



CREDIT RATING REPORT On ALLIANCE FINANCE PLC

REPORT: RR/95244/25

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

Address:
CRISL
Nakshi Homes
(4th & 5th Floor)
6/1A, Segunbagicha,
Dhaka-1000
Tel: 9530991-4
Fax: 88-02-9530995
Email:
crisldhk@crislbd.com

Rating Contact:
Tanzirul Islam
tanzir@crislbd.com

Analysts:
Md. Anowar Hossain
anowar@crislbd.com

Md. Sujon Mia
sujon@crislbd.com

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.1,155.00 million

EQUITY
TK.1,332.77 million

TOTAL ASSETS
TK.5,654.44 million

| | | |
|--|-------------------------------------|-------------------|
| Date of Rating: August 14, 2025 | Valid up to: August 13, 2026 | |
| | 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 fluctuating trend in financial performance, 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, has been operating in Bangladesh since 2017. The company was initially incorporated as Alliance Leasing & Finance Company Limited on September 27, 2003, as a Public Limited Company under the Companies Act, 1994. In June 2017, the company formed a joint venture with People's Leasing & Finance PLC, the largest Sri Lankan non-banking financial institution, and subsequently changed its name to Lankan Alliance Finance Limited in December 2017. Most recently, the company changed its name to Alliance Finance PLC on April 11, 2023.

People's Leasing & Finance PLC (PLC), a subsidiary of the government-owned People's Bank, is a publicly listed company in the Colombo Stock Exchange. PLC has been providing value-added financial services in Sri Lanka for the past twenty-six years. As of June 30, 2025, PLF's total assets (solo basis) stood at Rs. 194.53 billion (unaudited), and its total credit portfolio was Rs. 157.09 billion. The company's net interest income rose to Rs. 14.07 billion from Rs. 11.65 billion, while net profit after tax increased to Rs. 3.60 billion in 2025 from Rs. 3.54 billion in 2024. PLC holds an 'A' credit rating from Fitch Ratings Lanka.

AFPLC was initially established with a paid-up capital of BDT10.00 million and an authorized capital of BDT1,000.00 million. The paid-up capital increased to BDT1,000 million on December 31, 2017, which remained unchanged till December 31, 2022. In 2023, the company increased its paid-up capital to BDT1,050.00 million and authorized capital to BDT 2,000.00 million. In 2024, the paid-up capital was further increased to BDT 1,155.00 million. As of December 31, 2024, AFPLC's total assets reached BDT 5,654.44 million, up from BDT 5,153.19 million in the previous year.

The company currently operates a branch in Banani and plans to establish few new branch in the coming year. AFPLC conducts its business activities from its head office at Laila Tower, Level 10, 8 South Gulshan Avenue, Gulshan-1, Dhaka 1212.



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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 paid-up capital of AFPLC was increased to BDT 1,155.00 million in 2024, up from BDT 1,050.00 million in the previous year. During the period under surveillance, the shareholdings trustee remained unchanged. The company has total of 115.50 million ordinary shares of BDT 10.00 each as on December 31, 2024. A foreign institution, People's Leasing & Finance PLC, SriLanka, holds 51% share in the ownership structure. The remaining 49% are held by local sponsors. The 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%).

Renowned local Sponsors



Limited core business and credit portfolio

2.3 Business Profile

The company maintains a diversified portfolio and is prioritizing a cautious approach rather than aggressive marketing to drive growth. AFPLC's portfolio is divided among corporate finance, SME and consumer financing. This diversification is achieved through targeted investments in sectors such as large manufacturing loan, lease, term, project, bridge, and syndication financing and consumer financing including auto loans, home loans, and loans against deposits and SME financing, with investments in SME term loans, women entrepreneur loans, agricultural financing, cluster financing, and medium business loans. In 2024, AFPLC's investment in the SME sector reached BDT 1,117.81 million, representing 23.83% of the total portfolio, compared to BDT 1,213.05 million (29.96%) in 2023.

The company also offers a range of liability products, including Regular Term Deposit, Monthly Earning Deposit, Special Deposit Scheme, Profit First Deposit, Double Money, Triple Money, Super DPS, Education Saving Scheme, and Millionaire Scheme with or without an initial deposit.

Under IPFF II, AFPLC has arranged two deals which have greatly emboldened the ICT sector of Bangladesh. The company has arranged BDT 1,939.10 million for Fiber @ Home Limited for its Nationwide Telecommunication Transmission Network (NTTN) project under this scheme which has positively impacted the internet backbone of the country by increasing bandwidth capacity and countrywide reach. AFPLC has also arranged IPFF II financing of BDT 380 million for Felicity IDC Limited, Tier III Data centre, which has strengthened both the ICT footstep into the future tech category and development of the Hi-Tech City as the FIDCL facility operation has been established in the Hi-Tech City.

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 consists of 14 members. The Board members have local and international exposure. They possess excellent knowledge in banking, NBFIs, insurance, textile and garments, food, and allied businesses. They also have strong experience in the accounting profession. The current Chairman is Mr. Syed Ali Jowher Rizvi, who has over 49 years of experience in banking and finance. Mr. Rizvi started his professional career with Bank of Credit and Commerce International (BCCI) in 1977. He also served as the founder Managing Director of Union Bank Zambia Ltd. from 1991 to 1997. In just 7 years, Mr. Rizvi took the new bank to the second leading position among local private banks in Zambia. As a result, he received the prestigious Banker of the Year award.

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



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The Board of Directors is collectively responsible for governance, which includes setting out 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.

3.2 Key Board Committees

In order to discharge functions more effectively, the Board constituted two sub-committees, namely the Executive Committee (EC) and the Audit Committee (AC). The Board has formed an Executive Committee (EC) comprising of 5 members, Chaired by Mr. Lutfe Mawla Ayub. The Committee conducted 3 meetings during 2024, against 5 meetings during 2023. During these meetings, the EC made several strategic decisions, including the approval of several new projects that significantly expanded lending in priority sectors, thereby enhancing the company's market position. EC approves the credit and business proposals of up to BDT 200.00 million as per the 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 has also formed an Audit Committee (AC) comprising of 5 members. The AC conducted 04 meetings during 2024. 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, the 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, Chief Executive Officer (CEO). Mr. Kumar has completed a Bachelor's and Master's degree in Economics from the 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 the 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

The company recruited five new employees in 2024—one at a senior level and the remaining at junior levels. Meanwhile, nine employees, primarily from junior levels except for the Chief Financial Officer, departed the company. Employee benefits have been included with provident fund contributions, gratuity, festival bonuses, and group insurance coverage. Supervised by the Human Resource Unit, the company places a strong emphasis on enhancing human resource quality. To this end, AFPLC facilitates participation in training and workshops provided by the Bangladesh Bank and BLFCA. In 2024 alone, the company organized training sessions for 29 participants on various topics at different institutes, aiming to improve overall human resource efficiency and align with AFPLC's strategic goals.



Experienced
management team



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IT infrastructure at developing stage



3.5 IT and its use to MIS

AFPLC is currently deploying its information technology systems, including the Management Information System (MIS). IT support is provided by both the PLC (Sri Lanka) and AFPLC teams. The existing IT infrastructure comprises essential hardware and software, such as personal computers, laptops, uninterruptible power supplies, Core Banking Solution EFS, Tally, Office 365, CIB software, e-KYC, EDS Money, and EC Portal. The Core Banking Solution EFS is fully operational. The company utilizes two Dell 740 servers for Core Banking Solution testing with Microsoft Hyper-V technology, Cisco switches for user workstations, and a Mikrotik router for internet access. Additional implementations include Fortinet Firewall, Cisco Router, Dell Server, Active Directory, File Server, and Print Server. AFPLC adopted a Board-approved ICT policy in 2019. Management is establishing a disaster recovery site as part of the Business Continuity Plan following the core banking software launch. Scheduled database backups between servers are being planned. The company has also formed both an ICT Steering Committee and an ICT Security Committee.

AFPLC, in partnership with CASHe, plans to launch an app-based lending platform designed to instantly underwrite and disburse short-term personal loans. This platform will primarily serve individuals without formal credit histories or bank accounts, as well as those requiring emergency financial assistance. Moreover, the company is developing applications to facilitate Real-Time Gross Settlement (RTGS) transactions among financial institutions and banks, in accordance with BB guidelines.

4.0 INDUSTRY ANALYSIS: NON BANK FINANCIAL INSTITUTIONS (NBFIs)

4.1 Economy Projection

The Non-Banking sector continued to face rising challenges with a surge in non-performing loans (NPLs), slowing credit growth, capital adequacy shortfall and liquidity pressure. The Finance Company (FC) in Bangladesh is running with a critical time to control increased and hidden NPL and manage capital adequacy and establish good governance in its overall non-bank management. NPLs rose sharply to a record high of 33% in June 30, 2024 indicating one third reported portfolio still bad. This significant rise imposed a considerable strain on non-banks' balance sheets, limiting their ability to extend new credit and exacerbating systemic vulnerabilities. BB has introduced a series of structural and policy reforms aimed at strengthening governance, improving financial discipline, and enhancing risk management.

The first quarter of Q1FY25 experienced significant economic disruptions across all three major sectors- agriculture, industry and services following students-people uprising in July and August 2024. Moreover, when the new interim government started its journey with greater commitments towards economic reforms, the economic activities were affected by several rounds of floods in many districts during August and September 2024. Nonetheless, rebounded external demand was reflected in robust export growth and hefty remittance inflows during Q1FY25.

The economy of Bangladesh demonstrated resilience in Q3FY25, supported by robust agricultural production, sustained industrial sector activities, and steady growth in the service sector. Asian Development Bank (ADB) projects 3.9% of GDP growth in FY25, rising to 5.1% in FY26. International Monetary fund (IMF) and World Bank both forecasts at 3.8% and 3.3% respectively in FY25. The third quarter of FY25 has exhibited notable developments in Bangladesh's agricultural crops, including an abundant market supply of vegetables and maize. The industry sector experienced substantial growth, as reflected in the Index of Industrial Production (IIP). Anticipated positive spillover effects from the agriculture and industry sectors are likely to strengthen economic performance in the coming quarters.

Agricultural growth is also expected to moderate following repeated floods. Though disruption at factories affected industrial growth in the first quarter of FY2025, sector growth is expected to improve as moderately rising demand for exports boosts large manufacturing output. On the demand side, consumption and investment will grow moderately, supported by strong remittance inflows but partly offset by contractionary monetary and fiscal policies and investor caution. Contractionary policies and delayed payments for energy and fertilizer imports will



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also moderate import growth in the rest of FY2025. However, with export growth also moderating, the contribution of net exports to growth will be negligible.

4.2 Sector Snapshot

A total of 35 (thirty-five) FCs 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 300 as on March 31, 2025. Again 30 FCs are Depository (NBDC) and 5 FCs are Non-Depository. The sector contributes around 4-5% of total financial sector assets, much smaller than banks but important for diversification.

The minimum paid up capital of FCs stood at BDT 1000.00 million as per the Financial Company Act, 2023. FCs are regulated under Financial Company Act, 2023 which provide the legal framework for licensing, operations, and supervision of finance companies in Bangladesh and Bangladesh Bank is the main regulator and supervisor. Certain provisions of the key acts like Companies Act 1994 and Bangladesh Securities and Exchange Commission Act 1993 have implications for FCs. The Ministry of Finance (MoF) of the government exercises notable control over government-owned Banks and FCs.

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, wrong client selection for approving the loan, lack of security coverage against loan amount, lack of documentation. 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. 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.

4.3 Profitability:

Core business remains lease financing and term loans. Portfolio growth has been sluggish due to weak demand in private investment, rising provisioning requirements, high interest expenses, tighter monetary policy. Profitability performances of the FCs industry are not satisfactory over the last six years, representing negative profitability indicators in Return on Asset (ROA) and Return of Equity (ROE). ROA and ROE of overall industry stood at only (2.46)% and 1.98% respectively in 2024 against (0.72)% and (52.30)% respectively in 2023. Cost of fund of FCs has increased and stood at 9.06% in June,2025 against 8.54% in December,2024.

FCs 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 FCs declined to BDT 44.44 billion at the end of June 2024 against BDT 48.80 billion in the YE2023. The gloomy state of the capital market, which is another source of income for some FCs, caused a huge loss which worsened financial performance of the industry. FCs are to face challenges to maintain the spread due to weak public confidence on FCs industry. Though small number FCs 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 only 1.03% as on June 30, 2024 of BDT 1007.17 billion compared to BDT 996.85 billion in 2023. Growth slowed due to high default loans, liquidity shortages, and competition from banks entering leasing/housing. The composition of investment of FCs are in different sectors of the economy like industrial sector (47.71%), real estate (17.33%), trade and commerce (14.99%), finance corporation (6.24%), service (6.14), consumer finance (3.83%), agriculture (2.05%) and others (1.71%) as on June 30, 2024. Nevertheless, several prominent FCs are now emphasizing product diversification, expanding their service portfolios to include a wider range of offerings, with a particular focus on SMEs and microfinance.



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The volume of classified loan has increased significantly to BDT 247.11 billion in June 2024 against BDT 199.51 billion in 2023. Non-Performing Loan (NPL) of FCs is significant which stood at 33.15% and 27.65% respectively in June 2024 and 2023. The volume of defaulted loans in the country's NBFC sector has been swelling amid a series of scams and irregularities. People's Leasing, Bangladesh Industrial Finance became insolvent due to extreme default level. In this backdrop, BB focusing on monitors their financial health and recovering their classified loans.

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

At the end of June 2024, out of 35 FIs, the composite CAMELS rating of 8 were "2 or Satisfactory", 7 were "3 or Fair", 11 were "4 or Marginal" and 4 were "5 or Unsatisfactory". 4 are under process and the rest one is exempted from the rating process considering special circumstances. Additionally, FCs play a significant role in the development of bond market through issuing of different types of bonds.

4.6 Liquidity:

Deposits are the main funding source (over 60% of liabilities). Many FCs struggle to mobilize low cost of deposits compared to banks, leading to dependency on high cost of borrowings. Total deposits of FCs stood at BDT 475.14 billion in 2024 against BDT 477.22 billion in 2023. At present, term liabilities are subject to a statutory liquidity requirement (SLR) of 5.0% inclusive of average 1.5% (at least 1.0% in each day) cash reserve ratio (CRR) on bi-weekly basis. The SLR for the FCs operating without taking term deposit is 2.5%.

Deposit as percentage of total liability has gradually decreased in the industry which stood at 45.06%, 48.53 %and 51.62% respectively as on June 30, 2024, 2023 and 2022. 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 NBFC 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 calculated risks in order to safeguard its capital and manage the financing business. 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:



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5.1 Credit Risk Management

Credit Risk Management, as one of the core risks, is designed and regularly updated to identify, measure, manage, and mitigate credit risk to maintain and improve the quality of the loan portfolio, reduce actual loan losses, and ensure that approved processes are followed 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 tools for credit risk management. The aggregate score of CRG can provide a better assessment of the quality of the credit portfolios of AFPLC. Another tool of minimizing credit risk is to obtain and review the credit rating of a company before extending credit facilities. The Risk Management Committee is responsible for reviewing 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 1.35% of the exposures fall under 0% risk category, 65.21% under 20% risk, 33.40% under 50% risk, 0.04% under 100% risk. It is a positive sign that the company has invested in maximum rated clients, and the total on-balance sheet exposure stood at BDT 3,935.46 million as on December 31, 2024.

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 submits the application to the Credit Risk Management (CRM) Department for identification and assessment of the risk. Credit Risk officer visits the client physically and checks 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 the Management Credit Committee (MCC)/Executive Committee (EC) and Board of Directors based on the delegation limit for approval. EC can approve up to BDT 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 an 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, the 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. The Monitoring Department ensures the loan documentation checklist and Quarterly Operation Report (QOR). Internal control and compliance division undertakes periodical and special audit of all departments at the Head office for 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 a 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 the Chief Compliance Officer, who independently reviewed the transactions. The company has formed a six-member Central Compliance Unit (CCU) headed by Mr. Mushfiqur Rahman, VP & Head of CRM, as the Chief Anti-Money Laundering Compliance Officer (CAMLCO). CAMLCO regularly submits the status report to the 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



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conducts its meeting on a monthly basis to ensure AML & CFT practice in AFPLC. There was no Suspicious Transaction Report (STR) during the year 2024. To implement the present Anti Money Laundering policy, employees are being trained by the relevant department of the Bangladesh Bank.

5.3 Asset Liability Management

AFPLC has an Asset Liability Manual (ALM), which was developed in line with the 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 2024, ALCO conducted 11 meetings.

5.4 Spread Management

Financial market of Bangladesh has experienced a volatile interest rate in recent years. Pressure from regulators to reduce the lending rate forced the FIs to rearrange the interest rate of financing agreements in many cases, which ultimately squeezed the margin of FIs. The subsequent interest rate adjustment capability of the company plays a vital role in minimizing the interest rate risk. AFPLC has a clause in all its credit agreements for necessary interest rate adjustment in accordance with market pressure, which provides flexibility to the company to adjust the interest rate. The weighted average lending rate of the company stood at 13.04% and the cost of funds stood at 10.61% indicating a 2.43% spread as of December 31, 2024. Paid-up capital and depositor funds are already invested in the 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 has been found to be fluctuating trend over the couple of years as well as decrease in provisions for loans and advances and increase in operating income resulting net income increased than the previous year. CRISL evaluates financial performance using metrics such as Return on Average Assets (ROAA), Return on Average Equity (ROAE), and Net Interest Margin (NIM), among others.

The analysis shows that the interest income increased to BDT 625.069 million in 2024, up from BDT 467.27 in 2023 due to increase in loans and advances. AFPLC has to compete in the highly competitive money market. The interest income composed of 89.83% income from term finance and the rest 10.17% income from balance with other banks and financial institutions. Against the same, the company paid BDT 403.79 million interest on deposits and borrowings in 2024, compared to BDT 280.31 million in 2023. Thus, the net interest income rose to BDT 221.27 million in 2024 from BDT 186.96 million of the previous year. Moreover,, the total operating income improved to BDT 253.60 million in 2024, up from BDT 213.84 million of the previous year due to increase in investment income. Operating income composition revealed that, 87.25% (87.42% in 2023) of total operating income has been generated from net interest income, 10.88% (9.58% in 2023) from investment income in shares and the rest 1.87% (3% in 2023) from other operating income (structured finance, documents fees, overdue interest, early settlement etc.). On the other hand, the operating expenses increased to BDT 137.99 million in 2024 against BDT 127.96 million in 2023 mainly due to increase in salaries and other administration and maintenance expense. However, provision for loans and advances reduced to significantly to negative of BDT 5.35 million in 2024, down from BDT 26.84 million in 2023, which increased the profitability. In its consequence, the profit before tax increased to BDT 120.96 million in 2024 from BDT 59.04 million in 2023.

Accordingly, net profit after tax improved remarkably to BDT 83.41 million in 2024 from BDT 24.40 million in 2023.

Fluctuating trend in financial performance



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Consequently, all profitability indicators (such as ROAA, ROAE etc.) improved during the year 2024 due to higher growth in net profit than the growth of equity and assets. ROAA after tax increased to 1.54% in 2024, compared to 0.52% in 2023. Similarly, ROAE after tax rose to 6.46% in 2024 from 1.93% in 2023. Moreover, net profit margin increased to 32.89% in 2024, up from 11.41% in 2023.

CRISL reviewed the accounts for the second quarter ending June 30, 2025. The bank reported an operating income of BDT 132.28 million, alongside operating expenses of BDT 76.29 million for the same period. The net profit was BDT 34.13 million, showing an increase compared to the second quarter of 2024, which had a net profit of BDT 29.19 million. As of June 30, 2025, total loans and advances slightly decreased to BDT 4,258.18 million, down from BDT 4,689.31 million as of December 31, 2024. In contrast, total deposit decreased to BDT 2,525.29 million as of June 30, 2025, compared to BDT 3,126.86 million as of December 31, 2024.

The company maintains investments in the capital market. Dividend income from these investments totaled BDT 25.91 million, a relatively modest return. As of December 31, 2024, the portfolio's cost was BDT 42.50 million, while its market value was BDT 28.19 million, resulting in an unrealized loss of BDT 14.31 million due to declining share values. By August 14, 2025, the portfolio's cost had decreased to BDT 27.94 million, with a market value of BDT 17.45 million, reflecting an unrealized loss of BDT 10.50 million. After accounting for dividend income of BDT 5.54 million and realized capital gains of BDT 2.45 million, the net loss stood at BDT 2.51 million. Management intends to realize capital gains rather than increase investment if market conditions improve.

6.2 Operating Efficiency

The overall operating efficiency was assessed as moderate, based on factors such as operating income, operating expenses, the cost-to-income ratio, and yield per Taka of staff cost. In 2024, total operating income increased to BDT 253.60 million from BDT 213.84 million in 2023. Operating expenses also rose, reaching BDT 137.99 million in 2024 compared to BDT 127.96 million in 2023. The growth rate of operating income (18.59%) exceeded that of operating expenses (7.84%) during this period. As a result, the efficiency ratio improved to 54.41% in 2024 from 59.84% in 2023, although it remained above the industry standard. The time interest earned ratio was 0.29 times in 2024, compared to 0.31 times in 2023. Yield per Taka of staff cost increased to BDT 1.66 in 2024, up from BDT 0.87 in 2023. The opening of a new branch and the maintenance of fixed cost expenses contributed to a lower efficiency ratio and yield per Taka of staff cost. Management plans to open a booth in the 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 nominal amount of rescheduling assets. As per audited financial statements, the SMA amount decreased to BDT 33.61 million from BDT 39.53 million and non-performing increased to BDT 37.31 million (0.80%) from BDT 16.32 (0.40%) million, which are the very nominal amount in consideration of total investment during the surveillance period.

The total assets increased to BDT 5,654.44 million as of December 31, 2024, compared to BDT 5,153.19 million as of December 31, 2023 indicating 9.73% growth. The above asset base was financed by 55.30% deposit, 23.57% equity capital, 16.04% borrowing from other banks and FI's while the rest 5.09% by outside liabilities as of December 31, 2024. Total assets have been composed of 82.93% lease, loan & advances, 6.65% investment in shares, 4.51% balance with other bank and FIs, 0.63% fixed assets, 0.80% other assets and the rest 4.48% 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 (BDT 4,689.31 million in 2024) of AFPLC holds by service industry (BDT 1,215.84 million, 25.93% of total portfolio); garments and knitwear, trade & commerce (BDT 562.31 million, 11.99% of total portfolio); pharmaceuticals & chemicals (BDT 498.31 million, 10.63%

Good asset quality



CREDIT RATING REPORT On ALLIANCE FINANCE PLC

of total portfolio); cement and allied industry (BDT 307.63 million, 8.62% of total portfolio); telecommunication & information technology (BDT 404.27 million, 8.61% of total portfolio); food products and processing industry (BDT 327.91 million, 6.99% of total portfolio); housing (BDT 258.60 million, 5.51% of total portfolio); iron, steel & engineering (BDT 224.31 million, 4.78% of total portfolio); textile industry (BDT 166.09 million, 3.54% of total portfolio); power, gas, water & sanitary service (BDT 69.75 million, 1.49% of total portfolio); paper, printing and packaging industry (BDT 48.01 million, 1.02% of total portfolio); glass, glassware and ceramic industry (BDT 17.85 million, 0.38% of total portfolio); transport and aviation industry (BDT 4.04 million, 0.09% of total portfolio) and others (BDT 584.26 million, 12.46% of total portfolio). Again, the product wise composition of portfolio revealed that 68.62% investment are in corporate (BDT 3,229.16 million), 23.38% are in SME (BDT 1,096.27 million), 5.97% are in retail (BDT 280.16 million) and the rest 1.79% are in others (BDT 83.72 million). As on December 31, 2024, eight client accounts are in the large loan category amounting BDT 2,600.93 million (55.47% of total portfolio) and all clients are unclassified.

Top 10 borrowers hold 63.30% of total portfolio (BDT 2,968.26 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 negligible classified investment, rescheduled loan and infected assets in its portfolio as of December 31, 2024.

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 Shah Cement Industries Limited, National Polymer Industries Plc, Hamko Corporation Ltd., Samuda Spec-Chem Limited, Hoshendi Economic Zone Limited, Beximco Pharmaceutical Limited, Vintage Denim Limited, People's Oriented Program Implementation, UDDIPAN, Padakhep Manabik Unnayan Kendra, Resource Integration Centre, etc. Partnering with the leading MFIs, AFPLC have tried to reach out the micro, small, women and SME clients.

8.0 CAPITAL ADEQUACY

AFPLC has been operating with good capital base. The equity base of the company increased to BDT 1,332.77 million as of December 31, 2024 against BDT 1,249.36 million as of December 31, 2023. CRISL also reviews the Risk Based Capital Adequacy Framework of Basel-II reporting as of December 31, 2024 and it was revealed that, the Risk Weighted Assets stood at BDT 3,530.99 million of which 76.24% was emanated from credit risk, 14.91% from market risk and the rest 8.85% from operational risk. Against the same, the eligible capital stood at BDT 1,366.43 million based on which Risk weighted Capital Adequacy Ratio stood at 38.70% as of December 31, 2024, down from 43.88% as of December 31, 2023. Moreover, Risk weighted Capital Adequacy Ratio stood at 36.42% as of June 30, 2025. Shareholder's equity to total assets decreased to 23.57% in 2024 from 24.24% in 2023. Internal capital generation ratio increased to 1.54% in 2024, compared to 0.52% in 2023. Moreover, the total gearing ratio increased to 3.24 times in 2024 against 3.12 times in 2023.

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 38.70%) as on December 31, 2024.

| Indicators | Magnitude of Sensitivity (Minor to Major Level %) |
|--|---|
| Interest rate risk | 38.37 ~ 37.93 |
| Increase in NPL | 37.19 ~ 30.84 |
| Downward Shifts in Loans | 38.43 ~ 38.09 |
| Fall in the Value of Eligible Securities | 38.59 ~ 38.54 |
| Increase of NPLs in the Other sector & in the Garments and Knitwear sector | 36.83 ~ 32.95 |
| Increase in NPLs due to Top 10 Borrowers | 17.94 ~ -61.65 |
| Equity Price Risk | 37.94 ~ 37.15 |
| CAR After Shock (combined) % | 11.67 ~ 203.77 |



Good capital base



CREDIT RATING REPORT On ALLIANCE FINANCE PLC

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 analysis of fund management shows that the total funds consisted of deposit (55.30% of total funding), shareholder's equity (23.57% of total funding), borrowing from other bank and FIs (16.04% of total funding) and other liabilities (provision, payable etc.) (5.09% 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 86.66%, retained earnings of 6.92%, statutory reserve of 5.13% and the remaining 1.29% was share premium in 2024. 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 10 depositors held 62.77 % of total deposits as of December 31, 2024 indicating concentration risk.

AFPLC has credit line with 2 banks namely Commercial Bank of Ceylon and NCC Bank PLC. The outstanding balance stood at BDT 60.54 million as on December 31, 2024 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 BDT 396.08 million in YE2024 from BDT 430.91 million in YE2023 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, 2024, it has been observed that liquidity bucket of (1-3) months have been showing a negative balance of BDT 295.78 million and (3-12) months have been showing a positive balance of BDT 90.93 million. On the other hand, it has been observed that the company has overall net liquidity surplus of BDT 1,332.77 million. During the period, the company has not paid cash dividend. 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 BDT 7.42 million and BDT 383.47 million respectively in 2024. Investment portfolio to deposit ratio stood at 1.50 times in 2024, compared to 1.42 times in 2023.

Average liquidity



**CREDIT RATING REPORT
On
ALLIANCE FINANCE PLC**

10.0 OBSERVATION SUMMARY

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

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. K. S Bandaranayke | Director |
| Mr. R.B.R. Emerson | Director |
| Mr. Udesch Gunawardena | Director |
| Ms. Farhana Akhter | Director |
| Ms. Sohana Rouf Chowdhury | Director |
| Mr. W. P. Gunasena | Director |
| Ms. Azeeza Aziz Khan | Director |
| Mr. Lutfe M. Ayub | Director |
| Mr. P. G. A. C Perera | Director |
| DR. Abdur Rahim Chowdhury | Independent Director |
| Mr. T. D. R. H. Perera | Director |
| Mr. G. Priyankara | Director |
| Mr. Dharma Dheerasinghe | Independent Director |

Auditor:

M M Rahman & 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 |
| Shah Md. Abu Ruyhun | Head of Retail Finance |
| Mohammad Anowar Hossain | Head of Treasury |
| Aamer Mostaque Ahmed | Sr. Manager Structured Finance |
| Ishrat Alam | Incharge of Human Resources |
| Navila Hasan | Incharge-Brand, Communication and Corporate Affairs |



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

CREDIT RATING REPORT On ALLIANCE FINANCE PLC



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 |
| 2024 | 2,000.00 | 1,155.00 | Bonus Share |

12. FINANCIAL INFORMATION

Balance Sheet (As on December 31)

| Particulars: | Tk. in million | | |
|---|-----------------|-----------------|-----------------|
| | 2024 | 2023 | YE2022 |
| Cash: | 53.02 | 50.27 | 32.58 |
| Cash in hand | .00 | 0.02 | 0.01 |
| Balance with Bangladesh Bank | 53.01 | 50.25 | 32.57 |
| Balance with other Banks and Financial Institutions: | 255.23 | 446.86 | 323.10 |
| Inside Bangladesh | 255.23 | 446.86 | 323.10 |
| Money at Call & Short Notice | 200.00 | 300.00 | 340.00 |
| Investments in Securities | 376.03 | 200.67 | 250.15 |
| Government | 98.53 | | |
| Others | 277.50 | 200.67 | 250.15 |
| Lease, Loans and Advances: | 4,689.31 | 4,048.79 | 3,142.98 |
| IN Bangladesh | 4,689.31 | 4,048.79 | 3,142.98 |
| Fixed Assets including Premises, Furniture & Fixtures | 35.43 | 53.41 | 58.02 |
| Other Assets | 45.42 | 53.18 | 72.50 |
| Non Banking Assets | - | - | - |
| Total Assets | 5,654.44 | 5,153.19 | 4,219.34 |
| LIABILITIES AND CAPITAL | | | |
| Liabilities | | | |
| Borrowings from other Banks, Financial Institutions and Agents | 906.86 | 798.35 | 204.35 |
| Deposits and Other Accounts | 3,126.86 | 2,849.16 | 2,513.72 |
| Other Liabilities | 287.95 | 256.32 | 226.49 |
| Total Liabilities | 4,321.67 | 3,903.83 | 2,944.56 |
| Capital/Shareholders' Equity | 1,332.77 | 1,249.36 | 1,274.77 |
| Paid-up Capital | 1,155.00 | 1,050.00 | 1,000.00 |
| Share Premium | 17.20 | 122.20 | 172.20 |
| Statutory Reserve | 68.37 | 51.69 | 46.81 |
| Retained Earnings | 92.20 | 25.47 | 55.77 |
| Total Liabilities & Shareholders' Equity | 5,654.44 | 5,153.19 | 4,219.34 |

CREDIT RATING REPORT On ALLIANCE FINANCE PLC



Income Statement (Year end December 31)

Tk. in million

| Particulars: | YE2024 | YE2023 | YE2022 |
|--|---------------|---------------|---------------|
| Interest Income | 625.06 | 467.27 | 346.74 |
| Less: Interest paid on Deposits & Borrowings etc. | 403.79 | 280.31 | 183.91 |
| Net Interest Income | 221.27 | 186.96 | 162.83 |
| Income from Investment | 27.60 | 20.48 | 28.48 |
| Commission, Exchange and Brokerage | - | - | - |
| Other Operating Income | 4.73 | 6.40 | 28.08 |
| Total Operating Income | 253.60 | 213.84 | 219.39 |
| Salaries and Allowances | 72.69 | 67.89 | 61.28 |
| Rent, Taxes, Insurances, Electricity etc. | 8.34 | 7.62 | 6.70 |
| Professional Charges | 2.61 | 1.65 | 0.39 |
| CEO's Salary and Benefits | 12.02 | 10.78 | 12.40 |
| Postage, Stamps, Telecommunication etc | .79 | .75 | 0.68 |
| Stationery, Printings, Advertisements etc | 2.11 | 1.83 | 2.64 |
| Directors' Fees | 1.18 | .53 | 0.86 |
| Auditors' Fees | .43 | .42 | 0.39 |
| Depreciation & Repairs of FI's Assets | 19.85 | 19.94 | 18.44 |
| Other Operating Expenses | 17.96 | 16.54 | 11.62 |
| Total Operating Expenses | 137.99 | 127.96 | 115.40 |
| Profit before Provision | 115.61 | 85.88 | 103.99 |
| Provision for Loans, Advances & Leases | (11.05) | 26.90 | 10.96 |
| 2% Special Provision | - | - | - |
| Provision for the diminution in the value of investments | 5.70 | (0.06) | 5.17 |
| Total Provision | (5.35) | 26.84 | 16.13 |
| Total Profit before Provisions for Taxation | 120.96 | 59.04 | 87.87 |
| Provision for Income Tax | 37.55 | 34.63 | 36.04 |
| Current Tax Expenses | 37.15 | 31.77 | 38.33 |
| Deferred Tax Expenses | .39 | 2.86 | (2.28) |
| Net Profit after Taxation | 83.41 | 24.40 | 51.82 |


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 Chief Executive Officer
 Credit Rating Information and Services Limited

CREDIT RATING REPORT On ALLIANCE FINANCE PLC



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

| RATING | DEFINITION |
|---|--|
| AAA Triple A (Highest Safety) | 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. |
| AA+, AA, AA- (Double A) (High Safety) | 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. |
| A+, A, A- Single A (Adequate Safety) | 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. |
| BBB+, BBB, BBB- Triple B (Moderate Safety) | 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. |
| BB+, BB, BB- Double B (Inadequate Safety) | 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- Single B (Risky) | 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. |
| CCC+, CCC, CCC- Triple C (Vulnerable) | 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. |
| CC+, CC, CC- Double C (Highly Vulnerable) | 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. |
| C (Near to Default) | 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. |
| D (Default) | 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

| | |
|-------------|---|
| ST-1 | Highest Grade 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. |
| ST-2 | High Grade High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small. |
| ST-3 | Good Grade 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. |
| ST-4 | Satisfactory Grade Satisfactory liquidity and other protection factors qualify issues as to Investment grade. Risk factors are larger and subject to more variation. |
| ST-5 | Non-Investment Grade 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. |
| ST-6 | Default Issuer failed to meet scheduled principal and/or interest payments. |