

CREDIT RATING REPORT
On
SOCIO ECONOMIC BACKING ASSOCIATION (SEBA)

REPORT: RR/64751/23

*This is a credit rating report as per the provisions of the Credit Rating Companies Rules, 2022. CRISL's entity rating is valid one year for long-term rating and 6 months for short term rating. CRISL's Bank Loan rating (blr) is valid one year for long-term facilities and up-to 365 days (according to tenure of short term facilities) for short term facilities. After the above periods, the rating will not carry any validity unless the enterprise goes for rating surveillance.
CRISL followed MFI Rating Methodology published in CRISL website www.crislbd.com*

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Entity Rating

Long Term: A-
 Short Term: ST-3

Outlook: Stable

**SOCIO ECONOMIC
 BACKING
 ASSOCIATION (SEBA)**

ACTIVITY

Non-government
 organization and micro
 finance activity

YEAR OF

COMMENCEMENT
 1997

CHAIRMAN

Md. Moniruzzaman

TOTAL FUND

Tk. 778.44 million

TOTAL ASSETS

Tk. 6,142.26 million

Date of Rating: June 04, 2023		Valid up to: June 03, 2024
		Long Term
Entity Rating		A-
Outlook		Stable
Bank Facilities Rating		
Bank/FI	Mode of Exposures (Figures in million)	Bank Loan Ratings
Midland Bank Ltd.	Term Loan Outstanding of Tk. 100.00	blr A-
	Working Capital Loan Limit of Tk. 100.00	blr A-
Dhaka Bank Ltd.	Working Capital Loan Limit of Tk. 100.00	blr A-
	Term Loan Outstanding of Tk. 175.40	blr A-
Southeast Bank Limited	Term Loan Outstanding of Tk. 83.94	blr A-
	Premier Bank Ltd.	Term Loan Outstanding of Tk. 22.51
Community Bank Bangladesh Limited	Term Loan Outstanding of Tk. 119.56	blr A-
	Lanka Bangla Finance Ltd.	Term Loan Outstanding of Tk. 67.29
Pubali Bank Ltd.	Working Capital Loan Limit of Tk. 75.00	blr A-
	Agrani Bank Limited	Working Capital Loan Limit of Tk. 100.00
Dhaka Bank Limited	Working Capital Loan Limit of Tk. 100.00	blr A-
	Standard Bank Ltd.	Term Loan Outstanding of Tk. 177.70
Union Bank Ltd.	Working Capital Loan Limit of Tk. 100.00	blr A-
	IDLC Finance Limited	Working Capital Loan Limit of Tk. 99.00
IIDFC	Term Loan Outstanding of Tk. 11.09	blr A-
	IPDC Finance	Term Loan Outstanding of Tk. 80.10
Jamuna Bank Ltd.	Term Loan Outstanding of Tk. 32.39	blr A-
	SBAC Bank	Term Loan Outstanding of Tk. 16.81
		Working Capital Loan Limit of Tk. 40.00
Bangladesh NGO Foundation	Term Loan Outstanding of Tk. 31.78	blr A-
	Grihayan Tahobil	Term Loan Outstanding of Tk. 15.71

1.0 RATIONALE

CRISL has assigned the Long-Term Rating 'A-' (pronounced as single A minus) and the Short Term Rating 'ST-3' to Socio Economic Backing Association (SEBA) on the basis of its relevant quantitative and qualitative information up to the date of rating. The above ratings have been assigned after due consideration to its fundamentals such as average business performance, experienced management team, regular loan repayment status etc. The above factors are however, constrained to some extent by moderate capital adequacy and high debt to capital ratio etc.

The Long-Term rating implies that entities rated in this category are adjudged to offer adequate safety for timely repayment. This level of rating indicates a corporate entity with adequate and reliable credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. The Short-Term rating indicates good certainty of timely repayment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital and financial market is good with small risk factors.

CRISL also placed the entity with 'Stable' Outlook with an expectation of no extreme changes in economic or company situation within the rating validity period.

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2.0 ORGANIZATIONAL PROFILE

2.1 The Genesis

Socio Economic Backing Association (SEBA), is a non-government, non-profitable and non-political voluntary development organization established on 1st July 1997 with a view to assist the improvement of the Socio-Economic status of the rural disadvantaged, unskilled and economically backward people. In the year 1997, SEBA directly started its intervention at the field level, after having the legal status from the Government of Bangladesh by providing various support and services to the destitute people of Bangladesh. The major focus of SEBA on the area such as illiteracy, food shortage, poor health, malnutrition and short life expectancy etc. Moreover, the organization is giving more priority is women empowerment, community development, agriculture, education & training, health & nutrition, food security, human rights and micro credit program. In order to running various programs, the organization is supported by numerous GOB/Non-Government and international donors which provided financial and technical support to SEBA. The Registered Office of the organization is located at Biswas Betka, Mymensingh Road, Tangail-1900.

2.2 Chronicle of Registration

SEBA currently is registered under three (3) registering bodies and the details of it is shown in the following table:

Status of Registration

Sl. No	Registering bodies	Registration Number	Date of Registration/ Renewal
1	Microcredit Regulatory Authority (MRA)	01151-00141-00287	June 15, 2008
2	NGO Affairs Bureau (NGOAB)	1931	May 11, 2029
3	Department of Social Welfare	TA-1033/98	June 16, 1998

Registered by 3 bodies

2.3 Operational Network

Under the rating period the organization has newly opened 20 branches and now operating with 147 microcredit branch offices which are being operated in 5,884 villages under 101 upazilas, 994 unions in 17 districts. At present, the organization has total 269,888 members in April 30, 2023.

Operating by 147 branches

3.0 MICRO FINANCE PROGRAM

The Micro Finance Program of the organization, which began in 1998 has now been scaled up and winged with other projects to realize the availability of financial services for the poor households to reduce vulnerability and help the poor people to increase their income. The project has been focusing on increasing the income of rural poor through providing required financial support to the rural poor and vulnerable people. The micro credit loan disbursement is mainly made through 10 components. A summary of Micro Finance Program since inception has been given below:

(Amount Tk. in million)

Name of Loan Product	Number of Beneficiary Since Inception (As on April 30, 2023)	Total Fund Disbursement Since Inception (As on April 30, 2023)	Total Deposit Collect Since Inception (As on April 30, 2023)	Total Fund Collection Since Inception (As on April 30, 2023)	Current Loan Receivable Position (As on April 30, 2023)
MC	213,270	18,641.25	5,060.49	15,925.47	2,715.78
ME	44,186	15,291.47	2,135.39	12,935.93	2,355.54
AG (MC)	2,779	2,699.65	-	2,670.36	29.29
AG (ME)	244	339.01	-	332.33	6.69
RRS(MC)	48	204.68	-	203.99	0.70
RRS(ME)	10	95.61	-	95.17	0.44
SML-MC-M	990	73.40	14.84	54.41	18.99
SML-ME-M	7,865	860.03	122.70	292.05	567.97
Ujjibon	296	44.68	9.61	33.28	11.40

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HL	200	30.14	-	15.59	14.54
Total	269,888	38,279.92	7,343.03	32,558.58	5,721.34

Out of ten microcredit programs, the major portion of loan disbursement consists of MC program of Tk. 18,292.15 million, thereafter ME of Tk. 14,921.37 million respectively. Therefore, deposit and fund collection is also high in MC and ME program respectively.

4.0 OPERATIONAL PROCESS

4.1 Credit Policy

The organization follows the credit manual for credit disbursement. First of all the organization starts with conducting a detailed survey of the area covering various aspects such as tentative number of members, women's business, willingness and socioeconomic conditions of the residents etc. If the area is found to be suitable, the Branch Manager holds a projection meeting with local commissioner, respectable people, interested women and their husbands of the area and develops an area map to assess the number of households, number of centers, and distance between two centers within the area. The Branch Manager explains the objectives of the organization and invites applications from interested participants in prescribed form for its membership. The membership is allowed after due verification and the potential members form group of minimum 20 persons to a maximum 30 persons. Among them a group leader is selected and the members are required to submit their loan applications through group leader who recommends and forwards the applications to the branch offices for granting loan. The group leader should become nominee for each new disbursement for the existing or new members. After having approval from the relevant authority, disbursements of loan are made from branch offices. Both loan repayments and collection of deposit are made in local branch offices.

4.2 Savings Scheme

The organization has saving schemes for its group member. There are three types of savings schemes for the members such as Compulsory Savings Schemes, Voluntary Savings and Term Savings Schemes. Compulsory and voluntary savings schemes provide 6% and term saving scheme provides 8%-12% annual interest (duration 5/10 years) to its members. At the end of the fiscal year June 30, 2023, the total savings stood at Tk. 2023.00 million.

3 types of saving schemes

5.0 MICRO FINANCE INDUSTRY IN BANGLADESH

Any agency that is not controlled by Government can be regarded as NGO. The public perception of Non-Governmental Organizations (NGOs) is that, they are working for the common good of individuals or groups. The history of NGOs in Bangladesh could be traced way back to the British colonial period. Since the British era, NGOs in its traditional form have been working in Bangladesh as different religious trust-based schools, hospitals and orphanages. However, NGOs in Bangladesh got a radical transformation and turned into agents of development in the post-independence era. Since 1970s, NGOs therefore has become the part of the institutional framework of poverty alleviation in Bangladesh. The NGO sector in Bangladesh is an inseparable part of our society. Gradually, NGOs started to work in the field of group formation, credit, formal and non-formal education, health and nutrition, family planning and MCH (Mother and child Health) gender development, poultry and livestock, agriculture, sanitation, environment, human rights, advocacy, legal aids and many other fields. Untiring efforts and intrinsic zeal have led NGOs towards assisting the poor in poverty alleviation and to empower them in every aspect of social life.

Specially, a range of statutory and administrative regulations exists in Bangladesh for registration, prior review, project approval and utilization of foreign funds by NGOs, that is the real sources of NGO functioning. The legal framework has two major dimensions: one is laws for incorporation and providing legal entity to NGOs; and another is laws governing the relationship of NGOs with the Government. NGOs in Bangladesh are registered under different Acts. These are (1) The Societies Registration Act, 1860; (2) The Trust Act, 1882; (3)

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Voluntary Social Welfare Agencies (Regulation and Control) Ordinance 1961; (4) Co-operative Societies Act, 1925 and (5) The Companies Act, 1913 (amended in 1914). NGOs registered under these above mentioned acts are controlled in accordance with (1) The Voluntary Social Welfare Agencies (Regulation and Control) Ordinance 1961; (2) The Foreign Donation (voluntary activities) Regulation Ordinance, 1978 (amended in 1982) and (3) The Foreign Contribution (Regulation) Ordinance, 1982. The highest number of NGOs is registered under The Societies Registration Act, 1980. The NGO Affairs Bureau (NGOAB) was established in 1990 with the authority to register and regulate all NGOs operating with foreign funds in Bangladesh. With a large number of laws, ordinances, rules and regulations applying to NGO operations, difficulties and inconsistencies have emerged. The whole legal framework needs to be revamped to facilitate the promotion of a healthy NGO sector and strengthen the national context for increased Government-NGO collaboration and partnership in functioning for the betterment of the people.

Bangladesh is the breeding ground of some world-renowned Non-Profit Organizations (NPO). NGOs mainly focus on Microfinance, Development Program and Solar Home System etc. The Microcredit Regulatory Authority (MRA), established by the Government in August, 2006 and all microfinance operation is regulated under MRA. Currently, 739 institutions (as of June 30, 2022) have been licensed by MRA to operate Micro Credit Programs. But, Grameen Bank is out of the jurisdiction of MRA as it is operated under a distinct legislation- Grameen Bank Ordinance, 1983. Compared to other countries, Bangladeshi MFIs are doing exceptionally well in accountability. The MRA do an audit of MFI on quarterly basis, the PKSF does audit to their partners in every two months. This is not only a financial audit; it is a management audit too. These NGOs have to report to the DCs and UNOs. They also have to report to the NGO Affairs Bureau (NGOAB) of Prime Minister's Office of Bangladesh. The NGOAB also do an annual audit for each of their approved projects with regular field level monitoring.

In Bangladesh, 90% members are female in microcredit sector. Bangladesh is one of the poorest and densely populated countries of the world. Nearly half of the population lives under the poverty line, out of which 30 million are ultra poor.

In Bangladesh total microfinance organization stood at 739 where total branches is 23,543 in FY2021-22. A details picture of micro credit situation under Microcredit Regulatory Authority (MRA) certified organization is as below:

Particulars	FY2021-22	FY2020-21	FY2019-20	FY 2018-19	FY2017-18
Branch	23,543	20,955	20,898	18,977	18,196
Staff	206,713	175,741	171,110	162,175	1,53,919
Members (in millions)	38.26	35.19	33.31	32.37	31.22
Borrowers (in millions)	29.74	27.80	26.15	25.76	25.40
Loan Disbursement (in billions)	1918.80	1512.09	1362.75	1403.17	1,201.91
Loan Outstanding (in Billion BDT)	1241.50	949.85	888.64	787.58	673.90
Savings (in Billion BDT)	496.24	422.39	373.90	306.19	262.95

(Source: MRA-MIS database-2022)

A detail of Overall microcredit scenario of Bangladesh in FY2021-22 is as below:

Details	Member (In Millions)	Borrowers (In Million)	Loan Disbursement (Billion BDT)	Loan Outstanding (Billion BDT)	Savings (Billion BDT)
MRA	38.26	29.74	1918.80	1241.50	496.24
Grameen Bank	9.93	6.84	206.57	145.94	232.65
Various Government Departments/ Institutions/Special Programs	16.56	7.44	95.53	142.71	57.04
Govt. and Non-govt. Bank	1.68	0.64	39.78	64.53	13.31
Total	66.44	44.66	2260.68	1594.68	799.24

In FY 2021-22, MRA institutions distributed total loan among SME beneficiaries of Tk. 1,918.80 billion. The total loan outstanding is Tk. 1,241.50 billion in June 30, 2022 where the NPL is

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(Consisting of substandard, doubtful and bad loan) is 6.74%. Out of which top 20 MRA organizations loan outstanding is Tk. 953.33 billion which is 76.79% of total loan outstanding.

Though NGOs play a vital role in Bangladesh to serve the poor people who are needy of financial support, they work under many constraints and challenges. One of the problems of the NGO industry is lack of transparency in NGOs along with very small number present information about their employees, processes of work and sources of grants, international donation, human resources management and HR development, democracy and good governance, lack of indigenous funding, competition among the NGOs, strategic management etc. In addition, some of challenges that NGOs are facing are: (a) lack of financial sustainability; (b) shortage of efficient employees and high employee attrition; (c) inadequate infrastructure; (d) undue interference and control by the government; (e) lengthy fund release process; (f) low level of inter-sect oral cooperation; (g) inadequate training and low level of true professionalism among employees often aggravated by lack of job security; (h) lack of information and relevant research; (i) religious conservatism and militancy, and threat of terrorism; (j) political pressure and political instability; k) Unfavorable tax regime; and (l) natural calamities.

The microfinance institutions (MFIs) in Bangladesh are facing a cash flow crisis amid the deadly Covid-19 pandemic. The MFIs did not collect loan installments from their clients for the last one and half months as the government halted nationwide operations. On the other hand, the rural people who make up majority of the clientele of these institutions did not get loans during that period despite a huge demand. Most of the mid and small levels MFIs are already facing hardships and difficulties in paying full salaries to their staff last month.

Under the situation, the MRA issued a circular for MFIs to operate on a limited scale until further notice. During the limited operation, microfinance institutions can distribute relief, pay back deposits, and provide loans from the stimulus package of Tk.3,000 crore for proper health safety measures.

The Asian Development Bank (ADB) tripled the size of its response to the novel coronavirus disease (COVID-19) pandemic to \$20 billion and approved measures to streamline its operations for quicker and more flexible delivery of assistance. The package expands ADB's \$6.5 billion initial adding \$13.5 billion in resources to help ADB's developing member countries counter the severe macroeconomic and health impacts caused by COVID-19. This fund will be provided to help governments of developing member countries implement effective countercyclical expenditure programs to mitigate impacts of the COVID-19 pandemic, with a particular focus on the poor and the vulnerable. Grant resources will continue to be deployed quickly for providing medical and personal protective equipment and supplies from expanded procurement sources. Refinance scheme for micro finance loan should be operated with ultimate interest rate in a range of 5-7 per cent. NGOs and MFIs (microfinance institutions) should be entitled to any central bank refinance scheme directly rather than through scheduled commercial banks.

6.0 INSTITUTIONAL GOVERNANCE

6.1 General Committee

SEBA follows a two-tier governing body which is composed of General Council and Executive Committee to efficiently carry out operational and strategic decision making activities of the organization. The general body consists of 25 members and they hold the supreme authority of the organization. They are also responsible to elect the 7 members for Executive Committee of SEBA. The General Council regularly meets once in a year in the Annual General Meeting as per by-laws. There is also provision to meet on emergency special meeting as and when required. The General Body deals with policy issues and do not interfere in routine matters of the organization. The policy issues and specific issues are dealt in the annual general meeting. It also approves annual budget, annual report, funding strategy, management fee, annual financial reports of the organization, appoints external auditor, and elects the members of the Executive Committee.

General Committee consists
of 25 members

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6.2 Executive Committee

Executive Committee (EC) of SEBA consists of 7 members, elected by the General Council for three years term which provides policy guidelines to SEBA and its institutions. The General Secretary of the EC takes care of constitutional affairs of SEBA and convenes the meeting of GC and EC. Executive Committee meets on quarterly basis or anytime if so required. Md. Moniruzzaman acts as the Chairman and Md. Riyz Ahmed Liton acts as a Member Secretary of the SEBA. The General Committee is entitled to elect the members of the Executive Committee with the responsibilities of supervising all the activities of the organization, assisting the Chairman in case of need, approving the budget of the organization as well as different projects under operation, deciding on any changes in the activities of the organization subject to the approval of the General Committee. It also evaluates the progress report on the activities of organization's projects and examines accounts, approves the policy of recruitment of the staff.

7 members in Executive Committee

The Executive Committee of SEBA

Sl. No	Name	Designation	Educational Qualification
1.	Md. Moniruzzaman	Chairman	MA, LLB
2.	Tanvir Ahamed	Vice-Chairman	BA
3.	Md. Riyz Ahmed Liton	Member Secretary	B.com
4.	Hasina Akter	Treasurer	MA
5.	Kazi Bahalul Hoque	Executive Member	MA
6.	Mohammad Kamruzzaman	Executive Member	BA
7.	Farida Khan	Executive Member	MA

6.3 Management Team

SEBA holds an experienced and efficient management team and it is controlled by the Executive Director, Md. Riyz Ahmed Liton. The top-tier management team members are qualified and have long experience in Microfinance sector. They are committed to the organization's mission and vision. The management enjoys enough delegation for the smooth running of its activities. A list of top management is given below:

Experienced management team

Management Team of SEBA

SL No	Name	Designation	Educational Qualification	Experience (in years)
1	Md. Riyz Ahmed Liton	Executive Director	B.com	26
2	Md. Saidur Rahman Mollik	Director Admin	B.A	26
3	Md. Shahinur Islam	Director Finance	B.A	26
4	Md. Monirul Haque	Director Operation	B.A	26
5	Tapos Sarker	Deputy Director (Accounts)	M.com (Accounting)	20
6	Abu Helal Mostafa Zaman	Deputy Director (Credit)	M.A	13 years in SEBA and 20 years in ASA NGO
7	Mohammad Abdur Rashid	Asst. Director (HRD)	MBA	20

6.4 Human Resources Management

SEBA pursues a set of Service Rules covering major aspects of HR practices and offers a congenial working environment to its human resources. The service terms as set forth, demonstrate a detail guideline and covers major aspects of HR practices. Initially to become permanent employee, a person has to sustain a probationary period and have to wait for the approval of the Management Committee. After the approval, the individual is entitled to receive competitive salary followed by two festival bonuses, annual increments, provident fund, gratuity, overtime allowance and daily allowance etc. Currently, the total number of employees in SEBA stood at 1,505 as on April 30, 2023. Moreover, the organization follows a gender policy to ensure more women empowerment among the organization as well as in the society.

6.5 Management Information System (MIS)

SEBA has established automated system all branches. The organization embarked on "Microfin360" and successively connected between all 147 branch offices. The MIS function managed by one IT Manager and One Hardware Officer to look after computer automation.

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SEBA simultaneously adopted policies to facilitate management of computerized data entry and reporting system. Computer automation greatly enhanced the capacity of the organization to readily access field data and put a check on errors and data manipulation. At present, SEBA has used various types of modules like saving module; loan module; due classification, staff and work module; integrated income and expenditure account module; integrated balance sheet account module; integrated collection and payable account module; cash in hand & bank module; trial balance module and branch based loan information module.

6.6 Internal Control System

SEBA has 12 members internal audit department which is chaired by Md. Shahinur Islam, Director (Program). According to their pre-defined auditing schedule, they have performed an audit of all branches. The frequent and constructive audit gives the organization a better view of their branches. The established internal audit department performs a regular audit of the branches according to their audit schedule. The main activities of audit department are prepared monthly/yearly audit plan, an audit of branch/ project, prepare an enclosed audit report, follow-up of previous audit observation and prepare of the compliance report. After proper assessment of a branch, the audit team reports their finding to the executive committee and the committee is expected to take proper initiatives. A detail of internal audit team has given below:-

Internal Audit Team of SEBA

Sl. No.	Name	Designation	Educational Qualification
1	Md. Abdul Hamid	Audit Chief	MSS
2	Md. Masum Pervez	Audit Officer	MBS
3	Md. Saidur Rahman	Audit Officer	MBS
4	Md. Sadiqul Islam	Audit Officer	BBA
5	Md. Shahinur Rahman	Audit Officer	M.com
6	Md. Iman Ali	Audit Officer	M.com (Accounting)
7	Md. Zahid Hasan	Audit Officer	B.com (pass)
8	Md. Showkat Ali	Asst. Audit Officer	M.com (Accounting)
9	Md. Sohel Rana	Asst. Audit Officer	MBS
10	Subrata Karmaker	Asst. Audit Officer	MBA
11	Md. Shahin Pramanik	Asst. Audit Officer	M.com (Accounting)
12	Md. Ruhul Amin	Asst. Audit Officer	B.com (Pass)

7.0 ANALYTICAL FRAMEWORK

The disclosures of accounts of the organization have been found moderate. The micro finance audited financial statement for the year ended June 30, 2022 has been considered for financial performance. Financial statement has been audited by the Ahmed Zaker & Co. Chartered Accountants.

8.0 BUSINESS PERFORMANCE

Indicators	FY2021-22	FY2020-21	FY2019-20
Loan Disbursement (In million Tk. micro credit)	9337.65	4532.25	4429.45
Total Borrower (No of Person) (Micro credit)	200,442	126,481	119,228
Loan Outstanding (In million Tk.)	5132.56	2617.42	2650.35
Total Savings portfolio (In million Tk.)	2023.00	1312.99	1259.82
Total Income (In million Tk.)	902.31	639.01	634.34
Total Expense (In million Tk.)	767.84	594.70	559.69
Net Surplus (In million Tk.)	134.47	44.30	74.65
Growth of Loan Disbursement (%)	106.03	2.32	(5.45)
Growth of Savings Portfolio (%)	54.08	4.22	17.47

*FY-information has taken from audited account

Average business performance

The operational performance of the SEBA in microfinance activities has found to be average. Due to increase in number of borrower (from 126,481 in FY2020-21 to 200,442 in FY2021-22) the loan disbursement also increased (from Tk. 4,532.25 million in FY2020-21 to Tk. 9,337.65

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million in FY2021-22). Subsequently, the loan outstanding also increased to Tk. 5,132.56 million in FY2021-22 from Tk. 2,617.42 million with a 96.09% increase in FY2021-22. When analyzing the savings portfolio, it has been found that total savings portfolio stood at Tk. 2,023.00 million in FY2021-22 from Tk. 1,312.99 million in FY2020-21 with a 54.08% growth.

Revenue dominated by the MF program

Particulars	FY2021-22		FY2020-21	
	Million Tk.	% of Total	Million Tk.	% of Total
Service Charge of MF program	849.06	94.10	593.11	92.82
Bank Interest	6.80	0.75	10.06	1.57
Bank interest on FDR	25.89	2.87	17.54	2.75
Sale proceeds from Pass Book and Forms	4.51	0.50	2.86	0.45
Donation	-	-	2.56	0.40
Other Operating Income	16.04	1.78	12.86	2.01
Total Income	902.31	100.00	639.01	100.00

When analyzing the operating income of the SEBA, it has been found that total operating income stood at Tk. 902.31 million in FY2021-22 compared to Tk. 639.01 million in FY2020-21. Operating income is continuously dominated by the income from Microfinance (MF). Service charged from Microfinance stood at Tk.849.06 million in FY2021-22 which is nearly 94.10% of total operating income compared to Tk. 593.11 million in FY2020-21. After deducting the all operational and financial expenses, the net surplus of the organization stood at Tk. 134.47 million in FY2021-22 against Tk. 44.30 million in FY2020-21. The net surplus of the organization increased in FY2021-22 due to increase in operating income.

9.0 OPERATIONAL EFFICIENCY

Indicators	FY2021-22	FY2020-21	FY2018-19
Operational self sufficiency (%)	117.51	107.45	113.34
Return on Average Assets (%)	2.59	1.17	2.30
Return on Average Capital fund (%)	18.58	6.85	12.71
Net Margin (%)	14.90	6.93	11.77
Return on average outstanding portfolio (%)	21.91	22.62	23.00
Cost on average outstanding portfolio (%)	19.82	22.58	21.63
Finance cost to total Operating income (%)	24.17	25.12	26.32
Average cost of fund (%)	3.88	4.21	5.08

The profitability indicators of SEBA increased in FY2021-22 due to increase in net surplus. Currently, the organization is operating with net surplus margin of 14.90% in FY2021-22 compared to 6.93% in FY2020-21. The cost of fund of the organization decreased and stood at 3.88% in FY2021-22 compared to 4.21% in FY2020-21. This decrease is due to the decrease in interest of member savings. The term savings interest was charged previously higher amount than the required which result this year lower interest expenses on member savings.

10.0 ASSETS SIZE

Total assets of the SEBA mostly were financed by the external liability. Total assets size of the organization stood at Tk. 6,142.26 million in FY2021-22, which financed by 54.17% from current liabilities, 33.16% from non-current liability and 12.67% from capital fund. Most of the assets are concentrated in loan to beneficiary which stood at Tk. 5,132.56 million.

When analyzing the compliance criteria of asset creation as per MRA guidelines, fixed assets (other than FDR) stood at Tk. 120.80 million which was 15.52% of cumulative surplus as on June 30, 2022 compared to 17.18% in FY2020-21. Maximum ceiling for fixed assets creation is 35% of cumulative surplus.

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Quality of Credit Portfolio

Particulars	FY2021-22		FY2020-21	
	Million Tk.	% of Total	Million Tk.	% of Total
Regular	4932.68	96.11	2388.33	91.25
Watchful	11.36	0.22	137.35	5.25
Sub-standard	23.32	0.45	29.92	1.14
Doubtful	33.99	0.66	31.47	1.20
Bad Loan	131.22	2.56	30.35	1.16
Total	5132.56	100.00	2617.42	100.00
Non Performing Loan (NPL) (%)	188.53	3.67	91.74	3.50
Loan Recovery Rate (%) (OTR)	--	99.37	--	93.89

While analyzing it has been observed that the total micro credit portfolio of SEBA stood at Tk. 5,132.56 million as on June 30, 2022. It is observed that regular loan stood at Tk. 4,932.68 million, watchful loan (1-30 days) stood at Tk. 11.36 million, sub-standard loan (31-180 days) stood at Tk. 23.32 million, doubtful (181 to 365 days) loan stood at Tk. 33.99 million and bad loan (above 365 days) stood at Tk. 131.22 million as on June 30, 2022. Currently, non-performing loan to outstanding stood at 3.67% in FY2021-22 and 3.50% in FY2020-21. On the other hand, the on time loan recovery rate was also improved in FY2021-22 and stood at 99.37% in FY2021-22 compare to 93.89% in FY2020-21.

11.0 FUNDING AND LIQUIDITY

Particulars	FY2021-22	FY2020-21	FY2018-19
Portfolio to Assets (%)	83.56	62.00	78.82
Current Ratio (Times)	1.81	1.81	1.67
Cash Ratio (%)	9.94	35.97	14.73
Liquidity ratio (%)	98.03	97.28	96.65

Being a non-profit development organization, SEBA has low equity stake. The main sources of funding of the organization are client's savings, capital fund, loan from private bank. The liquidity of the organization has been found moderate. The current ratio of the organization stood at stable and stood at 1.81 times in FY2021-22 and FY2020-21 which are representing a moderate back up capacity to meet the current liabilities besides showing a stable trend due to negative operating cash flow. Maximum portion of the current asset is loan to beneficiaries which comprised around 85.24% of total current assets in FY2021-22. Liquidity ratio of the organization stood at 98.03% in FY2021-22 against 97.28% in FY2020-21.

12.0 LEVERAGE AND SOLVENCY

Leverage and solvency	FY2021-22	FY2020-21	FY2018-19
Equity to total assets(X)	12.67	15.84	18.58
Total outside liability to total asset (%)	87.33	84.16	81.42
Debt service coverage ratio(X)	0.48	0.38	0.50
Total outside liability to equity(X)	6.89	5.31	4.38
Interest coverage ratio (X)	1.62	1.28	1.45
Capital adequacy ratio (%)	14.78	24.33	22.43
Debt to capital ratio (X)	6.16	4.69	3.88

Based on audited consolidated accounts for the year ended June 30

As a microfinance institute, SEBA is a levered concern and debt to equity ratio was increasing over the year. All loans are financed by private bank and member savings. The total liabilities stood at Tk. 5,363.82 million in FY2021-22 against Tk. 3,552.94 million in FY2020-21. The debt service coverage ratio of the organization slightly increased to 0.48 times in FY2021-22 from 0.38 times in FY2020-21 due to increase of net surplus. When analyzing the capital strength of the organization it has been found that Capital Adequacy Ratio (CAR) stood at 14.78% which is marginally lower than the minimum requirement of MRA at 15%.

Moderate liquidity

Debt based capital structure

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13.0 ELIGIBILITY CRITERIA COMPLIANCE

S L	Particulars of Ratio	Standard	FY2020-21	FY2019-20
1	Capital Adequacy (%)	10% (Min)	15.72	24.33
2	Debt Service Cover Ratio (Times)	1.25:1 (Min)	1.09	0.38
3	Current Ratio (Times)	2.00:1 (Min)	2.06	1.77
4	Debt to Capital (Times)	9:1 (Max)	6.70	4.69
5	Rate of Return of Capital (%)	1% (Min)	18.58	6.71
6	Cumulative Recovery Ratio (%)	95.00 (Min)	99.25	98.76
7	On Time Realization (%)	92-100 (Min)	99.37	93.89

As per audited Eligibility Criteria Compliance Certification

When analyzing the PKSF eligibility criteria compliance certifications, it has been observed that SEBA has been maintaining all criteria adequately except debt service coverage ratio in FY2021-22.

14.0 BANKING AND NON BANK FINANCIAL INSTITUTION RELATIONSHIP

14.1 Liability Position & Repayment Status

The total loan outstanding liabilities of SEBA stood at Tk. 1,712.62 million. Details are shown in the following table:

(Tk. in mil.)

Name of the Bank /FIs	Details of Exposures			Outstanding Date as on	Classification Status
	Mode	Sanctioned / Disbursement	Outstanding		
Midland Bank Ltd.	Time loan	100.00	100.00	30-04-23	UC
	Term loan	100.00	100.00		
Dhaka Bank Ltd.	Short term loan	100.00	98.91	30-04-23	UC
NCC Bank Ltd.	Term loan	250.00	175.40	30-04-23	UC
Southeast Bank Limited	Term loan	220.00	57.92	30-04-23	UC
	Term loan	75.00	26.02		
Premier Bank Ltd.	Term loan	250.0	22.51	30-04-23	UC
Community Bank Bangladesh Limited	Term loan	200.00	119.56	30-04-23	UC
Lanka Bangla Finance Ltd.	Term loan	240.00	67.29	30-04-23	UC
Pubali Bank Ltd.	Short term loan	75.00	76.02	30-04-23	UC
Agrani Bank Limited	Short term loan	100.00	195.10	30-04-23	UC
Dhaka Bank Limited	Short term loan	100.00	98.91	30-04-23	UC
Standard Bank Ltd.	Term loan	200.00	177.70	30-04-23	UC
Union Bank Ltd.	Short term loan	100.00	108.13	30-04-23	UC
IDLC Finance Limited	Short term loan	99.00	61.27	30-04-23	UC
IIDFC	Term loan	30.00	11.09	30-04-23	UC
IPDC Finance	Term loan	150.00	80.10	30-04-23	UC
Jamuna Bank Ltd.	Term Loan	50.00	32.39	30-04-23	UC
SBAC Bank	Time Loan	40.00	40.00	30-04-23	UC
	Term Loan	20.00	16.81		
Bangladesh NGO Foundation	Term Loan	40.00	31.78	30-04-23	UC
Grihayan Tahobil	Term loan	34.20	15.71	30-04-23	UC
Total		2,573.20	1,712.62		

*SBAC Bank=South Bangla Agriculture and Commerce Bank Limited, IIDFC= Industrial and Infrastructure Development Finance Company Limited

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14.2 Security Arrangement against Exposures

The mode of the security offered under each financing facilities are summarized below:

Name of the Bank/FIs	Security Arrangement
Midland Bank Ltd.	<ul style="list-style-type: none"> • Hypothecation of book debts • Lien on FDR of 10% of total loan limit • Personal Guarantee of ED • Usual charge document • One cheque covering the entire loan amount
Dhaka Bank Ltd.	<ul style="list-style-type: none"> • Hypothecation of book debts • Lien on FDR of Tk. 20.00 million • Personal Guarantee of all members of EC • Usual charge document
NCC Bank Ltd.	<ul style="list-style-type: none"> • Hypothecation of book debts • Lien on FDR of 20% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • One cheque covering the entire loan amount
Southeast Bank Limited	<ul style="list-style-type: none"> • Hypothecation of book debts • Lien on FDR of 10% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • One cheque covering the entire loan amount
Premier Bank Ltd.	<ul style="list-style-type: none"> • Hypothecation of floating asset • Lien on FDR of 20% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • One cheque covering the entire loan amount
Community Bank Bangladesh Limited	<ul style="list-style-type: none"> • Hypothecation of floating asset • Lien on FDR of 20% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • One cheque covering the entire loan amount
Lanka Bangla Finance Ltd.	<ul style="list-style-type: none"> • Hypothecation of floating asset • Lien on FDR of 15% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • One cheque covering the entire loan amount
Pubali Bank Ltd.	<ul style="list-style-type: none"> • Hypothecation of floating asset • Lien on FDR of 10% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • One cheque covering the entire loan amount
Agrani Bank Limited	<ul style="list-style-type: none"> • Lien on FDR of 10% of total loan limit • Corporate Guarantee of SEBA • Usual charge document • One cheque covering the entire loan amount
Dhaka Bank Limited	<ul style="list-style-type: none"> • Hypothecation of floating asset • Lien on FDR of 20% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • One cheque covering the entire loan amount
Standard Bank Ltd.	<ul style="list-style-type: none"> • Hypothecation of fixed and floating asset • Lien on MTDR of 10% of total loan limit • Usual charge document • One cheque covering the entire loan amount
Union Bank Ltd.	<ul style="list-style-type: none"> • Hypothecation of floating asset • Lien on FDR of 15% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • One cheque covering the entire loan amount
IDLC Finance Limited	<ul style="list-style-type: none"> • Letter of hypothecation on receivables • Usual charge document • 12 post dated cheques

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IIDFC	<ul style="list-style-type: none"> • Hypothecation of floating asset • Lien on FDR of 15% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • One cheque covering the entire loan amount
IPDC Finance	<ul style="list-style-type: none"> • Hypothecation of floating asset • Lien on FDR of 15% of total loan limit • Personal Guarantee of all members of EC • Usual charge document • 60 cheques covering the entire loan amount

15.0 RISK MANAGEMENT

15.1 Operational Risk

SEBA is operating microfinance activities with its 147 branch offices in 17 districts, where those offices need regular monitoring and controlling for their activities. Most of the fraudulent activities of the MFI occur from these branch office levels. Basically, these branch offices make many small, short-term loans to the clients, which need careful monitoring and controlling. But there are many errors and frauds that occur while handling these activities. So, the respective officers of these branches need to be active and responsible to handle work otherwise it might not be cost effective for the organization to handle the microfinance activity efficiently. The organization is thus exposed to operational risk.

15.2 Credit Risk

Credit risk encompasses both the loss of income resulting from the MFI's inability to collect anticipated interest earnings as well as the loss of principle resulting from loan defaults. The organization operates micro finance business in an organized manner as per organization's Credit and Savings Management Manual. It follows the set criteria for selection of borrowers. The organization follows the terms and conditions as laid down in the manual before approval and disbursement of loan. Attendance records in weekly meetings, past loan records, experience, results of investigation by Field Officer (FO) etc. are followed for selection of borrowers. On fulfilling the conditions as stated in loan approval manual, credit proposals are discussed and approved at the weekly meeting of clients. After getting recommendation from the Chairman of the Centre, Field Officer (FO) and Branch manager, then the loan is given to client. SEBA maintains proper provisioning policy against non-performing loan. The organization always tries to avoid legal process for overdue collection rather persuasion and social pressure is their instrument to manage delinquency. If the borrowers default in installment payment, the clients become responsible for refund of loans.

15.3 Loan Recovery Risk

One of the major risks of Microfinance program is collection of installments with high frequency ranging from week to months. The above risk is further fuelled by the loan default culture prevailing in the banking sector although the banking institutions are stronger entities to collect installments due from clients through legal measures and selling collaterals. Under the above background, the MF programs being operated by the NGOs without collateral and with high frequency of loan repayments are yielding a recovery rate of above 95%. The MF organizers are offering micro finance through group guarantee with the incentive of further loan if there is no default in repaying the installments. The above system works favorably for the MFI institutions and assist them to maintain high recovery ratio.


For Chief Executive Officer
Tanzirul Islam
Vice President
 Credit Rating Information and Services Limited

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16.0 OBSERVATION SUMMARY

<p>Rating Comforts:</p> <ul style="list-style-type: none"> • Average business performance • Experienced management team • Automated MIS • Regular loan repayment status 	<p>Rating Concerns:</p> <ul style="list-style-type: none"> • Moderate capital adequacy • High debt to capital ratio • Moderate liquidity
<p>Business Prospects:</p> <ul style="list-style-type: none"> • Enough untapped market • More deposit collection from client 	<p>Business Challenges:</p> <ul style="list-style-type: none"> • Competitive industry • Inadequate fund • Lack of low cost fund • Getting fund from donor

END OF THE REPORT

(Information used herein was 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. The rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities or to finance in a project. All rights of this report are observed by CRISL. The contents may be used by the 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 and procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]


For Chief Executive Officer
Tanzirul Islam
Vice President
Credit Rating Information and Services Limited

CREDIT RATING REPORT On SOCIO ECONOMIC BACKING ASSOCIATION (SEBA)

SCALES AND DEFINITIONS LONGTERM – MICRO FINANCE INSTITUTIONS

RATING	DEFINITION
AAA Triple A (Highest Safety)	INVESTMENT GRADE Micro Finance Institutions 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 MFIs.
AA+, AA, AA- (Double A) (High Safety)	Micro Finance Institutions 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)	Micro Finance Institutions 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)	Micro Finance Institutions 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 MFI is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations.
BB+, BB, BB- Double B (Inadequate Safety)	SPECULATIVE GRADE Micro Finance Institutions rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates a MFI 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 (High Risk)	Micro Finance Institutions 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.
C (Very High Risk)	Micro Finance Institutions rated in this category are adjudged to be with very high risk of timely repayment of financial obligations. This level of rating indicates entities with very serious problems and unless external support is provided, they would be unable to meet obligations in a timely fashion.
D (Default)	Micro Finance Institutions 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.
SHORT TERM – MICRO FINANCE 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 invest 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 Institution failed to meet financial obligations

CREDIT RATING REPORT On SOCIO ECONOMIC BACKING ASSOCIATION (SEBA)

CRISL RATING SCALES AND DEFINITIONS

BANK LOAN/ FACILITY RATING SCALES AND DEFINITIONS- LONG-TERM

RATING	DEFINITION
blrAAA (blrTriple A) (Highest Safety)	Investment Grade Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have highest credit quality, offer highest safety and carry almost no risk. Risk factors are negligible and almost nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of loans/ facilities.
blrAA+, blrAA, blrAA- (Double A) (High Safety)	Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have high credit quality, offer higher safety and have high credit quality. This level of rating indicates that the loan / facilities enjoyed by an entity has sound credit profile and without any significant problem. Risks are modest and may vary slightly from time to time because of economic conditions.
blrA+, blrA, blrA- Single A (Adequate Safety)	Bank Loan/ Facilities rated in this category are adjudged to carry adequate safety for timely repayment/ settlement. This level of rating indicates that the loan / facilities enjoyed by an entity have adequate and reliable credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
blrBBB+, blrBBB, blrBBB- Triple B (Moderate Safety)	Bank Loan/ Facilities rated in this category are adjudged to offer moderate degree of safety for timely repayment /fulfilling commitments. This level of rating indicates that the client enjoying loans/ facilities under-performing in some areas. However, these clients are considered to have the capability to overcome the above-mentioned limitations. Cash flows are irregular but the same is sufficient to service the loan/ fulfill commitments. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
blrBB+, blrBB, blrBB- Duble B (Inadequate Safety)	Speculative/ Non investment Grade Bank Loan/ Facilities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates loans/ facilities enjoyed by a client are below investment grade. However, clients may discharge the obligation irregularly within reasonable time although they are in financial/ cash problem. These loans / facilities need strong monitoring from bankers side. There is possibility of overcoming the business situation with the support from group concerns/ owners. Overall quality may move up or down frequently within this category.
blrB+, blrB, blrB- Single B (Somewhat Risk)	Bank Loan/ Facilities rated in this category are adjudged to have weak protection factors. Timely repayment of financial obligations may be impaired by problems. Whilst a Bank loan 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. Special monitoring is needed from the financial institutions to recover the installments.
blrCCC+, blrCCC, blrCCC- Triple C (Risky)	Risky Grade Bank Loan/ Facilities rated in this category are adjudged to be in vulnerable status and the clients enjoying these loans/ facilities might fail to meet its repayments frequently or it may currently meeting obligations through creating external support/liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support. These loans / facilities need strong monitoring from bankers side for recovery.
blrCC+, blrCC, blrCC- Double C (High Risky)	Bank Loan/ Facilities rated in this category are adjudged to carry high risk. Client enjoying the loan/ facility might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support. These loans / facilities need strong monitoring from bankers side for recovery.
blrC+, blrC, blrC- (Extremely Speculative)	Bank Loan/ Facilities rated in this category are adjudged to be extremely risky in timely repayment/ fulfilling commitments. This level of rating indicates that the clients enjoying these loan/ facilities are with very serious problems and unless external support is provided, they would be unable to meet financial obligations.
blrD (Default)	Default Grade Entities rated in this category are adjudged to be either already in default or expected to be in default.

SHORT-TERM RATINGS

blrST-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.
blrST-2	High Grade High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
blrST-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.
blrST-4	Satisfactory Grade Satisfactory liquidity and other protection factors qualify issues as to invest grade. Risk factors are larger and subject to more variation.
blrST-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.
blrST-6	Default Institution failed to meet financial obligations