

**CREDIT RATING REPORT**  
**On**  
**ALLIANCE FINANCE PLC**

**REPORT: RR/81272/24**

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 2022. CRISL long-term rating is valid for only one year and short term rating for six months from the date of rating. After the above periods, these ratings will not carry any validity unless the financial institution goes for rating surveillance. **CRISL followed Bank/FI Rating Methodology published in CRISL website [www.crislbd.com](http://www.crislbd.com)**

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**Entity Rating**  
Long Term: AA-  
Short Term: ST-2

**Outlook:** Stable

**ALLIANCE FINANCE  
PLC**

**DATE OF  
INCORPORATION**  
September 27, 2003

**CHAIRMAN**  
Syed Ali Jowher Rizvi

**CHIEF EXECUTIVE  
OFFICER**  
Kanti Kumar Saha

**PAID UP CAPITAL**  
TK.1,050.00 million

**EQUITY**  
TK.1,249.36 million

**TOTAL ASSETS**  
TK.5,153.19 million

Date of Rating: August 15, 2024	Valid up to: August 14, 2025	
	Long Term	Short Term
Entity Rating	AA-	ST-2
Outlook	Stable	

**1.0 RATING RATIONALE**

CRISL has reaffirmed the Long Term rating to 'AA-' (pronounced as double A minus) and the Short Term rating to 'ST-2' of Alliance Finance PLC (AFPLC) based on both relevant qualitative and quantitative information up-to the date of rating. The above ratings have been assigned based on some fundamentals such as good capital base, good asset quality, renowned local sponsors, proven track record of the joint venture partner etc. However, the above factors are constrained to some extent by declining trend in financial performance, high efficiency ratio, limited core business and credit portfolio, exposure to credit and deposit concentration risk, exposure to capital market risk etc.

The Long Term rating implies that entities rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. The Short Term rating indicates the high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

CRISL also views the company with "Stable Outlook" for its steady business growth and consistent fundamentals.

**2.0 CORPORATE PROFILE**

**2.1 Genesis**

Alliance Finance PLC, a Joint Venture Non-Banking Financial Institution (NBFI), has been operating in Bangladesh since 2017. The company was initially incorporated with the name of Alliance Leasing & Finance Company Limited on September 27, 2003 as a Public Limited Company under the Company Act, 1994. The company has been operating its business activities from the year 2017. Subsequently, the company has formed a Joint Venture in June 2017 with a renowned and largest Sri Lankan non-banking financial institution namely People's Leasing & Finance PLC and changed its name as Lankan Alliance Finance Limited in December, 2017. Recently, the name of the company has been changed from Lankan Alliance Finance Limited to Alliance Finance PLC in April 11, 2023.

People's Leasing & Finance PLC (PLF), a subsidiary of Government owned People's Bank, is a publicly quoted listed company with Colombo Stock Exchange. PLF is providing value added financial services to Sri Lankans over the last twenty-six years. Total assets of PLF (Solo basis) stood at Rs.159.85 billion (un-audited) and total credit portfolio stood at Rs.103.65 billion as on March 31, 2024. The net interest income of the company decreased to Rs.11.65 billion from Rs.11.99-billion. Accordingly, net profit after tax of PLF increased to Rs.3.54 billion in 2024 from Rs.3.01 billion in 2023. PLF rated as 'A-' credit rating by Fitch Ratings Lanka.

AFPLC was initially formed with a paid-up capital of Tk.10.00 million against an authorized capital of TK.1,000.00 million. Subsequently, the paid up capital of the company increased to Tk.1,000 million on December 31, 2017 and remained the same till December 31, 2022. In the year of 2023, the company has been increased the paid-up capital to Tk.1,050.00 million and authorized capital to Tk.2,000.00 million. Total asset size of AFPLC increased to Tk.5,153.19 million as on December 31, 2023 compared to Tk.4,219.34 million of previous year.



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The company has a branch at Banani and has a plan to set up a branch and booth in the upcoming year. AFPLC is currently operating its business activities from its head-office located at Laila Tower (Level-10), 8 South Gulshan Avenue, Gulshan-1, Dhaka 1212.

### 2.2 Ownership Pattern

The ownership pattern of AFPLC has been changed during the period under surveillance. The company has total 105.00 million ordinary shares of Tk.10.00 each million on as on December 31, 2023. In the ownership structure, 51% shares are held by foreign institution namely People's Leasing & Finance PLC, SriLanka and remaining 49% are held by local Sponsors. Local-sponsors include Summit Holding Limited (10%), Green Delta Insurance Company Limited (10%), Syed Ali Jowher Rizvi (10%), Sohana Rouf Chowdhury (10%), Concept Knitting Limited (4%), Dr. Fahmida Akter Khatun (3%) and Lutfe Mawla Ayub (2%).

### 2.3 Business Profile

The company has diversified portfolio and it is focusing with existing portfolio rather than aggressive marketing strategy to enhance its portfolio. The portfolio exposure of AFPLC is segregated on corporate business houses and consumer finances. AFPLC has achieved this portfolio by planned investment in diversified sectors such as large manufacturing companies (in the form of lease finance, term finance, project finance, bridge finance, and syndication finance), consumer finance (in the form of auto/car loan, personal loan, loan against deposit and SME (in the form of SME term loan, woman entrepreneur loan, agricultural finance, cluster financing, medium business) through introducing the above lending products. In addition to existing financing facilities, the company is trying to explore SME finance. During the surveillance period, the company enhanced its investment in SME sector to Tk.1,213.05 million (29.96% of total portfolio) in 2023 from Tk.1,072.48 million (34.12% of total portfolio) in 2022. To minimize the risk AFPLC is more focus on fee based income (around 40%) rather than interest income alone.

The company is also offering liability products such as Regular Term Deposit, Monthly Earning Deposit, Special Deposit Scheme, Profit First Deposit, Double, Double Money, Triple Money, Super DPS, Education Saving Scheme, Millionaire with/without Initial Deposit.


In addition, by launching Structured Finance Department, AFPLC has already arranged syndicated financing facilities and plans to facilitate issuance of bonds and preference shares, foreign currency financing as well as specialized financing. AFPLC has already initiated a number of projects under this department. In 2021, AFPLC has also become a Participating Financial Institution (PFI) of the Investment Promotion and Financing Facility II (IPFF II) Project which is a joint collaboration between the Government of Bangladesh and the World Bank to finance the private sector led infrastructure projects with lower cost of financing and longer repayment tenor compared to the existing debt market in Bangladesh. AFPLC is currently arranging three syndicated facilities under IPFF II (the company has already disbursed Tk.375.00 million to Fiber@home) to arrange financing for two digital infrastructure projects and on power generation project.

## 3.0 CORPORATE GOVERNANCE

CRISL examines and evaluates the following areas under corporate governance practice.

### 3.1 Board of Directors

The Board of Directors of AFPLC consisted of 12 members. The members of the Board carries local and international exposure and hold excellent knowledge in the area of Bank, NBF, Insurance, Textile and Garments, Food and allied business as well as have high exposure in the field of Accounting profession. The current Chairman of the Board is Mr. Syed Ali Jowher Rizvi, who has more than 48 years of experience in banking and finance sector. Mr. Rizvi started his professional career with Bank of Credit and Commerce International (BCCI) in 1977. He also served Union Bank Zambia Ltd., Zambia as its founder Managing Director from 1991 to 1997. Within a short span of 7 years, Mr. Rizvi took the new bank to the 2nd leading position (amongst local private banks) in the competitive Zambian banking sector and accordingly he was awarded as prestigious Banker of the Year.

  
**Md. Asaduzzaman Khan**  
Chief Executive Officer  
Credit Rating Information and Services Limited

Renowned local Sponsors

Limited core business  
and credit portfolio



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Mr. Jowher Rizvi completed his MBA degree in International Finance and Accounting from Indiana University, USA. He also earned an MA in Economics with Honors from Dhaka University. He was also engaged with Institute of Business Administration (IBA) as a part time (Honorary) Lecturer.

The Board of Directors are collectively responsible for governance which includes setting out the Company's strategic goals, providing the necessary leadership to implement such goals, supervising the management of the business and reporting to shareholders on their stewardship. The Board deals with establishing overall policies and procedures and approves/reviews financial facilities. The Board conducted 04 meetings in YE2023 against 08 meetings in YE2022.

### 3.2 Key Board Committees

In order to discharge functions more effectively, the Board constituted two sub committees namely Executive Committee (EC) and Audit Committee (AC). The Board formed five members EC Chaired by Mr. Lutfe Mawla Ayub. The Committee conducted 5 meetings during 2023 against 7 meetings during 2022. EC approves the credit and business proposals of up to Tk.200.00 million as per approved policy of the Board as well as reviews the policies and guidelines issued by Bangladesh Bank. EC also assists the Board in formulating the executive policy and reviewing, evaluating and making recommendations about key strategic issues as well.

The Board also formed five members Audit Committee. The AC conducted 03 meeting (as approved by Bangladesh Bank) during 2023. AC reviews any matter relating to the financial affairs of the company, all audit and inspection reports including external audit reports and Bangladesh Bank inspection reports, internal control systems and procedures as well as draft annual financial report reviews by the external auditor. AC also examines the status of implementation of the company's internal policies and manuals, Bangladesh Security and Exchange Commission (BSEC) regulations and Bangladesh Bank's guidelines etc.

### 3.3 Corporate Management

The management team of AFPLC is headed by Mr. Kanti Kumar Saha who has joined as Chief Executive Officer (CEO). Mr. Kumar has completed Bachelor's and Master's degree in Economics from University of Dhaka. He also holds a Postgraduate Management Degree from Nottingham Trent University, U.K. His work in Corporate & Institutional Banking, Public Sector and Offshore Banking and above all his capabilities in corporate customer solution building has earned him many laurels. He also attended major developmental assignments in India and Thailand during his mid-career. Mr. Kumar attended several advanced training courses, workshops and seminars in Risk Management, Leadership, Relationship Management and International Trade at home and abroad. He is also a Certified Trade Expert by Standard Chartered Bank and a Risk Officer assigned by Citibank N. A. Before joining Alliance Finance PLC, he represented the Board as a Managing Director and CEO of NDB Capital Limited, an investment banking arm of National Development Bank PLC of Sri Lanka. Mr. Kumar worked as Director & Head of Global Corporate Banking in Citibank N. A. Bangladesh for a considerable time and also served as Deputy Managing Director and Chief Business Officer of Prime Bank Limited previously. The activities of the company are being operated under different departments namely, HR, Finance & Accounts, Treasury, Deposit Mobilization, CRM, Business, IT & ICC. The management of AFPLC has formed different committees in order to run the day to day operations smoothly as Core Management Committee, Assets Liability Committee (ALCO), Management Credit Committee, Procurement Committee, ICT Steering Committee, ICT Security Committee, Provident Fund Committee, Anti-Money Laundering, Sustainable Finance Unit, and Risk Management Committee.

### 3.4 Human Resources Management

LAFPLC has been operating with a total HR base of 50 as on December 31, 2023. During the year under surveillance, the company recruited 11 employees mostly at senior level and 12 employees left from the company, mostly junior level. Mr. Kanti Kumar Saha has joined as a CEO in August 2020. The company has already implemented Board approved Service Rules for the employees to create congenial working environment. It has incorporated provident



Experienced  
management team



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fund, gratuity, festival bonus and Group insurance for the employees. Human Resources activities are supervised by the Human Resource Unit. To improve the human resources quality, LAFL sends its employees to attend the different training and workshops arranged by Bangladesh Bank and BLFCA. During 2023, the company has arranged training to the officers at different training institutes for 54 participants on different topics to improve the efficiency of the human resources of the company.

### 3.5 IT and its use to MIS

The use of information technology including MIS of the company is at the deployment stage. The necessary IT support is being provided by both the IT team of PLC (Sri Lanka) and IT team of AFPLC. Presently, AFPLC's IT infrastructure includes necessary hardware and software such as PCs, Laptops, UPS for backup power, Core Banking Solution EFS, Tally, Office 365 software, CIB software, e-KYC, EDS Money, EC Portal etc. Currently Core Banking Solution EFS is running and currently goes full-fledged operation. Currently the company is using 2 Dell 740 servers for CBS test implementation using Microsoft Hyper-V technology, cisco switches as a distribution switch for user workstation and a Mikrotik router as a gateway for Internet. Moreover, the company has implemented Fortinate Firewall, Cisco Router and Dell Server, Active directory, File Server, Print Server. AFPLC has Board approved ICT policy in 2019. The management of the company is on the process of setting up a disaster recovery site after going live of core banking software as part of Business Continuity Plan (BCP). Currently the company is planning to take schedule database backup from one server to another server. Moreover, the company has established the ICT Steering Committee and ICT Security Committee.

Moreover, AFPLC, under a strategic alliance with CASHe, is planning to introduce an app-based lending platform which will be able to instantly underwrite and disburse short-term personal loans mostly to people who may not have had a formal credit history or Bank Account or is in need of emergency financial needs, through a digital app. In addition, the company is getting apps for transaction of RTGS within only inter FIs and banks as per guideline of BB.

### 4.0 INDUSTRY ANALYSIS: NON BANK FINANCIAL INSTITUTIONS (NBFIs)

#### 4.1 Economy Projection

The overall banking and non banking sector showed a mixed performance in Q2FY23, as evidenced by a reduction of the ratio of non-performing loans (NPLs) to total loans, a declining trend in the growth of both bank advances and deposits, a deterioration in maintaining provision, and a deceleration of excess liquidity in the banking system. The banking Industry in Bangladesh is still passing through a critical time to control increased and hidden NPL and manage capital adequacy.

Tough Bangladesh has successfully managed COVID 19 situation due to high rate of massive vaccination and imposition of lockdown along with other regulatory policy measures (monetary & fiscal), the rising food & non-food inflation in both local and global economy, supply chain disruption centering ongoing war between Russia & Ukraine, rising interest rates by major central banks around the globe, and recent financial sector turmoil market amid posed a fresh threat to both local and international economy.

Despite many hurdles and shortcomings Bangladesh's gross domestic product (GDP) grew 7.1 per cent in FY 2022 against 6.94 per cent in the fiscal year 2021. However, the multilateral lender IMF in its latest report of World Economic Outlook April 2023 has kept its projection of Bangladesh economy growth unchanged in line with its earlier projection in January 2023 and forecasted that GDP growth rate of Bangladesh may stand at 5.5% in FY2023 against the Government target of 6.5%. However, another international development bank -World Bank (WB) in its recent released report of Global Economic Prospects January 2023 projected that In Bangladesh, growth is expected to slow to 5.2 percent in FY2022/23 due to rising inflation and its negative impact on household incomes and firms' input costs, as well as energy shortages, import restrictions, and monetary policy tightening.

IT infrastructure at developing stage



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Another multilateral development bank ADB in its latest report of Asian Development Outlook April 2023 forecasted that Bangladesh's gross domestic product (GDP) is expected to grow by 5.3% in fiscal year (FY) 2023. ADB's slower growth forecast reflects subdued domestic demand and weaker export expansion due to slow global growth following the Russian invasion of Ukraine and rising Inflation (8.7% in FY2023). The main risk to this growth projection is a greater economic slowdown in Bangladesh's major export destinations driven by global uncertainty over the prolonged political tensions.

### 4.2 Sector at June 30, 2022

A total of 35 (thirty-five) NBFIs are operating in Bangladesh. Out of the total, 3 (three) are fully government owned, 19 are private domestic and 13 are joint venture and the total branch network stood at 271as on June 30, 2022. The minimum paid up capital of NBFIs stood at Tk.1000.00 million as per the Financial Institution Regulation, 1994. FIs are regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. Certain provisions of the key acts like Companies Act 1994 and Bangladesh Securities and Exchange Commission Act 1993 have implications for NBFIs. Though, Bangladesh Bank is the regulatory and supervisory authority of both banks and NBFIs; the Ministry of Finance (MoF) of the government exercises notable control over government-owned banks and NBFIs.

The financial health of at least one-third of NBFIs are alarming due to weak governance structure, over borrowings, insider lending, wrong client selection for approving the loan, lack of security coverage against loan amount, lack of documentation, massive fall in earnings and series of scams in the NBFIs sector. Though central bank has taken a number of steps and policy measures to curb the situation, but people's confidence has been eroded to a great extent due to liquidation by one listed leasing company and another near to die.

The overall scenario of the non bank sector in Bangladesh still remained volatile and facing moderate level of turbulence with multiple challenges in area of weak governance, poor asset quality, dwindling profitability, declining interest rate spread, marginal capital adequacy, excess liquidity and poor risk management. All these together contributed for lack of confidence in public mind and caused prolonged liquidity crunch after scam in some scheduled commercials banks and non-bank financial institutions.

### 4.3 Profitability:

Profitability performances of the NBFIs industry are not satisfactory over the last four years, representing negative profitability indicators in Return on Asset (ROA) and Return of Equity (ROE). ROA and ROE of overall industry stood at only (0.44)% and (9.91)% respectively in 2022 against (0.23)% and (2.79)% respectively in 2021. Cost of fund of NBFIs has increased and stood at 7.12% in June,2022 against 6.53% in December,2021.

NBFIs are allowed to invest in capital market up-to 25% of paid-up capital and reserve as per section 16 of Financial Institution Act, 1993. Capital market investment in NBFIs stood at Tk.44.86 billion at the end of June 2022 against Tk22.96billion in the YE2021. The gloomy state of the capital market, which is another source of income for some NBFIs, caused a huge loss which worsened financial performance of the industry. NBFIs are to face challenges to maintain the spread due to weak public confidence on NBFIs industry. Though small number NBFIs may hold a short tenor deposit book, the maturing deposits would be re-priced at lower rates while to re-price the loan book would take long a period than for deposit.

### 4.4 Asset Quality:

The asset base of the industry has increased by 8.55% in 2022, Tk.973.24 billion compared to Tk.896.56 billion in 2021. The composition of investment of NBFIs are in different sectors of the economy like industrial sector (45.73%), real estate (19.07%), trade and commerce (14.75%), merchant banking (6.56%), agriculture (2.53%), consumer finance (3.66%), service (6.93) and others (0.77%) as on June 30, 2022. The volume of classified loan has increased significantly to Tk.159.38 billion in June 2022 against Tk.103.28 billion in the corresponding year. Non-Performing Loan (NPL) of NBFIs is significant which stood at 22.99%, 15.39% and 13.29% respectively in June 2022, 2021 and 2020. The volume of defaulted loans in the country's NBFIs sector has been swelling amid a series of scams and irregularities. In this backdrop, BB asked the NBFIs to improve their financial health and start recovering their classified loans.



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NBFIs are followed guidelines on five core risk areas, namely, credit risk management, internal control and compliance, asset-liability management, prevention of money laundering and terrorist financing, and information and communication technology (ICT) security have been issued for NBFIs. Besides these, with a view to addressing and managing all the risks in a more prudent and organized way the 'Integrated Risk Management Guidelines for Financial Institutions' have also been issued to adopt improved policies and procedures in line with internationally best practices for their risk management framework.

#### 4.5 Capital Adequacy:

BB has already implemented the Basel-II framework from January 01, 2012, for FIs in keeping with the global standard. Under the above directives, all the FIs are required to maintain 10% of the Risk Weighted Assets (RWA) or Tk. 1.00 billion whichever is higher. Capital Adequacy Ratio (CAR) of NBFIs stood at 10% with 5% from core capital. Basel-III has not been introduced yet in this sector considering the capacity constraint of NBFIs to implement the principles of the accord.

At the end of June 2021, out of 35 FIs, the composite CAMELS rating of 13 were "2 or Satisfactory", 8 were "3 or Fair", 8 were "4 or Marginal" and 3 were "5 or Unsatisfactory". One is under process and the rest 2 are exempted from the rating process considering special circumstances. Additionally, NBFIs play a significant role in the development of bond market through issuing of different types of bonds. Up-to June 2021 ten instrument of Tk. 20.50 have been floated in the market from June 2019.

#### 4.6 Liquidity:

Total deposits of NBFIs stood at Tk.478.08 billion in 2022 against Tk.444.20 billion in 2021 while industry's total loan/lease stood at Tk.693.32 billion in 2022 against Tk.671.20 billion in 2021. At present, term liabilities are subject to a statutory liquidity requirement (SLR) of 5.0% inclusive of average 2.5% (at least 2.0% in each day) cash reserve ratio (CRR) on bi-weekly basis. The SLR for the NBFIs operating without taking term deposit is 2.5%.

Deposit as percentage of total liability has gradually decreased in the industry which stood at 51.41%, 53.91% and 55.55% respectively as on June 30, 2022, 2021 and 2020. Decreasing trend of deposit base ultimately indicates the question of sustainability of the industry and increase the cost of fund at higher rate. Currently, the industry is facing to continue deposit withdrawal move due to public confidence through developed by the liquidation of one NBFi and another is in the process to be liquidated which ultimately is intensifying the liquidity crisis. Overall global and local economy will face a great crisis due to Covid-19 pandemic effect, Russia invasion of Ukraine and high inflation. Export, import and remittance flow of Bangladesh economy may face a tough time in the up-coming year. The aforementioned effect ultimately decreases the deposit base as a whole industry and default loan may increase across multiple zones due to the hampering the business growth.

### 5.0 RISK MANAGEMENT

Risk management is one of the core operational pillars of financial institutions. The primary objective of risk management is to take calculative risk in order to safeguard its capital and well manage the financing business. In order to go for more risk sensitive financing, Bangladesh Bank has formulated Core Risk Management Guidelines on the basis of best practices in the industry and advised FIs to comply with the above. The risk management modules circulated by the BB cover core risk areas i.e. Credit Risks, Asset and Liability/Balance Sheet Risks, Internal Control and Compliance Risks, IT Security Risk and Money Laundering and Terrorist Financing Risks. The risk related observations of CRISL are narrated below:

#### 5.1 Credit Risk Management

Credit Risk Management as one of the core risk is designed and regularly updated to identify, measure, manage and mitigate credit risk to maintain and improve the quality of loan portfolio, reduce actual loan losses and to ensure that approved processes are followed



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through appropriate due diligence in appraising and subsequent approving of new credit facilities. Internal Credit Risk Rating System (ICRRS), Credit Risk Grading (CRG) are important tool for credit risk management. The aggregate score of CRG can provide a better assessment of the quality of credit portfolios of AFPLC. Another tool of minimizing credit risk is to obtain and review credit rating of a company before extending credit facilities. The Risk Management Committee is responsible to review the credit rating of the borrower annually.

While reviewing the risk weight wise distribution of on balance sheet exposure under credit risk, it was revealed that 1.63% of the exposures fall under 0% risk category, 76.59% under 20% risk, 21.66% under 50% risk, 0.12% under 100% risk. It is a positive sign that the company has invested in maximum rated clients and total on balance sheet exposure stood at Tk.3,089.80 million as on December 31, 2023.

### 5.1.1 Credit Approval Process

AFPLC has formulated a credit policy manual to describe the policy and procedures for the handling of credit related operation. Relationship Manager (RM) acts as an initiator to contact borrowers at the primary stage and proactively analyze the financial performance and transaction behavior of the borrowers (at this stage proposal can be rejected). After receiving the business proposal, RM places the application to Credit Risk Management (CRM) Department for identification and assessment the risk. Credit Risk officer visits the client physically and check all data and verify the credit worthiness of the client to make an initial decision whether the proposal can be forwarded or not. After getting a recommendation from CRM, the file is forwarded to the Credit Risk Management Committee for their recommendation which is then subsequently forwarded to Management Credit Committee (MCC)/Executive Committee (EC) and Board of Directors based on delegation limit for approval. EC can approve up to Tk.200.00 million but the Board has supreme authority to approve any amount.

### 5.2 Operational Risk Management

#### 5.2.1 Internal Control and Compliance

AFPLC has formulated internal control manual, policies and guidelines in order to establish a clear line of responsibility between each division and sub-division according to the Bangladesh Bank core risk management guidelines. As a part of core risk management, total operation of internal Control and Compliance has been segregated into three departments namely- Compliance, Monitoring and Audit & Inspection. The compliance division ensures that AFPLC has complied with all regulatory requirements, maintained a liaison with the regulatory bodies and notified any regulatory changes to all concerned in the company. Monitoring Department ensures loan documentation checklist and Quarterly Operation Report (QOR). Internal control and compliance division undertakes periodical and special audit of all departments at Head office for the deficiencies in operations, weakness in the control system and report to the authority to review the operation and compliance requirements. In view of the above, AFPLC has already established separate Internal Control & Compliance Unit.

#### 5.2.2 Prevention of Money Laundering

AFPLC has been following Anti-Money laundering guidelines which are approved by the Board "Prevention of Money Laundering & Terrorist Financing" under the care of Chief Compliance Officer who independently reviewed the transactions. The company has formed a Six members Central Compliance Unit (CCU) headed by Mr. Mostofa Meer Khaled Omar, EVP & Head of CRM, as a Chief Anti-Money Laundering Compliance Officer (CAMLCO). CAMLCO regularly submits the status report to CEO and Department of Off-Site Supervision of Bangladesh Bank on the basis of abnormal transactions made, Suspicious Transaction Report (STR), Cash Transaction Report, Know Your Client (KYC) procedures etc. Moreover, AFPLC has an effective Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) policy. CCU conducts its meeting by monthly basis to ensure AML & CFT practice in AFPLC.

There was no Suspicious Transaction Report (STR) during the year 2023. To implement the present Anti Money Laundering policy, employees are being trained by the relevant department of Bangladesh Bank.



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### 5.3 Asset Liability Management

AFPLC has an Asset Liability Manual (ALM), which was developed in line with Bangladesh Bank best practice guideline. ALM is a strategic management tool to manage interest rate risk and liquidity risk faced by NBFIs. Asset Liability Management Committee (ALCO) of AFPLC comprises of five members headed by Mr. Kanti Kumar Saha, Chief Executive Officer as Chairman. The ALCO reviewed and resolved issues relating to money market situation, balance sheet gap, analysis of performance result, assets growth, sensitivity analysis, business plan for investment, deposit mobilization etc. During the year 2023, ALCO conducted 12 meetings.

### 5.4 Spread Management

Financial market of Bangladesh has experienced a volatile interest rate during in recent years. Pressure from regulators to reduce the lending rate forced the FIs to rearrange interest rate of financing agreements in many cases, which ultimately squeezed the margin of FIs. Subsequent interest rate adjustment capability of the company plays a vital role in minimizing the interest rate risk. AFPLC has a clause in its all credit agreement for necessary interest rate adjustment in accordance with the market pressure, which provides flexibility to the company to adjust the interest rate. The weighted average lending rate of the company stood at 11.05% and cost of fund stood at 8.66% indicating 2.39% spread as on December 31, 2023. Paid up capital and depositor funds are already invested in existing portfolio and for further investment AFPLC will depend on credit lines like other FIs operating in the market.

## 6.0 PERFORMANCE

### 6.1 Financial Performance

The overall financial performance of AFPLC has been found to be declining trend over the couple of years due to gradually increase in provision and operating expenses as well as decrease in other operating income. CRISL evaluates the financial performance in terms of Return on Average Assets (ROAA), Return on Average Equity (ROAE) and Net Profit Margin (NPM) etc.

The interest income of the company increased to Tk.455.50 million in YE2023 from Tk.346.74 in YE2022 due to increase in loan and advance. AFPLC has to compete in the highly competitive money market. The interest income composed of 90.97% income from term finance and rest 9.03% income from balance with other banks and financial institutions. Against the same, the company paid Tk.280.31 million interest on deposit in YE2023 against Tk.183.91 million in YE2022. Thus the net interest income of the company increased to Tk.175.19 million in YE2023 from Tk.162.83 million of previous year. However, the total operating income decreased to Tk.213.84 million in YE2023 from Tk.219.39 million of previous year due to fall in investment income. Operating income composition revealed that, 81.93% (74.22% in 2022) of total operating income has been generated from net interest income, 9.58% (12.98% in 2022) from investment income in shares and rest 8.49% (12.80% in 2022) from other operating income (structured finance, documents fees, overdue interest, early settlement etc.). On the other hand, the operating expenses increased to TK.127.96 million in YE2023 against TK.115.40 million in YE2022 mainly due to increase in salaries and other administration and maintenance expense. Moreover, provision rose significantly to Tk.26.84 million in YE2023 from Tk.16.13 million in YE2022 which squeezed the profitability. In its consequence, the profit before tax declined sharply to TK.59.04 million in YE2023 from TK.87.87 million in YE2022. Accordingly, net profit after tax decreased to TK.24.40 million in YE2023 from TK.51.82 million in YE2022.

Consequently, all the profitability indicators (such as ROAA, ROAE etc.) declined during the year 2023 due to lower growth in net profit than the growth of equity and assets. ROAA after tax decreased to 0.52% in YE2023 against 1.35% in YE2022. Similarly, ROAE after tax stood at 1.93% in 2023 from 4.07% in 2022. Moreover, net profit margin decreased to 11.41% in YE2023 against 23.62% in YE2022.

Declining in financial performance



## CREDIT RATING REPORT On ALLIANCE FINANCE PLC

CRISL also evaluated un-audited accounts as on June 30, 2024 and revealed that the reported operating income of Tk.118.66 million against operating expenses of Tk.67.29 million and generating net profit after tax of Tk.29.19 million. The net interest income stood at Tk.102.58 million during the same period. Total loans and advances increased to Tk.4,879.99 million as on June 30, 2024 against Tk.4,048.79 million as on December 31, 2023. Lending rate has increased in the banking industry resulting high challenge to maintain spread in the NBFIs industry. Though currently industry face spread challenge but management expects that up-coming performance will improved than existing performance.

Moreover, the company has the capital market exposure. The return on capital market exposure (dividend income) of AFPLC stood at Tk.1.34 million, which seems to be low. Total cost price of the own portfolio of AFPLC stood at TK.55.67 million whereas market value of the same stood at Tk.47.06 million as on December 31, 2023 which reflected unrealized loss of Tk.8.61 million as most of the shares' market value was lower than cost price. Moreover, total cost price stood at TK.44.26 million whereas market value of the same stood at Tk.35.32 million as on August 15, 2024 which reflected unrealized loss of Tk.8.94 million. If the capital market improve, management has planned to take the capital gain rather more investment.

### 6.2 Operating Efficiency

The overall operating efficiency of AFPLC has still been found moderate. CRISL measures operating efficiency in terms of efficiency ratio (cost to income ratio), time interest earned ratio, yield per Tk staff cost etc. The efficiency ratio of the company has been found to be significantly higher with increasing trend over the years and stood at 59.84% in YE2023 from 52.60% in YE2022 due to the growth of operating income was lower than the operating expenses. The time interest earned ratio stood at 0.31 times in 2023 which was 0.57 times in 2022. Yield per taka staff cost (YPTSC) of AFPLC decreased to Tk.0.87 in YE2023 from Tk.1.43 in YE2022. As AFPLC opened a branch and maintain a fixed cost expenses resulting to lower efficiency ratio and YPTSC. The management of AFPLC has planned to open a booth at Uttara region to increase the deposit base.

### 7.0 ASSET QUALITY

Asset quality of the company has been found to be good as there are no rescheduling assets. As per audited financial statements, the SMA amount increased to Tk.39.53 million from Tk.17.14 million and non-performing increased to Tk.16.32 million from Tk.7.50 million, which are the very nominal amount in consideration of total investment during the surveillance period.

The total assets of AFPLC increased to Tk.5,153.19 million as on December 31, 2023 against Tk.4,219.34 million as on December 31, 2022 indicating 22.13% growth. The above asset base was financed by 55.29% deposit, 24.24% equity capital, 15.49% borrowing from other banks and FI's while rest 4.98% by outside liabilities as on December 31, 2023. Total assets have been composed of 78.57% lease, loan & advances, 3.89% investment in shares, 8.67% balance with other bank and FIs, 1.04% fixed assets, 1.03% other assets and rest 6.80% cash & cash equivalent and money at call & short notice.

The overall investment portfolio of the company is small compared to the peers. The loan portfolio (Tk.4,048.79 million in YE2023) of AFPLC reveals that SME industry holds the largest portion (Tk.1,213.05 million, 29.96% of total portfolio); followed by garments and knitwear, trade & commerce (Tk.551.42 million, 13.62% of total portfolio), telecommunication & information technology (Tk.413.35 million, 10.21% of total portfolio); pharmaceuticals & chemicals (Tk.410.23 million, 10.13% of total portfolio); iron, steel & engineering (Tk.351.20 million, 8.67% of total portfolio); housing (Tk.197.68 million, 4.88% of total portfolio); plastic industry (Tk.150.18 million, 3.71% of total portfolio); power, gas, water & sanitary service (Tk.103.66 million, 2.56% of total portfolio); paper, printing and packaging industry (Tk.53.30 million, 1.32% of total portfolio); food products and processing industry (Tk.13.25 million, 0.33% of total portfolio); and others (Tk.56.90 million, 1.41% of total portfolio) Again, the product wise composition of portfolio revealed that 63.35% investment are in corporate (Tk.2,564.74 million), 29.04% are in SME (Tk.1,175.93 million), 6.08% are in retail (Tk.246.06 million) and rest 1.53% are in others (Tk.62.06 million). As on December 31,

Good asset quality



## CREDIT RATING REPORT On ALLIANCE FINANCE PLC

2023, seven client accounts are in the large loan category amounting Tk.2,028.43 million (50.09% of total portfolio) and all clients are unclassified.

Top 10 borrowers hold 63% of total portfolio (Tk. 2,541.72 million as company has limited client portfolio) which indicates concentrated to limited borrowers. As at the initial stage and due to selective penetration in the market; AFPLC has no remarkable classified investment, rescheduled loan and infected assets in its portfolio as on December 31, 2023.

Currently the total portfolio is concentrated only in Dhaka zone as there is only one branch at Banani indicating geographic concentration of loan disbursement. During the surveillance period AFPLC disbursed loans to some new corporate clients and MFIs, such as People's Oriented Program Implementation, Aamra Networks Limited, Acorn Infrastructure Services Unit-2 Limited, UDDIPAN, Padakhep Manabik Unnayan Kendra, Resource Integration Centre, Property Development Ltd. etc. Partnering with the leading MFIs, AFPLC have tried to reach out the micro, small, women and SME clients.

### 8.0 CAPITAL ADEQUACY

Good capital base

AFPLC has been operating with good capital base. The equity base of the company decreased to Tk.1,249.36 million as on December 31, 2023 against Tk.1,274.77 million as on December 31, 2022. CRISL also reviews the Risk Based Capital Adequacy Framework of Basel-II reporting as on December 31, 2023 and it was revealed that, the Risk Weighted Assets stood at Tk.2,949.70 million of which 77.07% was emanated from credit risk, 13.02% from market risk and rest 9.91% from operational risk. Against the same, the eligible capital stood at Tk.1,294.26 million based on which Risk weighted Capital Adequacy Ratio stood at 43.88% as on December 31, 2023 against 43.24% as on December 31, 2022. Moreover, Risk weighted Capital Adequacy Ratio stood at 34.94% as on June 30, 2024. Shareholder's equity to total assets of the company decreased to 24.24% in YE2023 from 30.21% in YE2022. Internal capital generation ratio of AFPLC decreased to 0.52% in YE2023 against 1.35% in YE2022. Moreover, the total gearing ratio of the company increased to 3.12 times in YE2023 against 2.31 times in YE2022.

#### Stress Testing Analysis

AFPLC is maintaining sound capital according to the Basel III capital requirement. The following table shows the sensitivity of risk factors on CAR (based on the actual CAR of 43.88%) as on December 31, 2023.

Indicators	Magnitude of Sensitivity (Minor to Major Level %)
Interest rate risk	43.98 ~ 43.91
Increase in NPL	42.70 ~ 36.49
Downward Shifts in Loans	43.91 ~ 43.59
Fall in the Value of Eligible Securities	44.01 ~ 44.01
Increase of NPLs in the Other sector & in the Garments and Knitwear sector	42.23 ~ 38.19
Increase in NPLs due to Top 10 Borrowers	26.26 ~ (51.34)
Equity Price Risk	43.68 ~ 42.09
<b>CAR After Shock (combined) %</b>	<b>19.61 ~ 387.73</b>

AFPLC is maintaining sound capital according to the Basel III capital requirement. From the above analysis it has been revealed that the CAR of the company is significantly sensitive to the top 10 borrowers due to the concentrated portfolio.

### 9.0 FUNDING AND LIQUIDITY

#### 9.1 Fund Management

AFPLC has been operating with both deposit and equity concentrated funding base. The overall funding composition of AFPLC as on December 31, 2023 includes total deposit of Tk.2,849.16 million (55.29% of total funding), shareholder's equity of Tk.1,249.36 million (24.24% of total funding), borrowing from other bank and FIs of Tk.798.35 million (15.49%



## CREDIT RATING REPORT On ALLIANCE FINANCE PLC

of total funding) and other liabilities (provision, payable etc.) of Tk.256.32 million (4.98% of total funding). The deposit was mainly composed of term deposit (99.58%) and insignificant portion were other deposits.

The shareholder's equity was contribution of paid-up capital of 84.04%, share premium of 9.78%, statutory reserve of 4.14% and remaining 2.04% was retained earnings in YE2023. The overall deposit base is in increasing trend for last three years (due to increase in other institutions deposit) resulting less dependency on borrowings from other banks and FIs and increase in credit portfolio. Top 20 depositors held 65.62 % of total deposits as on December 31, 2023 indicating concentration risk.

AFPLC has credit line with 2 banks namely Commercial Bank of Ceylon and NCC Bank PLC. The outstanding balance stood at Tk.156.11 million as on December 31, 2023 for investment in the corporate sector, auto loan and home loan.

### 9.2 Liquidity Management

As per audited financial statements, the liquidity position of the company has been found to be average in spite of negative operating cash flows. The negative operating cash flow increased to Tk.430.93 million in YE2023 from Tk.140.59 million in YE2022 due to increase in interest paid, increase in distribution of loans & advance and decrease in term and other deposit etc. While analyzing the assets liability maturity bucket as on December 31, 2023, it has been observed that liquidity bucket of (1-3) months have been showing a negative balance of Tk.494.64 million and (3-12) months have been showing a positive balance of Tk.511.39 million. On the other hand, it has been observed that the company has overall net liquidity surplus of Tk.1,249.36 million. During the period, the company paid off cash dividend of Tk.50.00 million. The required Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been kept at satisfactory level. The company has surplus CRR and SLR of Tk.1.78 million and Tk.455.03 million respectively in YE2023. Again, liquid assets to total assets of AFPLC stood at 60.10% in YE2022 against 58.04% in YE2022. Investment portfolio to deposit ratio stood at 1.42 times in YE2023 against 1.25 times in YE2022.

Average liquidity

  
**Md. Asaduzzaman Khan**  
Chief Executive Officer  
Credit Rating Information and Services Limited



**CREDIT RATING REPORT**  
**On**  
**ALLIANCE FINANCE PLC**

**10.0 OBSERVATION SUMMARY**

<p><b>Rating Comforts:</b></p> <ul style="list-style-type: none"> <li>• Good capital base</li> <li>• Good asset quality</li> <li>• Renowned local Sponsors</li> <li>• Proven track record of the joint venture partner</li> <li>• Experienced management team</li> </ul>	<p><b>Rating Concern:</b></p> <ul style="list-style-type: none"> <li>• Declining trend in financial performance</li> <li>• High efficiency ratio</li> <li>• Limited core business and credit portfolio</li> <li>• Exposed to credit and deposit concentration risk</li> <li>• Exposed to capital market risk</li> <li>• Limited branch network</li> </ul>
<p><b>Business Prospects:</b></p> <ul style="list-style-type: none"> <li>• Scope to explore fee based products</li> <li>• Scope of exploring cheaper cost funding sources</li> <li>• Good rated FIs carry easy access in case of fund requirement from commercial Banks</li> </ul>	<p><b>Business Challenges:</b></p> <ul style="list-style-type: none"> <li>• Higher lending rate in the banking industry</li> <li>• Low recovery performance and spread</li> <li>• Increased competition in the market</li> <li>• Russia Ukraine war threatening the global macroeconomic indicators</li> <li>• Maintain a stable &amp; quality loan growth</li> <li>• Commercial banks portfolio expansion to lease financing</li> </ul>

**END OF THE REPORT**

*(Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement)*

*[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]*

**Md. Asaduzzaman Khan**  
**Chief Executive Officer**  
**Credit Rating Information and Services Limited**



## CREDIT RATING REPORT On ALLIANCE FINANCE PLC

### 11. CORPORATE INFORMATION:

**Date of Incorporation** : September 27, 2003  
**Date of Commencement of Operation** : December 03, 2017

#### Board of Directors:

Mr. Syed Ali Jowher Rizvi	Chairman
Mr. Udeni Samarathne	Director
Mr. Michael Pradeep Amirthanayagam	Director
Mr. Isuru Balapatabendi	Director
Ms. Farzana Chowdhury Acil	Director
Ms. Sohana Rouf Chowdhury	Director
Mr. Manjula Wellalage	Director
Ms. Azeeza Aziz Khan	Director
Ms. Fahima Akhter	Director
Mr. Lutfe M. Ayub	Director
Mr. Mohamed Azzam Ali Ahamat	Director
Mr. Udesh Gunawardena	Director

#### Auditor:

A.QASEM & Co.  
Chartered Accountants

#### Management:

Kanti Kumar Saha	Chief Executive Officer
Mohammad Ali Ashraf	Acting Chief Financial Officer
Shahanur Rashid	Head of Business
Md. Mushfiqur Rahman	Head of CRM
Mohammad Shahidul Islam Mazumder	Head of ICT
Iqbal Ahmed	Head of ICC
Md. Suruzzaman	Head of CAD
Md. Sayful Islam	Head of SME
Ali Tasben Haque Riyad	Unit Head of Corporate Finance
Abu Shofian	Head of Deposit Mobilization

#### Capital History:

Year	Authorized Capital (Million Taka)	Issued, Subscribed and Paid-up Capital (Million Taka)	Source of Capital
2016	1,000.00	10.00	Paid-up Capital
2017	1,000.00	1,000.00	Paid-up Capital
2018	1,000.00	1,000.00	Paid-up Capital
2019	1,000.00	1,000.00	Paid-up Capital
2020	1,000.00	1,000.00	Paid-up Capital
2021	1,000.00	1,000.00	Paid-up Capital
2022	1,000.00	1,000.00	Paid-up Capital
2023	2,000.00	1,050.00	Bonus Share



## CREDIT RATING REPORT On ALLIANCE FINANCE PLC

### 12. FINANCIAL INFORMATION

#### Balance Sheet (As on December 31)

Particulars:	2023	2022	YE2021
<b>Cash:</b>	<b>50.27</b>	<b>32.58</b>	<b>30.88</b>
Cash in hand	0.02	0.01	0.03
Balance with Bangladesh Bank	50.25	32.57	30.85
<b>Balance with other Banks and Financial Institutions:</b>	<b>446.86</b>	<b>323.10</b>	<b>567.10</b>
Inside Bangladesh	446.86	323.10	567.10
<b>Money at Call &amp; Short Notice</b>	<b>300.00</b>	<b>340.00</b>	<b>100.00</b>
<b>Investments in Securities</b>	<b>200.67</b>	<b>250.15</b>	<b>305.79</b>
Government	-	-	-
Others	200.67	250.15	305.79
<b>Lease, Loans and Advances:</b>	<b>4,048.79</b>	<b>3,142.98</b>	<b>2,324.62</b>
IN Bangladesh	4,048.79	3,142.98	2,324.62
Fixed Assets including Premises, Furniture & Fixtures	53.41	58.02	54.19
Other Assets	53.18	72.50	81.72
Non Banking Assets	-	-	-
<b>Total Assets</b>	<b>5,153.19</b>	<b>4,219.34</b>	<b>3,464.30</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other Banks, Financial Institutions and Agents</b>	<b>798.35</b>	<b>204.35</b>	<b>7.75</b>
<b>Deposits and Other Accounts</b>	<b>2,849.16</b>	<b>2,513.72</b>	<b>2,000.44</b>
Other Liabilities	256.32	226.49	183.15
<b>Total Liabilities</b>	<b>3,903.83</b>	<b>2,944.56</b>	<b>2,191.35</b>
<b>Capital/Shareholders' Equity</b>	<b>1,249.36</b>	<b>1,274.77</b>	<b>1,279.04</b>
Paid-up Capital	1,050.00	1,000.00	1,000.00
Share Premium	122.20	172.20	172.20
Statutory Reserve	51.69	46.81	36.44
Retained Earnings	25.47	55.77	64.31
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>5,153.19</b>	<b>4,219.34</b>	<b>3,464.30</b>

#### Income Statement (Year end December 31)

Particulars:	YE2023	YE2022	YE2021
<b>Interest Income</b>	<b>455.50</b>	<b>346.74</b>	<b>252.82</b>
Less: Interest paid on Deposits & Borrowings etc.	280.31	183.91	118.42
<b>Net Interest Income</b>	<b>175.19</b>	<b>162.83</b>	<b>134.41</b>
Income from Investment	20.48	28.48	36.44
Commission, Exchange and Brokerage	-	-	-
Other Operating Income	18.17	28.08	16.74
<b>Total Operating Income</b>	<b>213.84</b>	<b>219.39</b>	<b>187.59</b>
Salaries and Allowances	67.89	61.28	48.60
Rent, Taxes, Insurances, Electricity etc.	7.62	6.70	4.38
Professional Charges	1.65	0.39	0.67
CEO's Salary and Benefits	10.78	12.40	12.90
Postage, Stamps, Telecommunication etc	.75	0.68	0.43
Stationery, Printings, Advertisements etc	1.83	2.64	0.97
Directors' Fees	.53	0.86	0.80
Auditors' Fees	.42	0.39	0.35
Depreciation & Repairs of FI's Assets	19.94	18.44	13.48
Other Operating Expenses	16.54	11.62	6.13
<b>Total Operating Expenses</b>	<b>127.96</b>	<b>115.40</b>	<b>88.69</b>
<b>Profit before Provision</b>	<b>85.88</b>	<b>103.99</b>	<b>98.90</b>
Provision for Loans, Advances & Leases	26.90	10.96	3.85
2% Special Provision	-	-	-
Provision for the diminution in the value of investments	(0.06)	5.17	3.50
<b>Total Provision</b>	<b>26.84</b>	<b>16.13</b>	<b>7.35</b>
<b>Total Profit before Provisions for Taxation</b>	<b>59.04</b>	<b>87.87</b>	<b>91.55</b>
<b>Provision for Income Tax</b>	<b>34.63</b>	<b>36.04</b>	<b>32.99</b>
Current Tax Expenses	31.77	38.33	35.70
Deferred Tax Expenses	2.86	(2.28)	(2.70)
<b>Net Profit after Taxation</b>	<b>24.40</b>	<b>51.82</b>	<b>58.55</b>



## CREDIT RATING REPORT On ALLIANCE FINANCE PLC

### CRISL RATING SCALES AND DEFINITIONS LONG-TERM – BANK AND FINANCIAL INSTITUTIONS

RATING	DEFINITION
<b>AAA Triple A (Highest Safety)</b>	Bank/FIs rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of banks.
<b>AA+, AA, AA- (Double A) (High Safety)</b>	Bank/ FIS rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
<b>A+, A, A- Single A (Adequate Safety)</b>	Bank/FIs rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
<b>BBB+, BBB, BBB- Triple B (Moderate Safety)</b>	Bank/FIs rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a bank is under-performing in some areas. These entities are however, considered to have the capability to overcome the above-mentioned limitations with special care and cautious operation. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
<b>BB+, BB, BB- Double B (Inadequate Safety)</b>	Bank/FIs rated in this category are adjudged to lack of key protection factors, which results in an inadequate safety. This level of rating indicates a bank as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category.
<b>B+, B, B- Single B (Risky)</b>	Bank/FIs rated in this category are adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support.
<b>CCC+, CCC, CCC- Triple C (Vulnerable)</b>	Bank/FIs rated in this category are adjudged to be with vulnerable protection factors. This rating indicates that the degree of certainty regarding timely payment of financial obligations is doubtful unless circumstances are favorable.
<b>CC+, CC, CC- Double C (Highly Vulnerable)</b>	Bank/FIs rated in this category are adjudged to be with high vulnerable position. This rating indicates that the degree of certainty regarding timely payment of financial obligations is quite lower unless overall circumstances are favorable or there is possibility of high degree external support.
<b>C (Near to Default)</b>	Bank/FIs rated in this category are adjudged to be with near to default in timely repayment of financial obligations. This type rating may be used to cover a situation where a insolvency petition has been filed or similar action has been taken, but payments on the obligation are being continued with high degree of external support.
<b>D (Default)</b>	Bank/FIs rated in this category are adjudged to be either currently in default or expected to be in default. This level of rating indicates that the entities are unlikely to meet maturing financial obligations and calls for immediate external support of a high order.

(For long-term ratings, CRISL assigns + (Positive) sign to indicate that the issue is ranked at the upper-end of its generic rating category and - (Minus) sign to indicate that the issue is ranked at the bottom end of its generic rating category. Long-term ratings without any sign denote mid-levels of each group.)

### SHORT-TERM- BANK AND FINANCIAL INSTITUTIONS

<b>ST-1</b>	<b>Highest Grade</b> Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding, Safety is almost like risk free Government short-term obligations.
<b>ST-2</b>	<b>High Grade</b> High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
<b>ST-3</b>	<b>Good Grade</b> Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
<b>ST-4</b>	<b>Satisfactory Grade</b> Satisfactory liquidity and other protection factors qualify issues as to Investment grade. Risk factors are larger and subject to more variation.
<b>ST-5</b>	<b>Non-Investment Grade</b> Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.
<b>ST-6</b>	<b>Default</b> Issuer failed to meet scheduled principal and/or interest payments.