



Credit Rating Report (Surveillance) BURO Bangladesh

Ratings

Long Term	: AA ₃
Short Term	: ST-2
Outlook	: Stable

Previous Ratings

Date of Rating	: Long Term	Short Term	Outlook
Outlook	: AA ₃	ST-2	Stable

Date of Rating : 31 December 2013

Validity : 22 December 2014

Rating Based on : Audited financial statement up to 30 June 2013, and other relevant quantitative as well as qualitative information up to the date of rating declaration.

Methodology: CRAB's Micro Finance Institutions (MFIs) Rating Methodology (www.crab.com.bd)

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Financial Highlights

	Year Ended June 30	
	(12)	(12)
(BDT in Mil)		
Micro Finance Program	FY-2013	FY-2012
Assets	14,864.1	8,685.6
Loan Portfolio	12,999.6	6,884.4
Outstanding Savings	3,715.7	2,804.0
No. of Beneficiaries	1,104,717	1,082,789
No. of Active Borrowers	950,234	867,188
No. of District Covered	61	57
No. of Branches	634	629
Avg. Outstanding Loan		
Per Borrowers	13,680.4	7,938.8
No. of Personnel	5,417	5,447
surplus	357.2	144.2
ROA (%)	2.4	1.7
Debt to Equity Ratio (X)	6.9	4.6
Portfolio Yield (%)	23.0	27.3
Operating Expense ratio (%)	10.4	15.3
PAR > 180 (%)	1.4	2.9
Operating Self Suff. (%)	117.5	108.8

PROFILE

BURO Bangladesh (hereinafter called as 'BURO' or 'the Organization') is a national 'non-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.

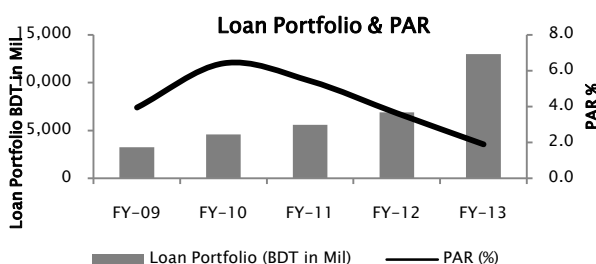
BURO Bangladesh was registered with the Department of Social Welfare in 1991, NGO affairs Bureau in 1992, the Registrar of Joint Stock Companies & Firms Bangladesh in 2007 and the Micro Credit Regulatory Authority (MRA) in 2008. Mr. Zakir Hossain is the Executive Director of BURO. At the end of FY2013 BURO had loan outstanding of BDT 12,999.6 million to 950,234 borrowers spread across 634 branches.

Programs

The major programs implemented by BURO in FY2013 are: Micro Finance Program; Hardcore Poor Development Program; Health, Hygiene, Nutrition & Sanitation services; Rural Piped Water Supply Project; Human Resource Development; Disaster Management Programs, SME loan, Agriculture loan, Remittances Services etc.

RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has retained 'AA₃' (Double A Three) rating in the long term and 'ST-2' rating in the short term to BURO Bangladesh. CRAB performed the rating based on audited consolidated financial statement up to 30 June 2013 and other relevant quantitative and qualitative information.



Micro Finance Institutions (MFIs) rated 'AA₃' have very strong capacity to meet their financial commitments. They differ from the highest-rated MFIs only to a small degree. 'AA₃' is judged to be of very high quality and is subject to very low credit risk.

MFIs rated 'ST-2' category are considered to have strong capacity for timely repayment. MFIs rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

The rating reflects the Organization's strength in operation of microfinance program in the area of portfolio size, number of customers, provision maintained, surplus, liquidity and portfolio quality. The rating also considers BURO's performance in debt service. However, the rating is constrained by leverage position of the organization and high cost of fund.

In FY2013, total assets increased by 71.1% and stood at BDT 14,864.1 million driven by outstanding loan amount. Loan portfolio of the BURO experienced substantial growth (88.8%) in FY2013. But higher loan growth may deteriorate the loan quality in future unless strictly monitored. As of 2013, total loan portfolio of BURO stood at BDT 12,999.6 million whereas PAR amount stood at BDT 246.0 million. The loan portfolio increased by (FY2013) 88.8% and PAR amount dropped by 1.5%. Overall PAR as % of loan portfolio decreased by 1.74 percentage points and stood at 1.89%. Saving deposit increased by 22.6% and stood at BDT 3,436.6 million in FY2013.

Net Surplus of BURO was BDT 357.2 million in FY2013. Fund based income was BDT 2,348.1 million (growth 35.9%) and net interest income was BDT 1,423.7 million (growth 23.3%) in FY2013. Operating self sufficiently was increased by 8.7 percentage points and stood at 117.5% in FY2013.

BURO microfinance program was mainly funded by borrowed fund. Of the total funding 57.7% was from bank loan followed by 23.2% by members' savings, 9.1% by own fund, 5.5% by other financial institutions and remaining 4.5% by fund liabilities. During FY2013 capital fund grew by 37.4% backed by internal capital generation mainly. BURO has two types of savings deposit, general savings and regular voluntary savings, through which BURO has collected BDT 3,436.6 million.

BURO's microfinance operation covers 61 districts of the country. At the end of FY2013, the outstanding loan portfolio under this program was BDT 12,999.6 million to 950,234 borrowers and the savings outstanding of the members was BDT 3,436.6 million from 1,104,717 members. Aging of loan portfolio of BURO depicts that at the end of FY2013, 1.89% of the loan portfolio's repayment was not regular.

1.0 MICRO FINANCE PROGRAM

1.1 Operational Model

Major program of BURO Bangladesh is microfinance. To operate microfinance program BURO forms group which is the key and lowest unit of BURO institutional structure. Area is selected depending on communication facilities, controlling, banking facilities, social, political & financial condition, influences of other organizations, cooperation of local administration and dwellers etc. Five like-minded people from the same village with similar economic status but not relatives of each other can form a group. Each group elects a group chief and an assistant group chief.

The small groups are federate into *Kendra* (Center). A Kendra is formed with 8-10 small groups. Among the chief of small groups, another committee is formed. Each committee is headed by a Kendra chief and an associate Kendra chief. They hold meetings once a week or fortnight where they discuss their problems, projects, share experience and pay savings and loan installments.

A branch is federate by 2,500-3,000 members. Weekly meeting is held for discussion on various issues such as sanitation, mother & children health, education etc.

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 Organizers (APOs). There are 629 branches which are supervised by 74 Area Officers. Overall, there are 18 Zonal Officers that administer all the branches and area offices.

The Head Office supervises, monitors and guides the activities of branch, area and Central Coordination Office. The Head Office also provides all logistic supports to these offices. The branch offices send weekly and monthly reports to head office on regular basis. The head office organizes auditing of accounts etc. for the smooth implementation of project activities.

2.0 MICRO FINANCE OPERATION (MFO)

2.1 Program Evolution

BURO Bangladesh (BURO) launched its micro finance program in 1991. The main purpose of this program is to reduce poverty by involving poor to different agro and non-agro enterprises. BURO's microfinance program has six loan products (details given in Annexure-2). At the end of FY2013 BURO's loan portfolio grew by 88.8% to BDT 6,884.4 million compared to FY2012. On the other hand, BURO has two (2) types of saving schemes against which BURO has collected BDT 3,715.68 million registering a growth of 32.5%.

Table 1

Outreach Summary of Microfinance Program

	Year Ended June 30				
	FY-13	FY-12	FY-11	FY-10	FY-09
No. of Branches	634	629	628	506	395
No. of customers	1,104,717	1,082,789	1,029,343	873,715	672,467
No. of Borrowers	950,234	867,188	829,491	751,826	590,826
No. of districts	61	57	57	56	50
No. of Personnel	5,417	5,447	5,379	5,634	3,718
Total Loan Outstanding (BDT in Mil)	12,999.6	6,884.4	5,600.1	4,594.3	3,251.3
Total Savings (BDT in Mil)	3,715.68	2,804.0	2,321.5	1,726.8	1,309.8

2.2 Loan Portfolio Analysis

BURO's outstanding amount of loan registered a growth of 88.8% to BDT 12,999.6 million. Organization's amount of loan outstanding was mainly concentrated in micro-enterprise loan (45.0%) followed by general Loan (29.2%), and agricultural loan (25.4%).

Table 2

Sector-Wise Loan Outstanding

	Year Ended June 30					
	FY-13			FY-12		
	Amount	Total (%)	Growth (%)	Amount	Total (%)	Growth (%)
General loan	3,797.4	29.2	19.5	3,178.4	46.2	15.0
Agricultural Loan	3,301.2	25.4	8.4	3,044.5	44.2	20.2
Micro-Enterprise Loan	5,844.9	45.0	852.5	613.7	8.9	158.0
Hand/Emergency Loan	48.4	0.4	14.9	42.1	0.6	(27.4)
Water & Sanitation Loan	7.7	0.1	34.7	5.7	0.1	(17.2)
Total	12,999.6	100.0	88.8	6,884.4	100.0	22.9

2.3 Portfolio Quality

Table 3

Aging of Portfolio

	FY-13			FY-12		
	No. of Loans	Amount	% of Total Loan	No. of Loans	Amount	% of Total Loan
PAR 1-30 days	1,593	16.4	0.13	2,165	13.2	0.19
PAR 31-180 days	5,039	47.2	0.36	5,495	38.9	0.57
PAR 181-365 days	2,258	21.4	0.16	2,112	16.9	0.25
PAR > 365 days	29,444	161.1	1.24	36,402	180.7	2.63
Total	38,334	246.0	1.89	46,174	249.8	3.63

Micro Finance program is typically not backed by bankable collateral. Hence, the quality of the portfolio is absolutely crucial. The most widely used measure of portfolio quality is portfolio at risk which measures the portion of the loan portfolio contaminated by arrears as a percentage of the total portfolio. Aging of loan portfolio of BURO depicts that at the end of FY2013, 1.89% of the loan portfolio's repayment was not regular where 1.40% of the portfolio's repayment was irregular for more than 180 days. BURO has good portfolio risk coverage with loan loss provision fund of BDT 320.4 million. At the end of FY2013 loan loss provision reserve was 2.5% of outstanding loan (FY2012: 4.4%). In FY2013 risk coverage ratio was 130.2% (FY2012: 120.4%).

Loan portfolio shows upward trend for the last few years and PAR as a percentage of total loan portfolio decreased over the last few year. In FY2013, PAR as % of loan outstanding decreased by 1.74 percentage points and stood at 1.89% (FY2012: 3.63%).

Table 4

Portfolio at Risk					
	FY-2013	FY-2012	FY-2011	FY-2010	FY-2009
Loan outstanding (BDT in Mil)	12,999.6	6,884.4	5,600.1	4,594.3	3,251.3
PAR (BDT in Mil)	246.0	249.8	304.0	294.7	128.3
Loan Portfolio Growth (%)	88.8	22.9	21.9	41.3	43.0
PAR Amount's Growth (%)	(1.5)	(17.8)	3.1	129.7	87.9

As of 30 June 2013, total portfolio loan of BURO on micro finance program stood at BDT 12,999.6 million whereas portfolio at risk amount dropped to BDT 246.0 million. The loan portfolio increased by (FY2013) 88.8% but portfolio at risk amount dropped by 1.5%. Overall PAR as % of loan portfolio decreased by 1.74 percentage points and stood at 1.89%.

Table 5

Provision and Risk Coverage					
(%)	For the year Ended June				
	FY-13	FY-12	FY-11	FY-10	FY-9
Provision expense ratio	0.8	1.8	3.4	4.2	0.5
Provision Reserve ratio	2.5	4.4	5.2	4.0	0.6
Risk Coverage Ratio	130.2	120.4	95.6	62.4	15.5

Provision expense ratio gives an indication of the expense incurred by BURO to anticipate future loan losses. The provision expenses ratio decreased by 1.0 percentage point in FY2013 from FY2012 due to improvement in the portfolio quality. Accumulated provision expenses (minus write-offs) as percentage of loan outstanding called provision reserve ratio that decreased by 1.9 percentage points and stood at 2.5%. However, BURO kept adequate reserve corresponding to its PAR. The risk coverage Ratio is calculated by dividing loan loss reserves by the outstanding balance on arrears over 1 day. This measure shows that in FY2013 it was 130.2% (FY2012: 120.4%) of the portfolio at risk is covered by actual loan loss reserves.

Table 6

Financial Structure						
	For the Year Ended June					
	FY-13	FY-12	FY-11	FY-10	FY-9	FY-8
Capital/Asset Ratio (%)	9.1	11.3	11.9	12.9	19.0	25.2
Debt to Equity Ratio (X)	6.9	4.6	4.1	4.2	2.6	1.4
Deposits to Loans (%)	26.4	17.8	17.9	15.8	16.2	14.8
Deposits to Assets (%)	23.1	14.1	14.5	11.9	11.9	11.9
Portfolio to Assets (%)	87.5	79.3	80.8	75.1	73.4	80.3

BURO generally would be able to access commercial sources of funds and therefore achieve moderate debt than other MFIs. BURO is using its borrowing limits in order to expand its credit growth. The Organization is expanding its borrowing limits in order to expand its credit growth. Through rapid increases of leverage BURO may face pressure on its margin.

2.4 Capitalization & Funding Strategy

BURO microfinance program was mainly funded by borrowed fund. Of the total funding 56.6% was from bank loan followed by 24.6% by members' savings, 8.9% by own fund, 5.4% by other financial institutions and remaining 4.4% by fund liabilities (which included loan loss reserve, micro insurance savings & emergency fund). During FY2013 capital fund grew by 37.4% backed by internal capital generation mainly. Of the total long term liabilities 85.3% was borrowed from commercial bank (details given in Annexure-3), 8.1% was from other Organizations and remaining 6.7% from fund liabilities. BURO has two types of savings deposit, general savings and regular voluntary savings, through which BURO has collected BDT 3,715.7 million. Balance sheet liabilities to capital fund of this program was 10.0 times (FY2012: 7.8 times) and borrowed fund to capital fund was 6.9 times (FY2012: 4.6 times).

Table 7

Funding Mix						
Year Ended June 30						
(Mil. BDT)	FY-13			FY-12		
	Amount	Total (%)	Growth (%)	Amount	Total (%)	Growth (%)
Capital Fund	1,349.5	8.9	37.4	982.3	11.4	18.9
Long Term Liabilities/Loan	10,014.8	66.4	106.7	4,845.3	56.1	30.3
<i>Fund Liabilities</i>	<i>666.1</i>	<i>4.4</i>	<i>100.3</i>	<i>332.6</i>	<i>3.9</i>	<i>0.9</i>
<i>Loan from commercial Banks</i>	<i>8,541.8</i>	<i>56.6</i>	<i>93.3</i>	<i>4,419.4</i>	<i>51.2</i>	<i>35.0</i>
<i>Loan from FIs & Other Institutions</i>	<i>806.9</i>	<i>5.4</i>	<i>765.0</i>	<i>93.3</i>	<i>1.1</i>	<i>(18.9)</i>
Members' Savings	3,715.7	24.6	32.5	2,804.0	32.5	20.8
Total	15,080.0	100.0	74.7	8,631.5	100.0	25.7

2.5 Financial Performance

Table 8

Segregation of Revenue						
For the year Ended June 30						
Year (BDT in Mil)	FY-13		FY-12		FY-11	
	Amount	Growth	Amount	Growth	Amount	Growth
Fund Based Income (a)	2,348.1	35.9	1,727.7	9.8	1,574.0	26.5
<i>Interest income on loan</i>	<i>2,287.9</i>	<i>34.1</i>	<i>1,706.8</i>	<i>10.4</i>	<i>1,545.3</i>	<i>26.3</i>
<i>Interest income on bank deposit</i>	<i>60.2</i>	<i>186.9</i>	<i>21.0</i>	<i>(27.0)</i>	<i>28.7</i>	<i>41.5</i>
Interest & Finance Charges (b)	924.4	61.4	572.9	7.1	535.1	6.7
<i>On Borrowings</i>	<i>778.7</i>	<i>68.3</i>	<i>462.6</i>	<i>2.4</i>	<i>451.8</i>	<i>3.9</i>
<i>On Deposits</i>	<i>145.8</i>	<i>32.2</i>	<i>110.3</i>	<i>32.3</i>	<i>83.3</i>	<i>25.3</i>
Net Interest Income (a-b)	1,423.7	23.3	1,154.8	11.2	1,038.9	40.0
Fee Based Income ©	49.2	(8.1)	53.6	(23.1)	69.6	23.0
Total Income (a+c)=d	2,397.3	34.6	1,781.3	8.4	1,643.6	26.4
Gross Surplus (d-b)	1,472.9	21.9	1,208.4	9.0	1,108.5	38.8
Expenses	1,032.7	8.3	953.5	5.7	902.1	29.5
<i>Personnel Expenses</i>	<i>758.4</i>	<i>8.6</i>	<i>698.2</i>	<i>3.9</i>	<i>671.8</i>	<i>36.8</i>
<i>Administrative & Other Expenses</i>	<i>274.4</i>	<i>7.5</i>	<i>255.2</i>	<i>10.8</i>	<i>230.4</i>	<i>12.1</i>
Provision For Loan Loss	83.0	(25.0)	110.7	(36.3)	173.6	5.9
Net Surplus	357.2	147.7	144.2	340.9	32.7	(153.1)

In FY2013, of the total income 97.9% was interest income from loan. In FY2013, fund based income increased by 35.9% and net interest income increased by 23.3% respectively due to increased loan portfolio. Gross surplus of the program increased by 21.9% and net surplus increased by 147.7 due to kept low provision expense in FY2013 resulted from improvement in the portfolio quality. The provision expenses ratio decreased by 1.0 percentage point in FY2013 from FY2012.

2.6 Financial Indicators

At the end of FY2013, portfolio yield decreased by 4.3 percentage points to 23.0% due to increase loan portfolio significantly (By 88.8%) but ROA increased by 0.7 percentage point due to increased net surplus significantly (by 147.7%). In FY2013, operating expense ratio that indicates efficiency of the organization, decreased by 4.9 percentage points due to moderate operating expenses. At the end of FY2013, capital adequacy stood 9.2% that was 12.0% in FY2012.

Table 9

Key Financial Indicators	Year Ended June 30				
	FY-13	FY-12	FY-11	FY-10	FY-9
Profitability & Efficiency					
Portfolio Yield (%)	23.0	27.3	30.3	31.2	32.1
Return on Assets (ROA) (%)	2.4	1.7	0.5	(1.0)	2.7
Operating Expense Ratio (%)	10.4	15.3	17.7	17.8	18.4
Fund Cost					
Cost of Savings (%)	4.5	4.3	4.1	4.4	4.9
Cost of Borrowings (%)	11.2	11.7	13.5	15.8	14.8
Avg. cost of deposit & borrowing (%)	9.2	8.8	10.0	11.7	10.8
Capitalization					
Borrowed Fund to Equity (Times)	6.9	4.6	4.1	4.2	2.6
Capital Adequacy Ratio (%)	9.2	12.0	12.8	14.6	22.8
Liquidity					
Liquid assets to Deposit & Borrowing (%)	1.9	6.5	8.2	14.7	21.4

3.0 OPERATION AREA OF THE ORGANIZATION

BURO Bangladesh is a voluntary, non-profit organization which is involved in developing socio-economic condition and poverty alleviation programs in Bangladesh. At the end of FY2013 BURO is operating through 634 branches and covers 61 districts; 1,411 Unions and 26,173 villages of the country. BURO has 1 head office, 18 Zonal offices, 80 area offices, 634 branch offices, 3 training centre.

4.0 OTHER PROGRAM OF BURO BANGLADESH

4.1 Microfinance for Hardcore Poor

Table 10

Outreach Summary of Microfinance for Hardcore Poor

As of June 30, 2013

No. of Branches	7
No. of districts	3
No. of Customers	14,790
No. of Borrowers	13,534
Total Loan Portfolio (BDT in Mil)	130.67
Total Savings (BDT in Mil)	27.49

BURO Bangladesh operates two projects for last couple of year with a view to improving the livelihood of the hardcore poor in the areas of housing, health, nutrition, education for children, safe water and sanitation etc. these two projects are:

- Improved Living Standard of the Poorest in the Tangail peri-urban area with the financial support from UNESCO/Stitching Gilles Foundation and
- Economic and Social Empowerment of the Hardcore Poor (ESEHP) project at Uttara, Dhaka urban area assisted by Stromme Foundation.

BURO also plays in important role in the remittance services of Bangladesh by the following ways:

- Capacity building to enable BURO Bangladesh to provide remittance services to commercial banks. This project is funded by DFID and Bangladesh Bank.
- Expanding remittance in rural Bangladesh which is funded by IFAD
- SPM IP project.

4.2 Microfinance in Agriculture

Table 11

Outreach Summary of the Sub-Sectors in Agriculture Financing		
As of June 30, 2013		
	No. of Clients	BDT in Mil
Crops Cultivation	301,693	3,608
Agricultural Equipment	39,566	473
Seeds & Fertilizer	44,512	532
Livestock	34,620	414
Fisheries	29,675	355
Poultry	24,729	296
Others	19783	237
Total	494,578	5,915

BURO Bangladesh has provided the farmers with various training to build their capacity to raise crop production. Trainings are given on a number of fields that will enhance the livelihoods of the clients. These trainings include basic training on land practices, crop diversification, pest control, irrigation and modern technology dissemination for land cultivation.

4.3 Microfinance in SME

BURO Bangladesh considers SME (Small and Micro Enterprise) as an important means of economic empowerment of the people.

Table 12

Outreach Summary of the Sub-Sectors in SME Financing		
As of June 30, 2013		
	No. of Clients	BDT in Mil
Grocery Shop	5,369	303
Ready Made Garments	400	404
Food & Beverage	541	352
Furniture House	320	287
Printing Press	35	104
Communication	354	325
Carpentry	745	42
Weaving	455	29
Sewing & Tailoring	1,514	87
House Building	2,077	144
Transportation	1096	62
Others	6327	346
Total	19,233	2,485

4.3.1 Purposes of Microfinance in SME

- Provide small initial loan amounts which initially indeed limits the opportunities for the consumers of loan opportunities to generate income and employment
- Skill development to manage large loan
- To create another group of potential customers of large loan to support the growing needs of capital.

4.4 Micro Insurance Services

BURO introduced micro insurance mechanism to reduce vulnerability of its customers. A total of 961,839 insured registered in FY2012.

Table 13

Yearly Premium Collection and Claim Settlement				
Year	Premium Collection		Claim Settlements	
	Numbers	BDT in Mil	Numbers	BDT in Mil
2012-2013	1,050,800	137.3	3,595	102.4
2011-2012	961,839	72.4	4,715	41.7
2010-2011	936,911	63.4	3,707	37.7
2009-2010	823,811	54.6	3,624	22.8
2008-2009	619,293	39.1	3,051	12.4
2007-2008	415,254	25.1	2,021	10.3

4.4.1 Micro Insurance of Mutual Entity (MIME) Insurance Pilot Project

INAFI Bangladesh adopts an initiative for establishing a social security project named Micro Insurance of Mutual Entity (MIME) to understand the opportunity and risk of micro insurance in Bangladesh. The project is financed by Oxfam, Novid and Rabobank Foundation in 2006. The main objective of MIME is to provide micro insurance services to the poor and reduce the vulnerability on a mutually basis. Among 13 MFIs, BURO Bangladesh is one of the members of this project. Two types of insurance products offer under this projects: (I) simple term life insurance and (II) term life insurance.

Table 14

Performance of MIME piloting up to June 30, 2013				
(Amount in BDT)	Term Life Insurance		Claim Settlements	
Branch	Policy Holders	Premium	Policy Holders	Premium
Azampur	1,096	1,735,410	238	643,610
Dubali	216	381,690	15	27,692
Elanga	302	349,800	1	4,845
Gazipur	1,634	2,031,940	320	690,703
Kaliakoir	202	538,200	-	-
Kalihati	321	400,800	1	3,648
Korotia	109	112,340	-	-
Mirzapur	316	357,300	-	-
Sadar	280	530,200	2	5,700
Savar	1,611	1,953,615	290	589,216
Total	6,087	8,391,925	867	1,965,414

4.5 Remittances Services

BURO Bangladesh provides remittance services to its clients through two terminals: (I) Computer with GPRS internet connectivity and (II) Electronic Funds Transfer Point-of-Sales (EFTPOS). BURO has developed partnership with different commercial banks. BURO has started remittance operations since 2007. Up to June 2013, a total of 393,161 customers were served under this service. The transacted amount was \$134.61 million.

5.0 DONORS AND PARTNERS

BURO has stable consortium of donors and partners. BURO uses donors' funds of various Organizations: USAID, SDC (Switzerland), DFID (UK), SIDA (Sweden), AusAid (Australia), Canada Fund/CIDA, SAP-Bangladesh, PACT Inc, JOBS/USAID, GTZ, Germany, UNESCO, UNDP, MicroSave, Stromme Foundation, FLAG Spain, RPCF/Bangladesh Bank-DFID, IFAD/UN and CARE Bangladesh.

6.0 MANAGEMENT

6.1 Senior Management

Mr. Zakir Hossain, Executive Director is the Chief Executive of the Organization and responsible for the smooth implementation of all activities of the Foundation. He has 30 years experiences in management and program operation and capacity building, Implement savings, micro-credit, micro-insurance program countrywide including Disaster Management program. Presently he is leading a team of 5,447 staffs. He implements the activities through the appointed professionals and support staff of the Organization. He is responsible for conducting executive and governing committee meeting regularly, contributing and conducting strategic planning, effective communication liaison and lobbying with credible creditors, donors and civil society representative, ensuring and executing organizational HR & administrative, financial policies in operations etc. Mr. Zakir is aided by four directors and one deputy director of Operational Board of Directors (OBD).

6.2 Human Resource Management

BURO has been following a definite rule for the development of the human resources of both its staff and customers. For this, they are provided intensive training immediately after recruitment or admission into group. Such training includes pre and in-service training for staff. Basic/foundation and orientation training, leadership development, decent work, skills training, workshops on various issues, human rights and gender promotion etc. are designed for the members.

Moreover, BURO staff members also receive training on various aspects and issues from partners and other institutions. Such training includes capacity building, exposure visit, experience sharing etc.

7.0 CORPORATE GOVERNANCE

The corporate governance of BURO constitutes of three tier systems

7.1 General Body

The supreme authority of BURO is its Governing Body. It comprises of 17 members from different professions. The General Body is the highest policy and decision making body members of Organization.

7.2 Governing Body

A seven-member Governing Body is in place that includes Chairperson, Vice Chairperson, Finance Secretary and four other members. Four Governing meetings held in FY2012.

7.3 Operational Board of Director (OBD)

Operational Board of Director consisting of 5 members that includes Finance Director, Director of Special Program, Operational Director, Director Risk Management and Capacity Building Deputy Director. The Executive Director is not a member of the Governing Body but works as ex-officio secretary. The Operational Board of Director is responsible for the formulation of plan and budget for the programs and projects to be implemented by the Organization. The Operational Board of Director evaluates and monitors the implementation of policies, programs and projects through various monitoring tools and visits to the project areas.

7.4 Internal Audit

The audit and risk management department is headed by a Director. Total 54 audit staff works in this department who are based in the Zonal offices. The internal auditors report on 100% checking on loan portfolio. Auditors also report on 100% checking on loan and savings balancing and program-wise reporting and reports on passbook verification of at least 100 passbooks of 10 centers done by the concerned PO/APO, etc. auditor reports on fund management concerning cash and bank. The audit report is submitted to the Executive Director. These are discussed in meeting at high level and asked for clarifications, if it is required.

7.5 Independent Audit Committee:

Governing Body of BURO Bangladesh has formed an Independent Audit Committee in addition to Internal Audit Committee with a view to monitor and to control the Organization's financial operations smoothly, transparently and effectively. Mr. Altaf Hossain, Vice Chairperson of BURO Bangladesh is also the Chairperson of this Audit Committee.

ANNEXTURE-1 ORGANIZATION'S INFORMATION

General Body Members		
Sl. No.	Name	Occupation
1	S K Sarkar	Director-Administration & Risk Management of BRAC and Treasurer of BRAC University
2	Abdul Latif Khan	Project officer, UNDP
3	Khandokar Rabeya Anwar	Socialist and Women Leader
4	Md. Anwar Hossain (Noyan)	Advocate, Bangladesh Supreme Court
5	Altaf Hossain	Executive Director, Akij Food & Beverage Ltd.
6	Kazi Mohammad Shoab Rana	Social Activist and Businessman
7	M A Yousuf Khan	Deputy Managing Director, Mercantile Bank Limited
8	Md. Atikun Nabi	Executive Director, INAFI
9	Mirza Quamrun Naher	Development Activist
10	A F M Nurul Amin	Major (Retired)
11	Mohammad Rafiqul Islam	Chief Operating Officer, Supreme Pharmaceuticals
12	Dr. Md. Nurul Amin Khan	Former Principal-Government College and Eminent Pest & Educationist
13	Dr. Rowshan ara firoz	Professor, Dhaka University
14	Sayed Shahdat Hossain	Officer, Phoenix Insurance Co. Ltd.
15	Shah Alam Khan	Secretary, National Heart Foundation, Tangail
16	Md. Saidur Rahman	Advocate, Tangail Judge Court
17	Anwar Ul Alam	Former Secretary and Ambassador, Govt. of Bangladesh
18	Mst. Fatema Johura Begum	Professor, Alauddin Siddiki University, Tangail

Governing Body Members			
Sl No.	Name	Designation	Occupation
1	S K Sarkar	Chairperson	Director-Administration & Risk Management of BRAC and Treasurer of BRAC University
2	Altaf Hossain	Vice Chairperson	Executive Director, Akij Food & Beverage Ltd.
3	Kazi Mohammad Shoab Rana	Finance Secretary	Social Activist and Businessman
4	Anwar Ul Alam	Member	Former Secretary and Ambassador, Govt. of Bangladesh
5	Dr. Md. Nurul Amin Khan	Member	Former Principal-Government College and Eminent Poet & Educationist
6	Mohammad Rafiqul Islam	Member	Chief Operating Officer, Supreme Pharmaceuticals
7	Mirza Quamrun Naher	Member	Development Activist

Operational Board of Director (OBD)		
Sl No.	Name of Executive	Designation
1	Zakir Hossain	Executive Director
2	M. Mosharrof Hossain	Finance director
3	Md. Sirajul Islam	Special Program Director
4	Md. Mukitul Islam	Operation Director
5	Khondoker Mahafuzur Rahman	Risk Management & Internal Audit Director
6	Pranesh Chandra Banik	Deputy Director Special Program

Auditors

Toha Khan Zaman & Co.
Chartered Accountants

ANNEXURE-2
Information of Loan Products

Segment	General Loan	Agriculture Loan	Microenterprise Loan
Loan Term (Month)	12-Month	12-Month	12-36 Month
Loan Size (amount)	20,000-50,000	20,000-75,000	50,000-1,000,000
Interest Rate (%)	27.00%	27.00%	27.00%
Repayment Policy (Weekly/monthly)	Weekly	weekly	weekly and/or monthly

Information of Loan Products

Segment	Hand Loan	Disaster Loan	Water & Sanitation Loan
Loan Term (Month)	3 Month	12-Month	12-Month
Loan Size (amount)	10,000-15,000	5,000-15,000	10,000-25,000
Interest Rate (%)	27.00%	27.00%	27.00%
Repayment Policy (Weekly/monthly)	weekly and/or monthly	weekly	weekly

Rate of Premium of Customer Security Fund (Micro Insurance)

Type	Particular	Rate of Premium
1	Tk .1000-Tk.10000	Tk 50
2	Tk.10001-Tk.50000	0.50%
3	Tk.500001 > Above	1%

Saving Products (BDT in Mil)

savings	Amount Saved 2011-12	Amount (Bal) 30/09/12	Interest rate
General Savings	3,436.56	3,595.15	6%
Regular Voluntary Savings	279.19	251.60	6% - 8%

Insurance Products (BDT in Mil)

Insurance	Amount Received	Sum Insured
Customer Security Fund (Micro Insurance)		
Received	137.33	39.02 cum premium holder
Payment	102.41	17.63 claim settlement
Balance	65.76	87.15

ANNEXURE-3

Commercial sources of Fund (BDT in Mil)			
Banks & Specialized Institutions	Outstanding As on August 2012	% of Total	Classification status
Banks Syndicated Finance –Lead by Citibank, N.A.	281.25	13%	Term
The City Bank Ltd.	863.79	13%	Term & Short Term
United Commercial Bank Ltd.	475.39	13%	Term
Standard Chartered Bank	400.00	13%	Short Term
Eastern Bank Ltd.	453.13	13%	Term & Short Term
Dutch Bangla Bank Ltd.	555.56	13%	Term & Short Term
Southeast Bank Ltd.	285.20	13%	Term
Mercantile Bank Ltd.	358.09	13%	Term
NCC Bank Ltd.	299.75	13%	Short Term
HSBC Bank	300.00	13%	Short Term
Bank Asia Ltd.	400.03	13%	Term
BRAC Bank Ltd.	286.72	13%	Term & Short Term
One Bank Ltd.	243.71	13%	Short Term
Exim Bank Ltd.	462.39	13%	Term
Banks Syndicated Finance –Lead by BRAC Bank Ltd.	-		
Bangladesh Krishi Bank	198.42	14%	Short Term
Stromme Foundation	64.26	10%	Term
Habib Bank Ltd.	100.00	13%	Short Term
Rupali Bank Ltd.	100.00	14%	Term
Anukul Foundation	30.19	10%	Term
Jamuna Bank Ltd.	812.60	13%	Term
Prime Bank Ltd.	500.00	13%	Term
Commercial Bank Of Seylon PLC	100.00	13%	Term
National Bank Ltd.	250.00	13%	Term
Pubali Bank Ltd.	300.00	13%	Term
Trust Bank Ltd.	299.95	13%	Term
Standard Bank Ltd.	200.00	13%	Short Term
GSP Finance	150.00	18%	Term
Lanka Bangla Finance Company	476.73	17%	Term
Premier Leasing & Finance Company	125.00	18%	Term
IPDC	100.00	17.25	Short Term
IDLC	500.00	16.50	Term
Total	9,972.16	100.0	

ANNEXURE-4

Profitability & Efficiency

Portfolio Yield = Interest income / Avg. Gross Outstanding Portfolio

Return on Assets (ROA)

Operating Expense Ratio = Operating Expense / Avg. Gross Outstanding Portfolio

Fund Cost

Cost of Deposit & Savings = Interest Paid on Deposits / Avg. Deposits

Cost of Borrowings = Interest Paid on Borrowings / Avg. Borrowings

Capitalization

Borrowed Fund to Equity (times)

Capital Adequacy Ratio = Total Equity / (Total Assets - Cash and Bank Balance).

Liquidity

Liquid Assets to Deposits & Borrowing

Borrowed Fund = Long & short term loan (do not include member's savings)

Equity & Funding = Equity (Own fund + Donation) + member's savings + Long & short term loan

LONG-TERM CREDIT RATING:
MICRO FINANCE INSTITUTIONS (MFIs)

RATING	DEFINITION
AAA Triple A	Extremely Strong Capacity & Highest Quality. MFIs rated 'AAA' have extremely strong capacity to meet their financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. AAA is judged to be of the highest quality, with minimal credit risk.
AA₁, AA₂, AA₃* Double A	Very Strong Capacity & Very High Quality. MFIs rated 'AA' have very strong capacity to meet their financial commitments. They differ from the highest-rated MFIs only to a small degree. AA is judged to be of very high quality and is subject to very low credit risk.
A₁, A₂, A₃ Single A	Strong Capacity & High Quality. MFIs rated 'A' have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than MFIs in higher-rated categories. A is judged to be of high quality and are subject to low credit risk.
BBB₁, BBB₂, BBB₃ Triple B	Adequate Capacity & Medium Quality. MFIs rated 'BBB' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the MFIs to meet their financial commitments. BBB rated MFIs are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
BB₁, BB₂, BB₃ Double B	Inadequate Capacity & Substantial Credit Risk. MFIs rated 'BB' are less vulnerable in the near term than other lower-rated MFIs. However, they face major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which might lead to inadequate capacity to meet their financial commitments. BB is judged to have speculative elements and is subject to substantial credit risk.
B₁, B₂, B₃ Single B	Weak Capacity & High Credit Risk. MFIs rated 'B' are more vulnerable than the MFIs rated 'BB', but the MFIs currently have the capacity to meet their financial commitments. Adverse business, financial, or economic conditions are likely to impair the capacity or willingness to meet their financial commitments. B is considered speculative and weak capacity and is subject to high credit risk.
CCC₁, CCC₂, CCC₃ Triple C	Very Weak Capacity & Very High Credit Risk. MFIs rated 'CCC' are currently vulnerable, and are dependent upon favorable business, financial, and economic conditions to meet their financial commitments. CCC is judged to be of very weak standing and is subject to very high credit risk.
CC Double C	Extremely Weak Capacity & Extremely High Credit Risk. MFIs rated 'CC' are currently highly vulnerable. CC is highly speculative and is likely in, or very near, default, with some prospect of recovery of principal and interest.
C Single C	Near to Default. A 'C' rating is assigned to MFIs that are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest.
D	Default. MFIs rated 'D' are in default. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

NOTE: CRAB APPENDS NUMERICAL MODIFIERS 1, 2, AND 3 TO EACH GENERIC RATING CLASSIFICATION FROM AA THROUGH CCC. THE MODIFIER 1 INDICATES THAT THE OBLIGATION RANKS IN THE HIGHER END OF ITS GENERIC RATING CATEGORY; THE MODIFIER 2 INDICATES A MID-RANGE RANKING; AND THE MODIFIER 3 INDICATES A RANKING IN THE LOWER END OF THAT GENERIC RATING CATEGORY.

SHORT-TERM CREDIT RATING: MICRO FINANCE INSTITUTIONS (MFIs)

RATING	DEFINITION
ST-1 Highest Grade	MFIs rated in this category are considered to have the highest capacity for timely repayment of obligations. MFIs rated in this category are characterized with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds.
ST-2 High Grade	MFIs rated in this category are considered to have strong capacity for timely repayment. MFIs rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds.
ST-3 Average Grade	MFIs rated in this category are considered to average capacity for timely repayment of obligations, although such capacity may impair by adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterized with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds.
ST-4 Below Average Grade	MFIs rated in this category are considered to have below average capacity for timely repayment of obligations. Such capacity is highly susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories. MFIs rated in this category are characterized with average liquidity, internal fund generation, and access to alternative sources of funds.
ST-5 Inadequate Grade	MFIs rated in this category are considered to have inadequate capacity for timely repayment of obligations susceptible to adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds.
ST-6 Lowest Grade	MFIs rated in this category are considered to have obligations which have a high risk of default or which are currently in default. MFIs rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

The rating committee of CRAB is the final authority to award a rating. The rating committee of CRAB is comprised of external independent persons who are not members of the board of the company and they ensure the independence of rating.

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