CREDIT RATING REPORT
On
ALLIANCE FINANCE PLC

REPORT: RR/110572/26

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***

Date of Rating: August 13, 2026	**Valid up to:** August 12, 2027	
	Long Term	**Short Term**
Entity Rating	AA-	ST-2
Outlook	Stable	

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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.1,155.00 million

EQUITY
TK.1,345.43 million

TOTAL ASSETS
TK.6,292.49 million

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 high efficiency ratio, fluctuating trend in financial performance, limited core business and credit portfolio, significant concentration on top 10 depositor's and top 10 borrower's, 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 March 31st, 2026, PLF's total assets (solo basis) stood at Rs. 321.23 billion (unaudited), and its total credit portfolio was Rs. 275.74 billion. The company's net interest income rose to Rs. 21.77 billion from Rs. 14.07 billion, while net profit after tax increased to Rs. 5.08 billion in 2026 from Rs. 3.60 billion in 2025. 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, 2025, AFPLC's total assets reached BDT 6,292.49 million, up from BDT 5,654.44 million in the previous year and paid-up capital stood at Tk.1,155.00 million.

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

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

Renowned local Sponsors

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, 2025. 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%).

2.3 Business Profile

Limited core business and credit portfolio

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 2025, AFPLC's investment in the SME sector reached BDT 1,372.39 million, representing 27.13% of the total portfolio, compared to BDT 1,096.27 million (23.38%) in 2024.

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 the IPFF II scheme, World Bank, AFPLC arranged two transactions that have made a substantial contribution to Bangladesh's ICT sector. The first involved BDT 1,939.10 million in financing for Fiber @Home Limited's Nationwide Telecommunication Transmission Network (NTTN) project, which has enhanced the nation's internet backbone through greater bandwidth capacity and wider geographic coverage. The second comprised BDT 380 million for Felicity IDC Limited's Tier III data centre, a facility that positions the country's ICT industry for the next generation of technology services.

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, NBFI, 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 50 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.

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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).

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 Company's strategic goals, providing the necessary leadership to implement such goals, supervising the. 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 6 meetings during 2025, against 3 meetings during 2024. 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 2025. 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

Experienced management team

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 nine new employees in 2025, three at a medium level and the remaining at junior levels. 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

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quality. To this end, AFPLC facilitates participation in training and workshops provided by the Bangladesh Bank and BLFCA. In 2025, the company organized training sessions for 21 participants on various topics at different institutes, aiming to improve overall human resource efficiency and align with AFPLC's strategic goals.

3.5 IT and its use to MIS

IT infrastructure at developing stage

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 significant challenges throughout 2025, driven by elevated non-performing loans (NPLs), weak asset quality, capital adequacy shortfalls, and persistent liquidity pressures. The Non-Bank Financial Institutions (NBFIs) remained under stress due to legacy default loans, governance weaknesses, and limited access to fresh funding. Bangladesh Bank continued to strengthen regulatory oversight through enhanced corporate governance requirements, stricter loan classification and provisioning standards, risk-based supervision, and measures aimed at improving financial discipline and restoring confidence in the financial system. Although the sector showed early signs of stabilization, restoring asset quality, strengthening capital buffers, improving governance, and rebuilding depositor confidence remained key challenges.

The economy of Bangladesh experienced a gradual recovery during FY2025, despite the lingering impact of political transition, inflationary pressures, tight monetary policy, and adverse weather events. Strong export earnings and record remittance inflows supported the external sector, while agricultural production remained resilient and industrial activity gradually improved during the second half of the fiscal year. According to international financial institutions, Bangladesh's GDP growth for FY2025 was estimated between 3.7% and 3.9%, reflecting moderate economic expansion amid challenging domestic and global conditions.

During Q1 FY2026, economic activities continued to improve, supported by resilient agricultural production, strengthening manufacturing output, sustained export growth, and robust remittance inflows. The services sector also maintained steady expansion alongside improving domestic demand. Inflation showed signs of gradual moderation under Bangladesh Bank's tight monetary policy, while foreign exchange reserves improved due to stronger external sector performance. However, private investment remained cautious amid ongoing financial sector reforms and global economic uncertainties.

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Agricultural growth is expected to remain stable, supported by favorable weather conditions and government initiatives to enhance food production. Industrial growth is anticipated to strengthen further on the back of improving export demand, while the services sector is expected to continue expanding with recovering domestic economic activities. On the demand side, private consumption and investment are projected to recover gradually, supported by easing inflation, sustained remittance inflows, and improving business confidence. Although tight monetary and fiscal policies may moderate import demand, continued export growth is expected to support overall economic activity. Consequently, Bangladesh's economic outlook for FY2026 remains cautiously optimistic, although financial sector vulnerabilities, global trade uncertainties, and inflationary risks continue to pose downside challenges.

4.2 Sector Snapshot

A total of 35 (thirty-five) Financial Companies (FCs) are operating in Bangladesh. Of these, 3 (three) are fully government-owned, 19 are privately owned domestic institutions, and 13 are joint ventures. The sector maintained a branch network of around 300 branches as of December 31, 2025, with 30 deposit-taking (NBDC) and 5 non-deposit-taking financial companies. The NBFI sector accounts for approximately 4–5% of the country's total financial sector assets, playing a complementary role to the banking sector by providing leasing, term financing, housing finance, and SME financing.

The minimum paid-up capital requirement for Financial Companies remained BDT 1,000 million under the Financial Company Act, 2023. The sector continues to be regulated by the Financial Company Act, 2023, while Bangladesh Bank remains the principal regulator responsible for licensing, supervision, prudential regulation, and risk-based oversight. Relevant provisions of the Companies Act, 1994, the Bangladesh Securities and Exchange Commission Act, 1993, and other applicable regulations also govern the operations of FCs. The Ministry of Finance (MoF) continues to exercise policy oversight over government-owned financial institutions.

The overall condition of Bangladesh's non-bank financial sector remained challenging through 2025 and into Q1 FY2026, although signs of gradual stabilization emerged following a series of regulatory reforms. The sector continued to face high non-performing loans (NPLs), weak asset quality, capital adequacy shortfalls, subdued profitability, governance deficiencies, liquidity constraints, and elevated funding costs. Several institutions remained burdened by legacy default loans, weak credit underwriting, inadequate collateral coverage, documentation deficiencies, and ineffective risk management practices. Public confidence in the sector, which had been adversely affected by financial irregularities and the liquidation or financial distress of several institutions in recent years, remained fragile. Bangladesh Bank continued to strengthen supervisory oversight through enhanced governance requirements, stricter loan classification and provisioning standards, risk-based supervision, and initiatives aimed at improving transparency and financial discipline. Nevertheless, restoring depositor confidence, improving asset quality, strengthening capital buffers, and enhancing corporate governance remain the key priorities for the sector during 2026.

4.3 Profitability:

The core business of Financial Companies (FCs) continued to comprise lease financing, term loans, housing finance, and SME financing. Portfolio growth remained subdued throughout 2025 due to weak private sector investment, elevated credit risk, high provisioning requirements, persistent funding costs, and tight monetary policy. Although gradual improvements in economic activity were observed towards the end of 2025 and into Q1 FY2026, credit demand remained cautious amid ongoing financial sector reforms. Profitability of the FC industry remained under pressure, primarily due to high non-performing loans, increased impairment charges, compressed net interest margins, and elevated funding costs. While a few well-managed institutions reported modest improvements in earnings, the industry as a whole continued to exhibit weak profitability and low returns on assets and equity.

FCs are permitted to invest in the capital market up to 25% of their paid-up capital and reserves under Section 16 of the Financial Institution Act, 1993. Capital market exposure remained relatively limited during 2025 as most institutions adopted a conservative

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investment strategy amid continued market volatility and the need to preserve liquidity. Weak performance of the capital market continued to constrain non-interest income for many FCs, further affecting overall profitability. Moreover, maintaining a sustainable interest spread remained challenging due to intense competition for deposits, elevated funding costs, weak public confidence in the sector, and the slower repricing of loan portfolios compared with deposit liabilities. Although the gradual easing of monetary conditions is expected to provide some relief during 2026, asset quality deterioration, liquidity management, and restoring depositor confidence continue to be the major challenges facing the industry.

4.4 Asset Quality:

The asset base of the Financial Companies (FCs) sector remained broadly stagnant during 2025, reflecting subdued credit demand, elevated non-performing loans (NPLs), cautious lending practices, and persistent liquidity constraints. Asset growth continued to be constrained by weak private sector investment, high provisioning requirements, and increased competition from banks in leasing, SME, and housing finance. The sector's financing portfolio remained concentrated in industrial, real estate, trade and commerce, financial institutions, services, consumer finance, and agriculture. In response to changing market dynamics, several leading FCs continued to diversify their product offerings with greater emphasis on SME financing, housing finance, supply chain finance, and digital financial services.

Asset quality remained the most critical challenge for the sector throughout 2025. Although Bangladesh Bank intensified recovery efforts and strengthened supervisory oversight, the industry continued to carry a high level of classified loans accumulated over previous years. Several financially weak institutions remained under regulatory monitoring due to governance deficiencies, legacy default loans, and capital shortages. Bangladesh Bank continued to emphasize loan recovery, improved credit underwriting standards, stricter loan classification and provisioning requirements, and enhanced corporate governance to improve the financial health of the sector. The implementation of risk-based supervision and stronger regulatory oversight is expected to gradually improve asset quality during 2026, although credit risk remains elevated.

Financial Companies continue to follow Bangladesh Bank's prudential guidelines covering the five core risk management areas, namely Credit Risk Management (CRM), Internal Control and Compliance (ICC), Asset-Liability Management (ALM), Prevention of Money Laundering and Terrorist Financing (AML/CFT), and Information and Communication Technology (ICT) Security. In addition, the Integrated Risk Management Guidelines for Financial Institutions continue to support enterprise-wide risk management by strengthening governance, risk identification, monitoring, and internal control systems in line with international best practices.

4.5 Capital Adequacy:

Bangladesh Bank continues to require Financial Companies to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of Risk-Weighted Assets (RWA) or BDT 1.0 billion, whichever is higher, under the Basel II framework. Although regulatory capital requirements remained unchanged during 2025, several FCs continued to face capital adequacy pressure due to persistent losses, high provisioning requirements, and weak profitability. Bangladesh Bank maintained close supervisory monitoring of undercapitalized institutions and encouraged capital strengthening through improved governance, recovery of classified loans, and recapitalization initiatives where necessary. While Basel III has yet to be implemented for the sector, Bangladesh Bank continues to strengthen the regulatory framework through enhanced risk-based supervision and prudential oversight.

The supervisory assessment of Financial Companies continued through the CAMELS framework, with several weaker institutions remaining under intensified regulatory monitoring due to weak asset quality, liquidity constraints, governance deficiencies, and capital shortfalls. At the same time, financially sound institutions continued to maintain satisfactory regulatory compliance and played an important role in financing SMEs, housing, infrastructure, and supporting the development of Bangladesh's domestic bond market.

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4.6 Liquidity:

Deposits remained the primary funding source for the Financial Companies sector, although the industry's deposit base continued to face pressure during 2025 due to weak public confidence and heightened competition from commercial banks. As a result, many FCs remained dependent on relatively high-cost borrowings from banks and financial institutions, resulting in elevated funding costs and compressed interest spreads. Bangladesh Bank maintained the Statutory Liquidity Ratio (SLR) of 5.0% (including 1.5% Cash Reserve Ratio) for deposit-taking Financial Companies, while non-deposit-taking FCs remained subject to an SLR of 2.5%.

Although liquidity conditions showed modest improvement during Q1 FY2026, supported by improving macroeconomic conditions and strengthened regulatory oversight, funding challenges persisted for several weaker institutions. Public confidence has gradually stabilized but remains below historical levels following the financial distress and liquidation of certain NBFIs in recent years. Bangladesh Bank continued to implement measures aimed at strengthening governance, improving liquidity management, enhancing depositor protection, and restoring confidence in the sector. Looking ahead, sustained improvement in asset quality, stronger corporate governance, stable macroeconomic conditions, and continued regulatory reforms will be critical to restoring long-term liquidity and financial stability across Bangladesh's non-bank financial sector.

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:

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 0.86% of the exposures fall under 0% risk category, 41.03% under 20% risk, 25.81% under 50% risk, 22.61% under 75% risk, 2.39% under 100% risk, 0.44% under 125% and remaining 6.86% under 150% . It is a positive sign that the company has invested in maximum rated clients, and the total on-balance sheet exposure stood at BDT 6,214.40 million as on December 31, 2025.

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

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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 conducts its meeting on a monthly basis to ensure AML & CFT practice in AFPLC. There was no Suspicious Transaction Report (STR) during the year 2025. 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 2025, ALCO conducted 12 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 13.25% and the cost of funds stood at 10.76% indicating a 2.49% spread as of December 31, 2025. 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.

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6.0 PERFORMANCE

6.1 Financial Performance

The overall financial performance has been found to be fluctuating trend over the couple of years. 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.

Fluctuating trend in financial performance

The analysis shows that the interest income increased to BDT 665.53 million in 2025, up from BDT 625.06 in 2024 due to increase in loans and advances. AFPLC has to compete in the highly competitive money market. The interest income composed of 91.24% income from term finance and the rest 8.76% income from balance with other banks and financial institutions. Against the same, the company paid BDT 443.73 million interest on deposits and borrowings in 2025, compared to BDT 403.79 million in 2024. Thus, the net interest income remained stable at BDT 221.80 million in 2025 from BDT 221.27 million of the previous year. Moreover, the total operating income improved slightly to BDT 266.46 million in 2025, up from BDT 253.60 million of the previous year due to increase in investment income. Operating income composition revealed that, 83.24% (87.25% in 2024) of total operating income has been generated from net interest income, 16.09% (10.88% in 2024) from investment income in shares and the rest 0.67% (1.87% in 2024) from other operating income (structured finance, documents fees, overdue interest, early settlement etc.). On the other hand, the operating expenses increased to BDT 156.87 million in 2025 against BDT 137.99 million in 2024 mainly due to increase in salaries and other administration and maintenance expense. However, provision for loans and advances increased to BDT 1.76 million in 2025, up from negative BDT 5.35 million in 2024, which decreased the profitability. In its consequence, the profit before tax decreased to BDT 107.84 million in 2025 from BDT 120.96 million in 2024. Accordingly, net profit after tax declined to BDT 70.41 million in 2025 from BDT 83.41 million in 2024.

Consequently, all profitability indicators (such as ROAA, ROAE etc.) declined during the year 2025 due to lower growth in net profit than the growth of equity and assets. ROAA after tax decreased to 1.18% in 2025, compared to 1.54% in 2024. Similarly, ROAE after tax decrease to 5.26% in 2025 from 6.46% in 2024. Moreover, net profit margin decreased to 26.42% in 2025, down from 32.89% in 2024.

CRISL reviewed the accounts for the second quarter ending June 30, 2026. The bank reported an operating income of BDT 148.87 million, alongside operating expenses of BDT 78.08 million for the same period. The net profit was BDT 35.16 million, showing an increase compared to the second quarter of 2025, which had a net profit of BDT 34.13 million. As of June 30, 2026, total loans and advances slightly decreased to BDT 5,033.62 million, down from BDT 5,057.70 million as of December 31, 2025. In contrast, total deposit increased to BDT 3,701.15 million as of June 30, 2026, compared to BDT 3,451.17 million as of December 31, 2025.

The company maintains investments in the capital market. Dividend income from these investments totaled BDT 47.97 million, a relatively modest return. As of December 31, 2025, the portfolio's cost was BDT 27.94 million, while its market value was BDT 14.46 million, resulting in an unrealized loss of BDT 13.48 million due to declining share values. By August 12, 2026, the portfolio's cost stood at BDT 27.94 million, with a market value of BDT 17.36 million, reflecting an unrealized loss of BDT 10.58 million. After accounting for dividend income of BDT 6.08 million and realized capital gains of BDT 2.45 million, the net loss stood at BDT 2.06 million as of August 12, 2026. 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 mainly due to considerably higher efficiency ratio. In 2025, total operating income increased to BDT 266.46 million from BDT 253.60 million in 2024. Operating expenses also rose, reaching BDT 156.87 million in 2025

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compared to BDT 137.99 million in 2024. The growth rate of operating expenses (13.68%) exceeded that of operating income (5.07%) during this period. As a result, the efficiency ratio increased to 58.87% in 2025 from 54.41% in 2024 indicating a matter of concern for the AFL. The time interest earned ratio was 0.25 times in 2025, compared to 0.29 times in 2024. Yield per Taka of staff cost increased to BDT 1.28 in 2025, down from BDT 1.66 in 2024. 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 classified loans. As per audited financial statements, the SMA amount decreased to BDT 0.70 million from BDT 33.61 million and non-performing increased to BDT 44.60 million (0.88%) from BDT 37.31 (0.80%) million, which are the very nominal amount in consideration of total investment during the surveillance period.

Good asset quality

The total assets increased to BDT 6,292.49 million as of December 31, 2025, compared to BDT 5,654.44 million as of December 31, 2024 indicating 11.28% growth. The above asset base was financed by 55.85% deposit, 21.38% equity capital, 18.74% borrowing from other banks and FI's while the rest 4.03% by outside liabilities as of December 31, 2025. Total assets have been composed of 80.38% lease, loan & advances, 6.40% investment in shares, 9.70% balance with other bank and FIs, 0.65% fixed assets, 1.21% other assets and the rest 1.66% cash & cash equivalent and money at call & short notice.

The overall investment portfolio of the company is small compared to the peers. The major contribution in loan portfolio (BDT 5,057.70 million in 2025) of AFPLC holds by service industry (BDT 1,328.69 million, 26.28% of total portfolio); garments and knitwear and textile (BDT 932.98 million, 18.45% of total portfolio, trade & commerce (BDT 174.25 million, 3.44% of total portfolio); pharmaceuticals & chemicals (BDT 400.52 million, 7.92% of total portfolio); cement and allied industry (BDT 261.84 million, 5.18% of total portfolio); telecommunication & information technology (BDT 393.71 million, 7.78% of total portfolio); food products and processing industry (BDT 457.45 million, 9.04% of total portfolio); housing (BDT 226.28 million, 4.47% of total portfolio) and others. Again, the product wise composition of portfolio revealed that 67.29% investment are in corporate (BDT 3,403.34 million), 27.40 % are in SME (BDT 1,385.90 million), 5.31% are in retail (BDT 267.47 million). As on December 31, 2025, six client accounts are in the large loan category amounting BDT 1,986.67 million (39.28% of large loan exposure to total credit portfolio) and all clients are unclassified.

Top 10 borrowers hold 55.15% of total portfolio (BDT 2,789.36 million as company has limited client portfolio) which indicates concentrated to limited borrowers. AFPLC has negligible classified investment, and infected assets in its portfolio as of December 31, 2025. Collateral Security value to total loan stood at 16.83 % and 13.89 % in 2025 and 2024 respectively.

Currently the total portfolio is concentrated only in Dhaka zone as there is only one branch at Banani indicating geographic concentration of loan disbursement. AFL has plan for new branch at "Dhanmondi" in the up-coming year to increase SME portfolio.

8.0 CAPITAL ADEQUACY

AFPLC has been operating with good capital base. The equity base of the company increased to BDT 1,345.43 million as of December 31, 2025 against BDT 1,332.77 million as of December 31, 2024. CRISL also reviews the Risk Based Capital Adequacy Framework of Basel-II reporting as of December 31, 2025 and it was revealed that, the Risk Weighted Assets stood at BDT 4,251.55 million of which 73.77% was emanated from credit risk, 18.32% from market risk and the rest 7.91% from operational risk. Against the same, the

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Good capital base

eligible capital stood at BDT 1,384.64 million based on which Risk weighted Capital Adequacy Ratio stood at 32.57% as of December 31, 2025, down from 38.70% as of December 31, 2024. Moreover, Risk weighted Capital Adequacy Ratio stood at 31.30% as of June 30, 2026. Shareholder's equity to total assets decreased to 21.38% in 2025 from 23.57% in 2024. Internal capital generation ratio seems to be low and decreased to 1.18% in 2025, compared to 1.54% in 2024. Moreover, the total gearing ratio increased to 3.68 times in 2025 against 3.24 times in 2024.

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 32.54%) as on December 31, 2025.

Indicators	Magnitude of Sensitivity (Minor to Major Level %)
Interest rate risk	32.60 ~ 32.72
Increase in NPL	31.29 ~ 25.38
Downward Shifts in Loans	32.46 ~ 32.13
Fall in the Value of Eligible Securities	32.54~ 32.54
Increase of NPLs in the Other sector & in the Garments and Knitwear sector	30.81 ~ 26.85
Increase in NPLs due to Top 10 Borrowers	14.81 ~ -27.38
Equity Price Risk	31.98 ~ 29.28
CAR After Shock (combined) %	**8.67~-121.72**

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 (54.85% of total funding), shareholder's equity (21.38% of total funding), borrowing from other bank and FIs (18.74% of total funding) and other liabilities (provision, payable etc.) (5.03% of total funding). The deposit was mainly composed of term deposit (99.67%) and insignificant portion were other deposits.

The shareholder's equity was contribution of paid-up capital of 85.85%, retained earnings of 6.75%, statutory reserve of 6.13% and the remaining 1.27%was share premium in 2025. 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 54.66% of total deposits as of December 31, 2025 indicating concentration risk over the long period. Management has plan to reduce such concentration gradually.

AFPLC has credit line with 2 banks namely Commercial Bank of Ceylon PLC and NCC Bank PLC. The outstanding balance stood at BDT 177.63 million as on December 31, 2025 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 decreased to Tk.181.80 million in YE2025 from Tk.396.08 million in YE2024 due to increase in interest paid, decrease in distribution of loans & advance and decrease in term and other deposit etc. While analyzing the assets liability maturity bucket as on December 31, 2025, it has been observed that liquidity bucket of (1-3) months have been showing a positive balance of Tk.212.62 million and (3-12) months also have been showing a positive balance of

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Average liquidity

Tk.72.96 million. On the other hand, it has been observed that the company has overall net liquidity surplus of Tk.1,345.43 million. During the period, the company has paid cash dividend of Tk.32.72 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.6.41 million and Tk.431.89 million respectively in 2025. Investment portfolio to deposit ratio stood at 1.47 times in 2025, compared to 1.50 times in 2024. Loan to fund ratio stood at 84.46% and 87.38% as on December 31,2005 and 2004 respectively.

10.0 OBSERVATION SUMMARY

Rating Comforts:	**Rating Concern:**
• Good capital base • Good asset quality • Renowned local Sponsors • Proven track record of the joint venture partner • Experienced management team	• High efficiency ratio • Fluctuating trend in financial performance • Limited core business and credit portfolio • Significant concentration on top 10 depositor's and top 10 borrower's • Exposed to capital market risk • Limited branch network
Business Prospects:	**Business Challenges:**
• 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	• Lack of Trust and Confidence • Stress in asset quality with low recovery performance • Stress in maintain regulatory capital requirement • Weak Governance Structure • Low Profitability • 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.]

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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. G. Priyankara	Director
Mr. Moraendage Jayantha Thilakarrathne	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
Arif Abdut Towab	Company Secretary
Shah Md. Abu Ruyhun	Head of Retail Finance
Mohammad Anowar Hossain	Head of Treasury
Ishrat Alam	In-charge of Human Resources
Navila Hasan	In-charge-Brand, Communication and Corporate Affairs

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
2025	2,000.00	1,155.00	---

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12. FINANCIAL INFORMATION

Balance Sheet (As on December 31)

Tk. in million

Particulars:	2025	2024	YE2023
Cash:	**53.96**	**53.02**	**50.27**
Cash in hand	0.007	0.003	0.02
Balance with Bangladesh Bank	53.95	53.01	50.25
Balance with other Banks and Financial Institutions:	**610.72**	**255.23**	**446.86**
Inside Bangladesh	610.72	255.23	446.86
Money at Call & Short Notice	50.00	200.00	300.00
Investments in Securities	**402.94**	**376.03**	**200.67**
Government		98.53	
Others	402.94	277.50	200.67
Lease, Loans and Advances:	**5,057.70**	**4,689.31**	**4,048.79**
IN Bangladesh	5,057.70	4,689.31	4,048.79
Fixed Assets including Premises, Furniture & Fixtures	40.95	35.43	53.41
Other Assets	76.21	45.42	53.18
Non Banking Assets	-	-	-
Total Assets	**6,292.49**	**5,654.44**	**5,153.19**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other Banks, Financial Institutions and Agents	**1,179.14**	**906.86**	**798.35**
Deposits and Other Accounts	**3,451.1**	**3,126.86**	**2,849.16**
Other Liabilities	316.76	287.95	256.32
Total Liabilities	**4,947.06**	**4,321.67**	**3,903.83**
Capital/Shareholders' Equity	**1,345.43**	**1,332.77**	**1,249.36**
Paid-up Capital	1,155.00	1,155.00	1,050.00
Share Premium	17.20	17.20	122.20
Statutory Reserve	82.45	68.37	51.69
Retained Earnings	90.77	92.20	25.47
Total Liabilities & Shareholders' Equity	**6,292.49**	**5,654.44**	**5,153.19**

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Income Statement (Year end December 31)

Tk. in million

Particulars:	YE2025	YE2024	YE2023
Interest Income	**665.53**	**625.06**	**467.27**
Less: Interest paid on Deposits & Borrowings etc.	443.73	403.79	280.31
Net Interest Income	**221.80**	**221.27**	**186.96**
Income from Investment	42.89	27.60	20.48
Commission, Exchange and Brokerage	-	-	-
Other Operating Income	1.77	4.73	6.40
Total Operating Income	**266.46**	**253.60**	**213.84**
Salaries and Allowances	84.27	72.69	67.89
Rent, Taxes, Insurances, Electricity etc.	8.87	8.34	7.62
Professional Charges	1.67	2.61	1.65
CEO's Salary and Benefits	14.32	12.02	10.78
Postage, Stamps, Telecommunication etc	0.79	0.79	0.75
Stationery, Printings, Advertisements etc	1.59	2.11	1.83
Directors' Fees	2.35	1.18	.53
Auditors' Fees	.489	.43	.42
Depreciation & Repairs of FI's Assets	21.78	19.85	19.94
Other Operating Expenses	20.73	17.96	16.54
Total Operating Expenses	**156.87**	**137.99**	**127.96**
Profit before Provision	**109.59**	**115.61**	**85.88**
Provision for Loans, Advances & Leases	2.26	(11.05)	26.90
Provision for the diminution in the value of investments	(.51)	5.70	(0.06)
Total Provision	**1.76**	**(5.35)**	**26.84**
Total Profit before Provisions for Taxation	**107.84**	**120.96**	**59.04**
Provision for Income Tax	**37.43**	**37.55**	**34.63**
Current Tax Expenses	36.01	37.15	31.77
Deferred Tax Expenses	1.42	0.39	2.86
Net Profit after Taxation	**70.41**	**83.41**	**24.40**

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CRISL RATING SCALES AND DEFINATIONS
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.

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