finance institution that provides high quality flexible financial services to low-income people. The organisation 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 five-member operational board of directors. The governing body is elected by the general body of 15 members in annual general meeting.

The organisation 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 it 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 and FDR which is accounted on cash basis, under historical cost convention in conformance with generally accepted accounting principles. Wherever appropriate, such principles are explained in the succeeding notes.

###### **2.2 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 near future with no foreseeable intention of bringing about any structural changes. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in normal course of business.

###### **2.3 Accounting for grants and donations**

Grants and donations related to operations (revenue) are recognised as income for the relevant period and shown in Statement of Comprehensive Income 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 property, plant and equipment (fixed assets) in the Balance Sheet under funds and surplus. An amount equal to current year's depreciation is charged to fund (donor's grant) over the useful lives of the assets that were acquired from donors' grant.

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

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

#### 2.4 Depreciation on property, plant and equipment

These are recorded in the books at actual cost. Depreciation on items of property, plant and equipment, except land and land development, is charged on straight-line method at the following rates based on the nature and estimated useful life of each asset:

<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 assets acquired during the year and no depreciation is charged in 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 (Statement of Comprehensive Income).

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

<u>Loan overdue status (weeks)</u>	<u>Provision (%)</u>
1-4	0
5-8	10
9-16	15
17-25	20
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 2010**

#### **2.6 Interest on loan (service charge)**

The rate of interest for all types of loan is 15% per annum except disaster loan, which is 10% per annum as per policy of BURO Bangladesh. The interest rate for all types of loan for hardcore poor 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 of funds, identifying balance sheet issues like balance sheet gaps, interest rate gaps, etc and also reviews liquidity contingency plan and implements liability pricing strategy.

#### **2.8 Preparation of statement of financial position**

This has been prepared by consolidating all the Statements of Financial Position of 621 Branch Offices and Head Office of BURO Bangladesh.

#### **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 operates a contributory provident fund for its employees from which benefits are given to its employees in accordance with its policies. National Board of Revenue (NBR) approved and recognised this fund for the purpose of taxation. The fund is operated by a separate board of trustees consisting seven members selected from the employees of the Institution. All permanent employees of the Institution are contributing monthly to the fund which is equal to 5% to 20% of the basic salary of each employee. The Institution also contributes 10% of employees' basic salary to the fund each month. Income earned from investment of this fund is credited to the employees' accounts on a yearly basis and this fund is audited every year by a firm of chartered accountants.

##### **Gratuity Fund**

The organisation operates a gratuity scheme for its permanent employees and maintains a separate account for this. Gratuity is payable to staff leaving the organisation at the rate of one month's last drawn basic salary 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 2010**

#### **Health Fund**

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

#### **Housing Fund**

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

#### **Staff Family Security Fund**

A mandatory staff family security fund is being operated by BURO Bangladesh for its staff in order to reduce future uncertainties that could affect their families. The fund is managed by a separate board as per its policy. All its employees are eligible to become members of the fund by contributing Taka 200 each per month as subscription. If a regular staff dies during his/her tenure of service, the nominee/nominees of the said staff will be entitled to receive a one-time grant of Taka 1000,000. If someone leaves the Institution after two years of service, he/she is entitled to get back the money deposited so far. In case the staff leaves before completing two years of service, he/she is not entitled to get back any amount.

### **3. Significant Policy on Financial Services**

#### **3.1 Savings services**

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

- i. The poor people have a formidable capacity of savings. The organisation 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 organisation by developing a relatively stable means to finance its loan portfolio.

#### **3.2 Loan services**

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

- i. The organisation 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 2010

#### 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 organisation with formal financial system and their mainstream clientele for increased linkage.

### **Balance Sheet**

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
<b>4. Cash and Bank Balances</b>		
Cash in hand	7,804,025	6,505,260
Bank balances in		
Current accounts	113,102,474	1,377,216,310
Savings accounts	1,209,400	558,000
Term-deposit accounts	74,159,665	24,641,893
	<u>188,471,539</u>	<u>1,402,416,203</u>
	<u>196,275,564</u>	<u>1,408,921,463</u>
<b>5. Investments</b>		
Shops (five) in Tangail town	650,200	750,200
Fixed deposit with banks against		
Staff security deposit		
BRAC Bank Limited	19,242,696	17,622,674
Emergency disaster fund		
Jamuna Bank Limited	2,451,822	2,204,683
Bank Asia Limited	19,970,018	18,555,521
BRAC Bank Limited	58,083,441	53,675,353
	<u>80,505,281</u>	<u>74,435,557</u>
Fixed deposits with banks		
Bangladesh Krishi Bank	34,577,500	32,287,500
HSBC	10,000,000	-
BRAC Bank Limited	31,307,941	27,851,562
Rupali Bank Limited	17,834,450	17,835,950
United Commercial Bank Limited	-	1,500,000
Bank Asia Limited	26,902,500	121,153,200
	<u>120,622,391</u>	<u>200,628,212</u>
	<u>221,020,568</u>	<u>293,436,643</u>

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
<b>6. Other Current Assets</b>		
<b>Security deposits</b>		
Bangladesh Telecommunication Company Limited	66,520	66,520
Grameen Phone	239,751	239,751
GSP Finance Company (Bangladesh) Limited	124,919	124,919
Rajdhani Unnayan Kartipakkha	600,000	600,000
	1,031,190	1,031,190
<b>Staff loans and advances</b>		
Motorcycle loan	25,413,625	21,417,200
Bicycle loan	15,066,947	12,937,613
Car loan	937,928	2,222,074
Mobile phone loan	115,150	82,000
	41,533,650	36,658,887
<b>Other advances</b>		
Head Office rental advance	3,235,500	1,415,500
Branch Office rental advance	11,253,976	9,622,276
BSCIC plot	2,050,000	1,500,000
Training advance	467,859	189,001
Others including advance against salary, TA, DA, etc	54,191,456	47,553,025
	71,198,791	60,279,802
	<u>113,763,631</u>	<u>97,969,879</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 allowed to rural and urban poor households to finance their economic activities. General loan is working capital loan given to poor and disadvantaged households. General loan ranges from Taka 5,000 to Taka 45,000. The loan is repayable within one year.

##### Micro-enterprise loan

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

##### Agriculture loan

This loan is given exclusively for the purpose of agricultural activities for increase of farm's activities. The agriculture loan also enhances food security of households. Agriculture loan ranges from Taka 10,000 to Taka 50,000 is given for one year.

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

#### Hand/emergency loan

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

#### Disaster loan

The purpose of this loan is to reduce the effect of shocks to households' financial and physical assets immediately after natural disasters. Disaster loan ranges from Taka 3,000 to Taka 5,000 and is repayable within one year.

#### Water and sanitation loan

Environmental health concerns continue to be an ominous factor contributing to diseases and poverty. Access to safe drinking water and sanitation will reduce sickness and thus increase the labour productivity. The loan ranges from Taka 3,000 to Taka 10,000 and is repayable within one year.

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
Breakdown of loans, by products, is given below:		
General loan	2,800,504,335	2,492,812,583
Micro-enterprise loan	230,083,855	168,704,710
Agriculture loan	2,464,589,690	1,309,447,219
Hand/emergency loan	58,929,965	67,950,969
Water and sanitation loan	7,530,191	12,691,730
	<u>5,561,638,036</u>	<u>4,051,607,211</u>
<u>Less: Loan loss reserve</u>	<u>122,516,470</u>	<u>73,831,155</u>
	<u>5,439,121,566</u>	<u>3,977,776,056</u>

BURO Bangladesh had 821,826 loan accounts outstanding at the end of year 2010 compared to 621,391 at the end of year 2009.

The loan loss reserve (LLR) has been worked out at Taka 122,516,470 at 31 December 2010 as per existing policy of BURO Bangladesh as explained in note 2.5. During the year under reporting, provision for loan loss has been made for an amount of Taka 115,638,187 and an amount of Taka 66,952,872 involving 21,724 loan accounts has been written off as per existing policy. The method of calculation of LLR is shown below:

	Number of <u>payments in arrear</u>	Number of <u>loan accounts</u>	<u>Aging of portfolio</u>		<u>Loan loss reserve</u>	
			%	Taka	%	Taka
Current loan		779,806	97.01	5,395,396,826	-	-
Payment past due by weeks						
1-4		2,100	0.22	12,238,656	-	-
5-8		1,936	0.16	8,756,319	10	875,632
9-16		2,460	0.16	9,153,518	15	1,373,028
17-25		1,830	0.19	10,459,373	20	2,091,875
26-50		2,198	0.19	10,524,889	25	2,631,222
Over 50		31,496	2.07	115,108,455	100	115,108,455
Total		<u>821,826</u>	<u>100.00</u>	<u>5,561,638,036</u>		<u>122,080,211</u>

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

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

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

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
Movement of loan loss reserve:		
Balance at 01 January	73,831,155	64,438,881
<u>Add</u> : Provision made during the year	115,638,187	57,369,333
<u>Less</u> : Amount written off during the year	66,952,872	47,977,059
Balance at 31 December	<u>122,516,470</u>	<u>73,831,155</u>

8. <b>Property, Plant and Equipment</b>	Amounts in Taka		
	Head Office	Branch Offices	Total
<b>Cost</b>			
Balance at 01 January 2010	145,743,784	96,439,742	242,183,526
<u>Add</u> : Additions during the year	114,159,200	78,693,360	192,852,560
<u>Less</u> : Disposal during the year	-	-	-
Balance at 31 December 2010 (A)	<u>259,902,984</u>	<u>175,133,102</u>	<u>435,036,086</u>
<b>Depreciation</b>			
Balance to 01 January 2010	35,522,601	25,578,355	61,100,956
<u>Add</u> : Charge for the year	8,666,485	13,831,182	22,497,667
<u>Less</u> : Adjustment on disposal	-	-	-
Accumulated depreciation to 31 Dec 2010 (B)	<u>44,189,086</u>	<u>39,409,537</u>	<u>83,598,623</u>
Written Down Value at 31 Dec 2010 (A-B)	<u>215,713,898</u>	<u>135,723,565</u>	<u>351,437,463</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	42,069,571	28,440,188
<u>Add</u> : Received during the year	16,671,561	19,534,813
<u>Less</u> : Refund during the year	5,407,055	5,905,430
Balance at 31 December	<u>53,334,077</u>	<u>42,069,571</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 20. Savings of any amount from Taka 20 to Taka 2,000 can be deposited at the kendra (centre) meeting and any amount above Taka 2,000 is to be deposited to the branch. The rate of interest is 4.5% compounded per annum of their general savings account balance.

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

Amounts in Taka	
At	At
31 Dec 2010	31 Dec 2009

The under noted figures represent general savings amount:

Balance at 01 January	597,927,464	434,923,458
<u>Add</u> : Deposits during the year	1,177,126,331	889,219,517
<u>Less</u> : Withdrawals during the year	893,531,191	726,215,511
Balance at 31 December	<u>881,522,604</u>	<u>597,927,464</u>

The number of general savings accounts was 985,182 at the end of year 2010 compared to 861,073 at the end of year 2009.

#### 11. Bank Overdraft

The figures below represent overdraft amount:

Balance at 01 January	230,732	338,486,051
<u>Add</u> : Addition during the year	42,437,358	25,322,049
<u>Less</u> : Repayment during the year	26,250,150	363,577,368
Balance at 31 December	<u>16,417,940</u>	<u>230,732</u>

Break-up of closing balance is given below:

Secured overdraft		
Bank Asia Limited	10,422,827	230,731
Jamuna Bank Limited	5,995,113	-
BRAC Bank Limited	-	-
Overdraft for agriculture loan		
Bank Asia Limited	-	1
Balance at 31 December	<u>16,417,940</u>	<u>230,732</u>

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

#### 12. Other Liabilities

Break-up is given below:

BURO Bangladesh Staff Family Security Fund	(11,000)	429,878
BURO Bangladesh Provident Fund	3,241,580	2,575,544
Security deposit from shops	50,000	100,000
Others	131,680	500
	<u>3,412,260</u>	<u>3,105,922</u>

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

	Amounts in Taka	
	At	At
	31 Dec 2010	31 Dec 2009
<b>13. Customers' Regular Voluntary Savings</b>		
In regular voluntary savings account, clients agree to deposit regularly an amount as fixed by them. Customers can withdraw the entire amount including interest thereon and can choose to deposit on a weekly or monthly basis. Customers can choose to deposit weekly savings in the range of Taka 20 to Taka 250; and monthly savings in the range of Taka 50 to 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 regular voluntary savings transactions:		
Balance at 01 January	886,970,222	702,393,893
<u>Add</u> : Deposits during the year	754,259,424	591,479,521
<u>Less</u> : Withdrawals during the year	448,111,780	406,903,192
Balance at 31 December	<u>1,193,117,866</u>	<u>886,970,222</u>

The number of regular voluntary savings accounts was 851,671 at the end of year 2010 compared to 632,880 at the end of year 2009.

#### 14. Customers' Emergency Fund

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

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

Balance at 01 January	957,071	2,003,373
<u>Less</u> : Withdrawals during the year	52,940	1,046,302
Balance at 31 December	<u>904,131</u>	<u>957,071</u>

#### 15. Customers' Micro Insurance Fund

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

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
Balance at 01 January	35,297,701	15,982,612
<u>Add</u> : Deposits during the year	60,760,815	45,517,801
<u>Less</u> : Withdrawals during the year	66,408,158	26,202,712
Balance at 31 December	<u>29,650,358</u>	<u>35,297,701</u>

#### 16. Borrowings from Specialised Institutions

Stromme Foundation (note 16.1)	83,125,000	86,812,500
Anukul Foundation (note 16.2)	27,954,094	16,663,248
	<u>111,079,094</u>	<u>103,475,748</u>

##### 16.1 Borrowings from Stromme Foundation

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

Balance at 01 January	86,812,500	106,000,000
<u>Add</u> : Received during the year	70,000,000	61,500,000
<u>Less</u> : Refunded during the year	73,687,500	80,687,500
Balance at 31 December	<u>83,125,000</u>	<u>86,812,500</u>

The break up of closing balance is given below:

Mainstream Microfinance Program	53,750,000	60,625,000
Talent Financing/Micro Enterprise	18,000,000	15,812,500
Hardcore Poor Microfinance Program	11,375,000	10,375,000
	<u>83,125,000</u>	<u>86,812,500</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.

##### 16.2 Borrowings from Anukul Foundation

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

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
Balance at 01 January	16,663,248	10,000,000
<u>Add</u> : Received during the year	20,000,000	10,000,000
<u>Less</u> : Refunded during the year	8,709,154	3,336,752
Balance at 31 December	27,954,094	16,663,248

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

17. Borrowings from Commercial Banks	Notes		
Bank Asia Limited	17.1	181,928,533	266,260,697
BRAC Bank Limited	17.2	400,044,278	320,050,801
Pubali Bank Limited	17.3	-	14,815,990
NCC Bank Limited	17.4	27,051,376	62,869,435
Mutual Trust Bank Limited-through CDF	17.5	-	1,400,000
Mutual Trust Bank Limited	17.6	-	47,222,220
Standard Chartered Bank	17.7	250,000,000	250,000,000
Rupali Bank Limited	17.8	230,000,000	70,000,000
Southeast Bank Limited	17.9	-	50,000,000
Jamuna Bank Limited	17.10	28,139,095	39,937,006
Mercantile Bank Limited	17.11	37,305,218	81,468,867
ONE Bank Limited	17.12	81,250,000	100,000,000
Bangladesh Krishi Bank	17.13		201,794,163
Dutch Bangla bank Ltd.	17.14	250,000,000	-
HSBC	17.15	200,000,000	-
Citibank NA- syndicate finance	17.16	1,312,500,000	1,500,000,000
BRAC Bank Limited- syndicate finance	17.17	281,249,997	406,249,997
		<u>3,279,468,497</u>	<u>3,412,069,176</u>

#### 17.1 Bank Asia Limited

Three loans were taken from Bank Asia Limited for on-lending to BURO Bangladesh's customers. The loans have a three-year and three months' term with interest rate reduced from the range of 13% - 14.5% to 13% with three months' moratorium. Repayment of loan is due to be made in quarterly instalments. Security includes personal guarantees of the members of governing body and the operational board of directors.

#### 17.2 BRAC Bank Limited

Two loans were taken from BRAC Bank Limited for on-lending to BURO Bangladesh's customers with a three-year term with interest rates varying between 11% - 12%. During the moratorium period, interest is being paid quarterly. Repayment of loans along with accrued interest falls due in quarterly equal instalments. Security includes land and building of BURO Bangladesh.

## **BURO Bangladesh**

### **Notes to financial statements for the year ended 31 December 2010**

#### **17.3 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 instalments. Security includes personal guarantees of the members of governing body and the operational board of directors.

#### **17.4 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 reduced from the range of 14.25%-14.50% to 13% per annum with six months' moratorium. During the moratorium period, interest is being paid quarterly. Repayment of loan is being made in quarterly instalments. Security includes personal guarantees of the members of governing body and the operational board of directors.

#### **17.5 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 reduced from 14% to 13%. 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.

#### **17.6 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 reduced from 13.5% to 13%. Repayment of loan along with accrued interest falls due in nine equal instalments. It is secured by the institutional guarantee given by BURO Bangladesh.

#### **17.7 Standard Chartered Bank**

This loan was taken from Standard Chartered Bank for on-lending to BURO Bangladesh's customers which has a one-year term with interest rate reduced from 15.5% to 11.75%. Repayment of this loan along with accrued interest is being made annually. The loan is secured by charge over unencumbered microfinance receivables for an aggregated value of Taka 250,000,000.

#### **17.8 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%-11% 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 instalments. The loan is secured by the institutional guarantee given by BURO Bangladesh.

## **BURO Bangladesh**

### **Notes to financial statements for the year ended 31 December 2010**

#### **17.9 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 rate reduced from 14.5% to 13% 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.

#### **17.10 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 rate reduced from 14.5% to 13% 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.

#### **17.11 Mercantile Bank Limited**

The loan was borrowed from Mercantile Bank Limited for on-lending to BURO Bangladesh's customers. The loan has a three-year term with interest rate reduced from 14.5% to 13% and six months' moratorium. Repayment of the loan along with accrued interest falls due in quarterly equal instalments. Security includes personal guarantees of the members of governing body and operational board of directors.

#### **17.12 ONE Bank Limited**

The loan was borrowed from One Bank Limited for on-lending to BURO Bangladesh's customers. The loan has a five-year term with interest rate reduced from 15% to 13% and twelve months' moratorium. Repayment of the loan along with accrued interest falls due in quarterly equal instalments. Security includes personal guarantees of the members of governing body and operational board of directors.

#### **17.13 Bangladesh Krishi Bank**

This loan was taken from Bangladesh Krishi Bank for on-lending to BURO Bangladesh's customers. This has a twelve month with interest of 12% per annum. Repayment of loan along with accrued interest falls due in quarterly equal instalments. Security includes personal guarantees of the members of governing body and operational board of directors.

#### **17.14 Dutch Bangla Bank Limited**

This loan was taken from Dutch Bangla Bank Limited for on-lending to BURO Bangladesh's customers. The loan has a five-year term with interest at 11% and one year moratorium. During the moratorium period, interest is being paid on a quarterly basis. Repayment of the loan along with accrued interest falls due in quarterly equal instalments. Security includes hypothecation loan receivable, debt service reserve account and demand promissory note.

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

#### 17.15 HSBC

This loan was taken from HSBC for on-lending to BURO Bangladesh's customers. The loan has a short term of six month with interest at 10.75%. Interest is being paid on at the end of each calendar quarter. Repayment of the principal amount will be paid on the date after maturity. Security includes hypothecation loan receivable, debt service reserve account and demand promissory note.

#### 17.16 Citibank NA - syndicate agriculture finance

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

#### 17.17 BRAC Bank Limited - syndicate finance

This is also a syndicate financing by a group of financial institutions including BRAC Bank Limited as a lead arranger for on-lending to BURO Bangladesh's customers for a period of five-years term with interest rate ranging from 14.5% to 13% per annum including twelve months' moratorium. During the moratorium period, quarterly interest will be paid by the organisation. After the moratorium period, both principal and interest will be repaid into 16 equal quarterly instalments. Security includes land and building of BURO Bangladesh located at Gulshan, Dhaka. The syndication is formed consisting nine banks namely AB Bank Limited, Bank Alfalah, Mercantile Bank Limited, One Bank Limited, Prime Bank Limited, Pubali Bank Limited, Trust Bank Limited and United Commercial Bank Limited with BRAC Bank Limited.

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 2010	At 31 Dec 2009
<b>18. Borrowing from Non-Banking Financial Institutions</b>			
GSP Finance Company (Bangladesh) Limited	18.1	-	66,078,356
MIDAS Financing Limited	18.2	-	31,250,000
		-	97,328,356

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

#### 18.1 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 loan along with accrued interest falls due in quarterly equal instalments. Security includes land in Tangail District. Break-up of the loan is given below:

	Amounts in Taka	
	At 31 Dec 2010	At 31 Dec 2009
Balance at 01 January	66,078,356	45,990,418
<u>Add</u> : Received during the year	-	50,000,000
<u>Less</u> : Refund during the year	66,078,356	29,912,062
Balance at 31 December	-	66,078,356

#### 18.2 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 @ 16.5% per annum and twelve months' moratorium. During the moratorium period, interest is being paid on a quarterly basis. Repayment of loan along with accrued interest falls due in quarterly equal instalments. Security includes personal guarantees of the members of governing body and operational board of directors. Break-up of loan is given below:

Balance at 01 January	31,250,000	43,750,000
<u>Add</u> : Received during the year	-	-
<u>Less</u> : Refund during the year	31,250,000	12,500,000
Balance at 31 December	-	31,250,000

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

#### 19. 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/ Stichting Gillès – Foundation, Belgium	2,147,712	2,147,712
Canada Fund	1,163,139	1,163,139
PACT Inc/USAID	284,500	284,500
	138,815,884	138,815,884

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

#### 20. 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 but it does not remain nonchalant when the customers become extremely vulnerable and their existence is threatened. In such situations, disaster assistance is provided.

Amounts in Taka	
At	At
31 Dec 2010	31 Dec 2009

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:

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>43,531,790</u>	<u>37,462,066</u>
	<u>73,804,790</u>	<u>67,735,066</u>

#### 21. Accumulated Surplus

Balance at 01 January	573,203,690	507,610,021
<u>Add:</u> Surplus/ (deficit) for the year		
Head Office	(177,128,340)	(92,206,124)
Branch Offices	144,015,941	157,799,793
	<u>(33,112,399)</u>	<u>65,593,669</u>
Balance at 31 December	<u>540,091,291</u>	<u>573,203,690</u>

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

#### Income and Expenditure Statement

	Amounts in Taka	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
<b>22. Interest on Borrowings from Banks, etc</b>		
BRAC Bank Limited-Syndicate Finance	44,664,062	66,165,365
Standard Chartered Bank	22,785,719	35,099,671
Citibank NA -syndicate finance	190,933,595	34,955,555
BRAC Bank Limited	41,257,757	29,732,550
Mercantile Bank Limited	7,823,131	13,545,257
Bank Asia Limited	40,937,453	12,997,476
Rupali Bank Limited	27,526,778	10,309,445
ONE Bank Limited	9,751,485	8,119,200
Jamuna Bank Limited	3,598,089	5,803,467
Southeast Bank Limited	8,110,604	5,551,185
Mutual Trust Bank Limited	4,734,263	5,528,559
Citibank NA	-	3,900,000
Pubali Bank Limited	2,225,538	2,925,000
NCC Bank Limited	12,850,476	2,746,748
Bangladesh Krishi Bank	13,152,052	2,144,163
Mutual Trust Bank Limited- through CDF	464,160	928,320
Dhaka Bank Limited- through CDF	-	15,809
Dutch Bangla Bank Limited	7,813,140	-
Loan processing fee	3,181,250	44,539,391
	441,809,552	285,007,161
GSP Finance Company (Bangladesh) Limited	2,421,928	16,644,261
MIDAS Financing Limited	2,649,018	6,532,682
Stromme Foundation	9,080,211	9,283,414
Anukul Foundation	1,725,653	954,364
Employees' security money	1,343,738	708,190
Employees' Provident Fund	-	77,500
Bank overdraft, from		
BRAC Bank Limited	5,429,128	1,122,262
Jamuna Bank Limited	877,388	90,743
Bank Asia Limited	1,035,596	16,685,760
	7,342,112	17,898,765
	<u>466,372,212</u>	<u>337,106,337</u>
<b>23. Interest on Customers' Savings</b>		
General savings	20,012,478	13,490,041
Regular voluntary savings	62,820,682	4,067,468
Time savings	-	49,289,129
	<u>82,833,160</u>	<u>66,846,638</u>

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

	Amounts in Taka	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
<b>24. Salary and Allowances</b>		
Field Offices (Branch/ Area/Zonal Offices)	587,170,398	388,793,153
Head Office	31,175,434	20,989,388
	<u>618,345,832</u>	<u>409,782,541</u>

### 25. Payment to National Exchequer

It is mandatory for all NGOs and Micro-Finance Institutions (MFIs) to submit their annual income tax returns as per income tax laws. Income earned by a non-government 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 2010 are as under:

#### Indirect Tax

Value-added tax on supply of goods, etc	2,129,015	2,411,759
---	-----------	-----------

#### Direct Tax

Corporate income tax on income other than from micro-finance	2,158,433	851,482
Income tax on staff salary	686,194	1,027,640
Tax deducted at source from interest on bank deposits	3,044,055	2,390,566
	5,888,682	4,269,688

#### Other Tax/Fees

Land tax	79,476	1,518
Government	440,966	-
Others	11,400	-
	531,842	1,518
	<u>8,549,539</u>	<u>6,682,965</u>

Income tax assessment position of BURO Bangladesh up to the income year ended 31 December 2009 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
2008	2009-2010	5,626,026	5,626,026	1,272,757
2009	2010-2011	14,953,899	14,953,899	3,604,726

Corporate tax assessment up to the income year 2009 has been duly completed.

**BURO Bangladesh****Notes to financial statements for the year ended 31 December 2010**

	Amounts in Taka	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
<b>26. Transportation</b>		
Fuel and lubricants	24,779,001	18,602,712
Travelling allowances	17,032,363	13,561,929
Office transport maintenance	3,542,775	3,553,185
Daily allowances	1,729,700	1,465,146
	<u>47,083,839</u>	<u>37,182,972</u>
<b>27. Training and Research</b>		
Staff training	11,312,189	8,777,340
Customers' training	-	-
Operation research	1,462,063	3,017,463
	<u>12,774,252</u>	<u>11,794,803</u>
<b>28. Audit Fees</b>		
Annual external audit	449,400	321,500
Provident Fund audit	25,000	25,000
	<u>474,400</u>	<u>346,500</u>
<b>29. Other Professional Fees</b>		
Consultancy fees	1,460,375	2,478,250
Legal advisor's fees	40,000	658,958
	<u>1,500,375</u>	<u>3,137,208</u>
<b>30. Other Direct Cost</b>		
Office maintenance, etc	23,329,564	16,905,543
E-mail, telephone and fax	9,109,326	6,254,588
Contribution to remittances and payments challenge fund	-	4,435,447
Electricity, gas and water	6,494,689	4,989,283
Entertainment	6,916,943	7,354,710
Bank charges	6,211,206	4,030,207
Postage and telegram	187,467	244,742
	<u>52,249,195</u>	<u>44,214,520</u>
<b>31. Key Micro-Finance Ratios</b>		
<b>31.1 Sustainability/Profitability</b>		
Return on Equity (ROE)	(4)%	9%
Operating Self-Sufficiency (OSS)	99%	107%
Financial Self-Sufficiency (FSS)	95%	102%
Net Financial Spread	2%	3%

## BURO Bangladesh

### Notes to financial statements for the year ended 31 December 2010

	Amounts in Taka	
	Year ended 31 Dec 2010	Year ended 31 Dec 2009
<b>31.2 Portfolio Quality</b>		
On Time Recovery Rate (OTR)	98.35%	98.15%
Portfolio at Risk-PAR (>60days)	2.61%	3.34%
Risk Coverage Ratio	101%	101%
Loan Loss Reserve Ratio	2.20%	1.82%
Write-Off Ratio	1.39%	1.32%
<b>31.3 Assets/Liability Management</b>		
Yield on Gross Portfolio	29%	31%
Current Ratio	625%	898%
Financial Cost Ratio	11.43%	11.15%
Annual Growth to Total Assets	6%	63%
<b>31.4 Leverage</b>		
Debt to Equity	4.50	4.63
Debt Service Coverage Ratio by Times	1.05	1.13
Equity as Percent of Total Assets	12%	13%
<b>31.5 Efficiency/Productivity</b>		
Loan Officer (LO) Productivity	233	209
LO Productivity (Loan-BDT)	1,315,119	1,133,137
LO Productivity (Savings-BDT)	497,800	425,497
Average Disbursed Loan Size (BDT)	10,661	9,999
Average Outstanding Loan Size (BDT)	6,767	6,520
Cost of per Unit Money Lent (BDT)	0.08	0.07
Operating Expenses Ratio	17%	16%

#### Others

32. Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.
33. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
34. 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)**  
**Chairperson**

**(Zakir Hossain)**  
**Executive Director**

**(M. Mosharrof Hossain)**  
**Finance Director**

Dhaka, Bangladesh  
Dated, 24 April 2011

**Five Years At a Glance**  
*as on December 31*

	Particulars	2006	2007	2008	2009	2010
<b>A</b>	<b>Institutional Profile</b>					
	Number of Districts	32	38	48	54	57
	Number of Upazilas	148	221	296	335	394
	Number of Unions	707	1,123	1,261	1,318	1,405
	Number of Villages	7,029	8,833	13,888	18,195	22,994
	Number of Branches	173	230	393	506	621
	Total Personnel/Staff Strength	2,069	2,537	3,558	5,322	6,167
	Staff Dropout Rate	15%	15%	17%	19%	18%
	Number of Active Customers	331,329	376,710	602,273	746,938	985,182
	Number of Active Borrowers	306,313	341,738	530,102	621,391	821,826
	Borrower/Customers Ratio	92%	91%	88%	83%	83%
<b>B</b>	<b>Savings Portfolio (million BD Taka)</b>					
	Yearly Savings Deposit	574.35	746.45	1,063.38	1,480.70	1,931.39
	Cumulative Savings Deposit	2,011.53	2,757.98	3,821.36	5,302.06	7,233.46
	Yearly Savings Withdrawals	359.88	603.51	748.02	1,133.12	1,341.64
	Cumulative Savings Withdrawals	1,332.51	1,936.02	2,684.04	3,817.16	5,158.80
	Savings Portfolio	679.02	821.96	1,137.32	1,484.90	2,074.66
	Savings Portfolio Growth	46%	21%	38%	31%	40%
	Savings Portfolio to Total Assets	41%	38%	32%	26%	33%
<b>C</b>	<b>Loan Portfolio (million BD Taka)</b>					
	Yearly Loan Disbursed	3,180.27	3,751.65	5,905.77	8,139.64	10,908.60
	Cumulative Loan Disbursed	10,404.02	14,155.67	20,061.44	28,201.08	39,109.68
	Yearly Loan Recovered	2,774.45	3,372.66	4,652.66	7,284.99	9,398.57
	Cumulative Loan Recovered	8,839.17	12,211.83	16,864.49	24,149.48	33,548.05
	Loan Portfolio	1,564.85	1,943.84	3,196.95	4,051.60	5,561.63
	Loan Portfolio Growth	35%	24%	64%	27%	37%
<b>D</b>	<b>Sustainability/Profitability</b>					
	Return on Equity (ROE)	18%	9%	7%	9%	-4%
	Return on Performing Assets	29%	28%	28%	30%	30%
	Operating Self-Sufficiency	136%	118%	109%	107%	99%
	Financial Self-Sufficiency	122%	107%	104%	102%	95%
	Financial Spread (Net Financial Margin)	8%	5%	3%	3%	2%
<b>E</b>	<b>Portfolio Quality</b>					
	On Time Recovery Rate (OTR)	98.17%	98.07%	98.05%	98.15%	98.35%
	Portfolio at Risk-PAR (>60days)	1.73%	2.89%	2.47%	3.34%	2.61%
	Risk Coverage Ratio	118%	127%	110%	100%	101%
	Loan Loss Reserve Ratio	1.48%	2.54%	2.02%	1.82%	2.20%
	Write-Off Ratio	0.24%	0.33%	0.60%	1.32%	1.39%
<b>F</b>	<b>Assets/Liability Management</b>					
	Yield on Gross Portfolio	28%	29%	29%	31%	29%
	Current Ratio	529%	512%	440%	898%	625%
	Financial Cost Ratio	6.33%	6.46%	8.48%	11.15%	11.43%
	Annual Growth to Total Assets	32%	28%	64%	63%	6%
<b>G</b>	<b>Leverage</b>					
	Debt to Equity	x0.61	x0.89	x2.02	x4.63	x4.50
	Debt Service Coverage Ratio by times	1.62	1.37	1.18	1.13	1.05
	Equity as Percent of Total Assets	34%	29%	19%	13%	12%
<b>H</b>	<b>Efficiency/Productivity</b>					
	Loan Officer (LO) Productivity	213	206	242	209	233
	LO Productivity (Loan-BDT)	1,006,335	1,062,208	1,282,886	1,133,317	1,315,119
	LO Productivity (Savings-BDT)	456,317	467,450	463,605	425,497	497,800
	Average Disbursed Loan Size (BDT)	7,421	8,416	9,035	9,999	10,661
	Average Outstanding Loan Size (BDT)	5,109	5,688	6,031	6,520	6,767
	Cost of per Unit Money Lent (BDT)	0.06	0.07	0.07	0.07	0.08
	Operating Expenses Ratio	15%	16%	16%	16%	17%
	Cumulative Average Exchange Rate: US\$1=BDT	60	65	66	66	67

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

Figure in Million Taka

PARTICULARS	2006	2007	2008	2009	2010
<b>PROPERTY AND ASSETS</b>					
<b>Current Assets</b>					
Cash and bank balance	27.32	123.35	158.83	1,408.92	196.28
Investment	60.01	69.46	169.36	293.44	221.02
Other current assets	32.67	50.22	68.26	97.97	113.76
<i>Loan portfolio</i>	<i>1,564.85</i>	<i>1,943.84</i>	<i>3,196.95</i>	<i>4,051.61</i>	<i>5,561.64</i>
<i>Loan loss reserve (LLR)</i>	<i>23.15</i>	<i>49.41</i>	<i>64.44</i>	<i>73.83</i>	<i>122.52</i>
Loan portfolio-net of LLR	1,541.70	1,894.43	3,132.51	3,977.78	5,439.12
<b>Total Current Assets</b>	<b>1,661.70</b>	<b>2,137.45</b>	<b>3,528.97</b>	<b>5,778.10</b>	<b>5,970.18</b>
<b>Long - Term Assets</b>					
<i>Fixed assets at cost</i>	<i>108.54</i>	<i>126.55</i>	<i>169.36</i>	<i>242.18</i>	<i>435.04</i>
<i>Accumulated depreciation</i>	<i>32.45</i>	<i>38.35</i>	<i>44.78</i>	<i>61.10</i>	<i>83.60</i>
Fixed assets -net of accumulated depreciation	76.08	88.20	124.58	181.08	351.44
<b>Total Long - Term Assets</b>	<b>76.08</b>	<b>88.20</b>	<b>124.58</b>	<b>181.08</b>	<b>351.44</b>
<b>Total Assets</b>	<b>1,737.78</b>	<b>2,225.65</b>	<b>3,653.55</b>	<b>5,959.19</b>	<b>6,321.62</b>
<b>LIABILITIES AND FUNDS</b>					
<b>Current Liabilities</b>					
Employees' security deposits	16.23	19.08	28.44	42.07	53.33
Members' general savings	234.80	281.43	434.92	597.93	881.52
Bank overdraft	62.86	117.18	338.49	0.23	16.42
Other liabilities	0.30	0.18	0.15	3.11	3.41
<b>Total Current Liabilities</b>	<b>314.19</b>	<b>417.87</b>	<b>802.00</b>	<b>643.33</b>	<b>954.69</b>
<b>Long-Term Liabilities</b>					
Members' time savings	4.47	1.00	-	-	-
Members' regular voluntary savings	439.75	539.54	702.39	886.97	1,193.12
Members' emergency funds	6.26	4.34	2.00	0.96	0.90
Members' security funds	24.30	29.13	15.98	35.30	29.65
Borrowing from Specialized Institution	99.44	108.19	116.00	103.48	111.08
Borrowing from Commercial Banks	220.09	346.79	1,219.97	3,412.07	3,279.47
Borrowing from Non-Bank Financial Institution	37.78	126.36	89.74	97.33	-
Other borrowing	1.01	-	-	-	-
<b>Total Long-Term Liabilities</b>	<b>833.09</b>	<b>1,155.34</b>	<b>2,146.09</b>	<b>4,536.10</b>	<b>4,614.22</b>
<b>Funds and Surplus</b>					
Revolving loan fund (donors' grant)	138.82	138.82	138.82	138.82	138.82
Emergency disaster fund (donors' grant)	47.37	52.59	59.04	67.74	73.80
Accumulated surplus	404.31	461.03	507.61	573.20	540.09
<b>Total Net Worth</b>	<b>590.50</b>	<b>652.44</b>	<b>705.46</b>	<b>779.75</b>	<b>752.71</b>
<b>Total Liabilities and Net Worth</b>	<b>1,737.78</b>	<b>2,225.65</b>	<b>3,653.55</b>	<b>5,959.19</b>	<b>6,321.62</b>

Source: Audit Report

**Five Years Income and Expenditure Account  
(as on 31 December)**

**Figure in Million Taka**

<b>Particulars</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>A Financial &amp; Micro Credit Income</b>					
Service charges/Interest on Loans	381.55	475.17	690.56	1,056.90	1,375.84
Service Charge on Remittance	-	0.00	2.06	7.08	12.73
Interest on bank deposit	0.86	1.14	5.48	14.95	30.34
Sale of forms	14.29	15.14	22.95	27.92	35.18
Admission fee	3.17	3.83	8.47	8.98	12.58
Others	2.53	1.92	3.81	2.48	2.21
<b>Total Financial &amp; Micro Credit Income (A)</b>	<b>402.39</b>	<b>497.21</b>	<b>733.34</b>	<b>1,118.32</b>	<b>1,468.88</b>
<b>B Financial Cost</b>					
Interest on borrowings	47.85	64.89	163.46	337.11	466.37
Interest on members' savings	38.32	48.46	54.55	66.85	82.83
<b>Total Financial Cost (B)</b>	<b>86.17</b>	<b>113.36</b>	<b>218.01</b>	<b>403.95</b>	<b>549.21</b>
<b>C Gross Financial Margin (A-B)</b>	<b>316.22</b>	<b>383.85</b>	<b>515.33</b>	<b>714.36</b>	<b>919.67</b>
<b>D Provision for loan losses</b>	<b>11.04</b>	<b>32.06</b>	<b>30.44</b>	<b>57.37</b>	<b>115.64</b>
<b>E Net Financial Margin (C-D)</b>	<b>305.18</b>	<b>351.79</b>	<b>484.89</b>	<b>656.99</b>	<b>804.03</b>
<b>F Operating Expenses</b>					
Salary and allowances	142.29	205.50	298.27	409.78	618.35
Rental office	9.95	17.03	27.90	37.10	48.86
Payment to national exchequer	1.69	1.16	3.32	6.68	8.55
Transportation	10.74	17.43	26.72	37.18	47.08
Training & research expenses	11.06	20.23	15.82	11.79	12.77
Office supplies	7.30	8.19	17.40	24.45	24.81
Depreciation	7.13	5.94	9.70	16.71	22.50
Audit & professional fees	1.80	1.52	2.78	3.48	1.97
Other expenses	17.31	18.09	36.40	44.21	52.25
<b>Total Operating Expenses (F)</b>	<b>209.28</b>	<b>295.08</b>	<b>438.31</b>	<b>591.40</b>	<b>837.15</b>
<b>G Net Surplus/(Deficit) (E-F)</b>	<b>95.90</b>	<b>56.71</b>	<b>46.58</b>	<b>65.59</b>	<b>(33.11)</b>

Source: Audit Report

## **Governing Body and Operational Board of Directors**

### **Governing Body**

#### **Chairperson**

**S K Sarkar**

Director-Administration and Risk Management of BRAC  
and Treasurer of BRAC University

#### **Vice Chairperson**

**Altaf Hossain**

Executive Director, Sales and Marketing, Fast Group

#### **Finance Secretary**

**Kazi Mohammad Shoab Rana**

Social Activist and Businessman

#### **Members:**

**Anwar Ul Alam**

Former Secretary and Ambassador Government of Bangladesh

**Dr. Md. Nurul Amin Khan**

Former Principal-Government College and  
Eminent Poet & Educationist

**Mohammad Rafiqul Islam**

Chief Executive Officer, RAK Pharmaceuticals Limited

**Mirza Quamrun Naher**

Development Activist

#### **Ex-Officio Secretary**

**Zakir Hossain**, Executive Director

### **Operational Board of Directors**

**M. Mosharrof Hossain**

Finance Director

**Md. Sirajul Islam**

Program Director

**Pranesh Chandra Banik**

Training and Capacity Building Deputy Director

### **Adviser**

**Graham A.N. Wright**

Program Director, *MicroSave*

## Senior and Mid Level Professionals

<b>Program</b>	
<b>Coordinators</b>	
Md. Anower Hossain, Program Coordinator Sayed Ahmad Khan, Assistant Program Coordinator	Khondoker Moklasur Rahman, Assistant Program Coordinator Abdur Razzak Chowdhury, Assistant Program Coordinator
<b>Zonal Managers</b>	
Shaheenoor Islam Khan , Gajipur Mohsin Hossain Khan, Modhupur Arshad Alam , Comilla Motaleb Hossain Miah, Chittagong Jafar Ahmed Jewel , Noakhali Saidur Rahman , Dhaka Metropolitan Abdus Salam, Faridpur Rafiqul Islam, Rangpur Hossain Islam Ripon, Khulna	Liton Chandra Mohanta,, Rajshahi SM Hafizur Rahman, Tangail Biplab Kumar Tarafder, Sylhet Shamim Kabir, Pabna Mir Mukul Hossain, Mymensingh Haroun Or Rashid, Jessore Kudrat-E-Elahi, Bogra Osman Goni, Barishal Al Amin Khan, Narayangonj
<b>Finance and Accounts</b>	
A.B.M. Aminul Karim Mazumder, Assistant Finance Coordinator Sajedul Haque, Accounts Officer Abdul Halim, Accounts Officer Tapas Kumar Sikder, Accounts Officer	
<b>Administration</b>	
Sarker Hirendra Chandra, Assistant Admin Coordinator	
<b>Human Resource Management (HRM)</b>	
Ashraful Alam Khan, Personnel Officer	
<b>Internal Audit</b>	
Anil Saha, Assistant Audit Coordinator Md. Montashir Mamun Chowdhury, Audit Officer	
<b>Training and Capacity Building</b>	
Nazrul Islam, Assistant Training Coordinator	
<b>Foreign Remittance, Research and Publication</b>	
S M A Rakib, Remittance, Research & Publications Officer	
<b>Information Technology (IT)</b>	
Abdus Sabur, Assistant IT Officer	
<b>Monitoring and Reporting</b>	
Istak Ahammed, Monitoring & Reporting Officer	
<b>Public Relation</b>	
Md. Enamul Kabir, Office Manager	
<b>Disaster Management</b>	
Aminul Islam, Disaster Management Officer	



**Head Office**

House-12/A, Road-104, Block-CEN(F) Gulshan 2, Dhaka 1212, Bangladesh  
Tel: 88-02-8857876, 8858264, 8832912, 8834283, Fax: 88-02-8858447  
E-mail: burot@bdmail.net, bt@bdmail.net and buro@citech-bd.com

<http://www.burobd.org>