



ARGUS

CREDIT RATING

CREDIT RATING REPORT OF

BEDO

UNWAVERING INDEPENDENCE

UNCOMPROMISING QUALITY

UNMATCHED INNOVATION

**ARGUS CREDIT RATING SERVICES LTD.
(ACRSL)**

Credit Rating Report

BEDO

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Ref No	: ACRSL34612/23
Company Name	: BEDO
Assigned Ticker	: BEDO
Activity	: Micro Credit Program and Other Program
Incorporated On	: 1993
Head Office	: Rahman Lucid Tower, D-2, 19/3, Kakrail, Dhaka, Bangladesh
Rating Type	: Corporate / Entity
Publishing Date	: 26 Oct 2023
Rating Validity	: 26 Oct 2024
Nature of Rating	: Initial
Analyst(s)	: ACRSL Analyst Team
Committee(s)	: ACRSL Rating Committees

Rating Summary

Long-Term	Short-Term	Outlook
A	ST-2	Stable

Rating Explanation

Rating	Explanation
A	Investment grade. High credit quality and low expectation of credit risk. When assigned this rating indicates the obligor has strong capacity to meet its financial obligations but may be vulnerable to adverse economic conditions compared to obligors with higher credit ratings.
ST-2	High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

Rating Validity: This validity assumes no additional loan over that disclosed in FY23 [Ending June 30] audited/management certified balance sheet and that management has disclosed all material & adverse to financials since FY21.



Khair Md. Abdul Wahab, FCMA
Chief Executive Officer
ARGUS Credit Rating Services Ltd.

RATING RATIONALE:

We, ARGUS Credit Rating Services Limited (hereafter "ACRSL"), are assigning a Long-Term rating of "A-" and Short-Term rating of "ST-2" in favor of **BEDO** (hereafter "the company" or "BEDO"). The outlook for the rating is **Stable**.

- **BEDO disbursement of Micro loan such as Jagoran, Agroshar, Sufalan, Buniyad, Agroso-RAISE, Livelihood Improvement, etc.** contributes to credit disbursement and robust income growth in FY23. As the number of total member increased 14.64% from previous year. Supporting this company expanded its business by increasing number of village to 744 in FY23 from 288 in FY22. This factors have direct impact on BEDO's business which increased the credit disbursement and contributes to the strong interest income growth of 60% YoY from FY22-FY23. BEDO's main operation is centered on the surrounding districts of Naogaon, Jaypurhat, Bagura, Rajshahi, and Dhaka. The unit offices of BEDO cover the entire districts of Bangladesh. BEDO operates its activity throughout 25 branches.
- **Improved profitability indicators in FY23:** In FY23, BEDO's reported net profit is BDT 56.58 MN with a total asset base of BDT 1,194.16 MN as on June 30, 2023. The company's net interest margin stayed at 16.58% in FY23. High growth in loan portfolio and seasoning of the loan portfolio as higher disbursements came in FY23. As a consequence BEDO's loans and advance increased from BDT 467.24 MN in FY21 to BDT 713.15 in FY22 representing a YoY growth of 52.63% during the same period. Which later increased to BDT 981.70 MN in FY23 representing a YoY positive growth of 37.66 percentage point.
- **BEDO has maintained low capitalization and high leverage ratio, making them susceptible to stressed liquidity scenarios.** BEDO has maintained low capital base, high debt to equity ratio and bit of high credit deposit ratio which has softened their liquidity positions. BEDO's loan disbursement has grown disproportionately with the growth of donor funding and member deposit base. Moreover, with the lack of adequate capital base in proportion to the deposit base and borrowings from conventional banking sources, BEDO is significantly vulnerable to any stressed liquidity scenario.
- **Limited financial flexibility owing to dependence on PKSF/Fis.** BEDO has funding relationships with different lenders with around 88.84% of the borrowings as on June 30, 2023 being from PKSF and around 11.16% from banks. However, over the last few years the company has secured funding lines from lenders like Uttara Bank, Southeast Bank, FSIBL, etc. BEDO's cost of fund ratio is showed an increasing trend over the last year. Higher incremental capital requirements putting pressure on BEDO's cost of borrowing ratio. As a consequence cost of fund is showed an increasing trend over the last year. Going forward, the company's ability to diversify its funding base and reduce its cost of funds would be important from the rating perspective.



NGO-MICRO FINANCIAL INSTITUTION SECTOR OF BANGLADESH

ACRSL has neutral outlook over the near-to-intermediate term about BEDO's exposure to the NGO-Micro Financial Institution (MFI) sector. We have a long-term positive outlook on Bangladesh's NGO-MFI sector, with near-to-intermediate term neutral bias, based on following analysis:

- The expanding outreach of the NGO-MFIs through wide variety of services besides credit operations such as the savings mobilization, micro insurance facilities, human resource development through different training and awareness program, health and hygiene program etc. are also becoming part of MFI operations. In the financial services, savings mobilization through some organized institutional setup is ensuring safety and convenience to rural people, who due to remote location of banks, and hesitations due to poor academic background cannot approach the formal banking channel to open accounts or deposit their scanty savings. In this regard, the NGO-MFIs, are playing a key role in collecting the savings of the rural people and are gradually covering the poor population of Bangladesh.
- Some of the large MFIs are becoming self-sustainable and are reducing dependency on external financial sources such as donor funding and commercial banking sources. These large NGO-MFIs have grown from strength to strength to provide credit from their own retained earnings, paid up capital and client deposits. The large NGOs such as BRAC and ASA have already become financially sustainable through becoming wholesale lenders to the MFIs through their own internal funding sources. The MRA is also working towards setting global standards for the NGOs.
- The COVID-19 pandemic has brought on a funding crisis for non-government organizations (NGOs) in Bangladesh and it could well prove to be the final straw for some of them with their survival at stake. Consequently, their high-cost relief activities and initiatives to protect staff's health also are under serious financial strains. Economists and NGO workers expressed that smaller organizations may not survive amid this bleak financial situation. They anticipate the grants inflow to Bangladesh may go down further after its graduation from the list of Least Developed Countries (LDCs), which will leave adverse impacts on socio-economic development by hurting delivery of basic services like health and primary education. According to the bureau report, the funds for the NGOs from foreign donors declined in FY2019-20 for the first time in the last four fiscal years. The country's NGOs received slightly over BDT 785.00 MN last fiscal year, which was 1% lower year-on-year. The previous three fiscal years had seen a consistent growth in fund inflows. More grants were needed now to deal with a crisis like the Covid-19. But there have been fewer grant disbursements at these hours of need, and small and medium-sized NGOs are facing a financial crisis.
- Deterioration of the economic condition is faltering the repayment capacity of the MFI clients, most of the MFI clients live close to the edge and are perilously exposed to the worsening economic condition. The economic crisis had aggravated the problems of the MFIs at a time when credit quality had already been deteriorating for reasons linked to the intense competitive nature. It is worth mentioning that the micro credit industry is dominated by four large NGO-MFIs that serve around 90% of the clients and the rest 10% of the clients are served by a total of 759 licensed MFIs. Such crowding in the micro credit industry causes, the small and medium MFIs to heavily compete to disburse loan to small segment of clients. The competition has led to an erosion of lending

standards as lenders fight for market share and borrowers accept easy credit. This is evident from the shift from group lending to riskier individual lending. There is no clear data source to identify the exact level of multiple borrowing or the portfolio at risk.

- Overlapping and pushing loans to over indebted borrowers have created an unfavorable view over the NGO-MFI. Overlapping occurs when an individual or household has multiple memberships with different MFIs. Overlapping can lead to over indebtedness undermining the primary incentive to repay and therefore create an accumulation of portfolio risk from inter-party credit risks. The excess liquidity from donor funding of some large-medium NGO-MFIs has caused pushing of loans to the over indebted borrowers which has severely hindered the repayment capacity of the borrowers.
- The depth of management in the MFI sector irrespective of the size of MFI, are mostly operated like a family run business with decision making concentrated in the hands of key persons. The succession planning of the MFIs have largely remained underdeveloped over the years. However, with establishment of the MRA is going to set reporting standards, ensure wider coverage with timely recovery, and set global standard for others to follow.

Net-net, we anticipate the 2023 stable trend in the NGO-MFIs to continue through 2024.

Special note: At the time of publication of this credit rating report by ARGUS Credit Rating Service Limited (ACRSL), management financial statements from FY21-FY23 (ending June 30) were available and projections for FY24 and FY25 were arrived after taking in to consideration subsequent events up to the date of reporting, management feedback, and industry insights.



OBSERVATION SUMMARY

Rating Comforts:	Rating Concerns:
- Maintained well managed loan portfolio - Funding support from PKSf - Maintained enough loan loss provision - Experienced management team	- Moderate FSS and high leverage - Highly depend on PKSf and bank funds - Non-performing loan has been increasing from last year
Business Prospects:	Business Challenges:
- Can develop new micro-finance products - Have Enough untapped market - Enter into the formal financial market as MF bank	- Lack of skilled employee in lower end of the program - Competitive industry - Government policy changes getting fund form donor

ELIGIBILITY CRITERIA FOR COMPLIANCE

#	Ratio	Standard	2021	2022	2023
1	Capital Adequacy (%)	10	10.91	10.91	15
2	Debt Service Cover Ratio (Times)	1.00	1.09	1.09	1.20
3	Current Ratio (Times)	2.00	2.72	1.35	1.63
4	Debt to Capital (Times)	9	8.35	8.98	5.87
5	Liquidity to Saving Ratio (%)	10	12.72	10.09	5.75
6	Return Of Capital (%)	15	20.04	29.90	48.41
7	Return On Total Assets (%)	3	2.31	3.00	6.00
8	Portfolio At Risk Ratio (%)	10	19.63	3.82	4.14

When analyzing the Microcredit Regularity Authority (MRA) eligibility criteria compliance certifications, BEDO has maintain certain criteria like Capital Adequacy, Debt Services Coverage Ratio, and Current Ratio. Other minimum eligibility criteria of MRA have been maintained adequately in FY22-FY23.



1 CORPORATE PROFILE

1.1 COMPANY DESCRIPTION

BEDO (BEDO) was incorporated as non-governmental organization in 1993. BEDO was established with the novel intention of promoting socio-economic emancipation of the unprivileged men, women, children and youth in the large part of Bangladesh. Ferdousi Khanam, currently holding the position of President at BEDO.

Financial Base: At the end of FY23, BEDO's total asset stood at Tk. 1,194.16 MN, total capital fund at Tk. 145.16 MN, total operating income at Tk. 166.94 MN and net profit at Tk. 56.58 MN.

Currently BEDO is operating with 25 branch offices in the surrounding districts of Naogaon, Jaypurhat, Bagura, Rajshahi, and Dhaka and has 32,047 members. BEDO works with a mission of Uplift socio-economic, human rights, gender equity and environmental status of the target people. In the long term the organization has a vision of Socio-economic and environmental development of the people of Bangladesh in a sustainable way. BEDO is working simultaneously with nine core objectives as,

- Eradicate poverty in both rural and urban areas through micro credit for agricultural development and employment generation.
- Empower women through promoting gender equality and ensuring their participation in decision making from local and national level.
- Make aware the general mass about environment.
- Prepare the target people to minimize effect of natural disaster and provide support to disaster-affected people.
- Promote environmentally sustainable practices for development through advocating for integrating principles of sustainable development into national policies and programs.
- Reduce incidence of mortality and morbidity by providing health services and raising awareness on health issues including STI & HIV/AIDS among general mass.
- Promote universal education through universal primary education, providing non-formal education and mainstreaming the children to formal schools.
- Make aware the general mass about road safety; promote human rights through empowering the poor with awareness and raising their socio-economic status.
- Ensure rights of the people especially disadvantaged groups including children, women and disabled.



1.2 OWNERSHIP STRUCTURE

There is a General Committee (GC) comprising member of 21, which governs BEDO. The GC elects an Executive Committee (EC) comprising of 7 members. The EC is responsible to execute all decisions taken by the GC. The Executive Director (ED) is the chief executive of BEDO who runs the organization under the close supervision of the EC.. The brief description of the executive committee is given below:

TABLE 1 MEMBERS OF THE EXECUTIVE COMMITTEE

Name	Educational Qualification	Profession	Designation
Ferdousi Khanam	M. A	Ex. Asst. Head Mistress (retired) Rajarbag Police Line High School, Dhaka	President
Ashfia Sultana	M. A	Dentist	Vice President
Dr. Tasnim Ahmed	MBBS (DMC)	Executive Director, BEDO	General Secretary
Qazi Qamrum Munir	B. Com	General Manager, System Palace	Asst. General Secretary
Asma Monzur	M. Sc	Social Worker	Treasures
Sayed Khanam	M. A	Asst. Professor (retired) Razarbag Police Line College, Razarbagh, Dhaka	Executive Member
Md. Moazzem Hossain	B. Sc	Business	Executive Member

1.3 OPERATIONS

BEDO has a wide geographic coverage in district of Naogaon, Jaypurhat, Bagura, Rajshahi, and Dhaka. BEDO's operation spans over 744 villages with 25 branch offices. Currently BEDO has 32,047 beneficiaries.

BEDO is registered in Dhaka. The office of BEDO is located at Rahman Lucid Tower, D-2, 19/3, Kakrail, Dhaka, Bangladesh.

BEDO is adequately staffed to handle their large scope of operations. BEDO has around 183 staffs recently.



1.4 PRODUCTS AND SERVICES

BEDO's operations are focused on the following sector:

- Micro Credit Program
- Training
- Health & Education
- Social Programs

A brief of the programs conducted by BEDO over the last two decades are given below:

1. Micro Credit Program:

- **Micro Credit Fair:** PKSF organized a Micro Credit Fair at Bangladesh-China Friendship Conference Center from 25 April to 29 April 2008. The main objective of organizing the fair was to promote marketing of products of the micro credit borrowers and enhance public awareness about the micro credit program at all level. The Finance Advisor of Govt. of Bangladesh Dr. Mirza Azizul Islam inaugurated the fair. BEDO took a stall at the fair and decorated it with the different products of micro credit borrowers of Naogaon. The stall was able to draw attraction of the organizers and general spectators of the fair who appreciated very much about the quality and variety of the products. The Chief Advisor Dr. Fakhruddin Ahmed was present as Chief Guest at the concluding function of the fair. It should be mentioned that BEDO participated Micro Credit Fair organized by PKSF in 2007.
- **Microfinance for Poverty Alleviation:** In the year 1997, BEDO set the goal of creating self-employment opportunities in the rural off-farm sector and adopted the strategy of promoting a credit programme for attaining this goal. This credit programme, launched for the poor people of the rural area, has been diversified over time in accordance with the changing needs of heterogeneous poverty-stricken segments of society. PKSF's present financing programme includes the poor of the rural areas, ultra-poor, micro entrepreneurs, marginal and small farmers; members of these poverty groups are offered customized services.
- **Jagoron:** Jagoron, a credit instrument of BEDO, is a financial a service to the rural poor that encourages borrower to undertake family-based income generating activities with weekly service charge of 13.2% (flat rate).
- **Agrosor:** Micro-entrepreneurs, any businessman who has investment up to BDT 1.5 million, who are willing to expand their business are entitled to Agrosor loan, monthly or weekly basis for up to 1 or 2 years, with 13.2% service charge (flat rate).
- **Sufolon:** Based on seasonal demand, BEDO provides Sufolon loan with service charge of 2% rate.
- **Buniad:** Buniad is a flexible microcredit programme to the ultra-poor with service charge of 10.04% rate. The main objective of Buniad is to support the ultra-poor people in such a way so that they become capable to create sustainable income opportunities and human dignity as well as they can lift out of extreme poverty.

- **Income Generating Activities Loan (IGAL):** Under IGAL, eligible household members can take loans, monthly or weekly basis for up to 1 or 2 years, with 13.2% service charge (flat rate) for more than one activity and for expansion of an activity to increase their income.
- **Livelihood Improvement Loan (LIL):** To improve livelihood, BEDO provides this loan for monthly, triennially or biannually basis with service charge of 8% (flat rate).
- **Asset Creation Loan (ACL):** To increase asset of the members, BEDO provides LCL loan with service charge of 8% (flat rate).
- **Poverty Alleviation Program:** BEDO has undertaken Poverty Alleviation Program both in rural and urban areas with utmost priority. This program is mainly evolved through providing micro credit to the poor people. BEDO started micro credit program in 1996 and working with PKSf as a partner organization since 1998. BEDO is operating micro credit program through establishing 14 branches in the working areas. Most of the beneficiaries of micro credit program are poor women, marginal farmers and small-entrepreneurs.

2. Training:

- **Training of Beneficiaries under different Projects:** BEDO Training and Resources Centre is now fully open for training, meeting, seminar etc. and guest's accommodation with entertainment. It's experiencing time to time and improving all services and facilities. It's flexible to manage its services based on its customized requirements. Please contact BEDO for client's reservation or any other query. BEDO is strictly following all the health guidelines directed by the health department of GoB and experts to keep our employees and participants safe.

3. Health & Education:

- **Media Campaign on Environment and Health Issues:** BEDO is one of the leading NGOs who has multi-media experiences both as producer and user. Over last five years it addressed the urban environment and health issues in different ways.
- **HIV/AIDS Prevention Program:** Prevention of HIV/AIDS is one of the national priorities in respect to global context. In order to combat the deadly virus, BEDO has been working on awareness raising program in Naogaon and Dhaka city since 1998. The field workers of BEDO in Naogaon are continuously providing knowledge on prevention of HIV/AIDS to the samity members through weekly meetings. In Dhaka city BEDO is implementing the program among the rickshaw pullers. BEDO staffs regularly visit rickshaw garages and conduct awareness raising sessions on STI/HIV/AIDS. Under Rehabilitation of Non-Motorized Transport Pullers and Poor Owners Project with the financial assistant of Palli Karma-Sahayak Foundation (PKSF) on behalf of World Bank the beneficiaries are imparted training on social issues that includes prevention of STI & HIV/AIDS. Under the project of "HIV Prevention and Control among High-Risk population and Vulnerable Young People in Bangladesh" BEDO arranged training sessions on prevention of HIV/AIDS for 10 samities at Naogaon. Total 244 samity members (male 41, female 203) attended the training sessions.

- **Education Program:** ENRICH Education Program primarily address the problem of children dropping-out of primary level education. Under this program, 20 afternoon teaching centres have been established in Chhatiangram union at different villages. Class 1 & 2 students and under are tutored at these centres. The centres target students who find difficulty keeping up relation with their classmates and need extra help and time to grasp material taught at school. BEDO recruited 20 teachers who are less than 35 years of age with a minimum of S.S.C level education qualification and all of the teachers are female. These teaching centres play a crucial role in the education program by monitoring whether or not the young children are being sent to school regularly, and dropout rates are at a minimum level.

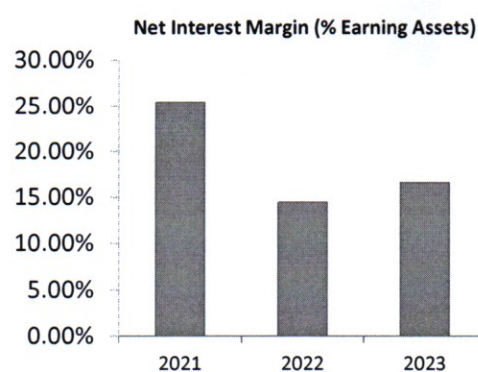
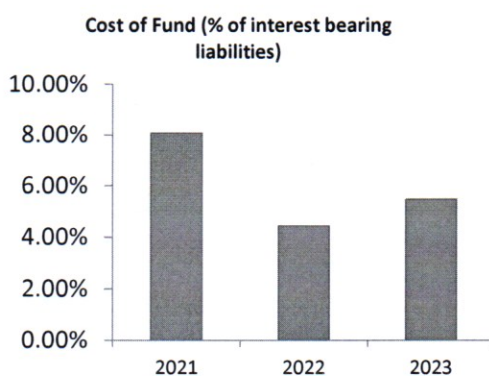
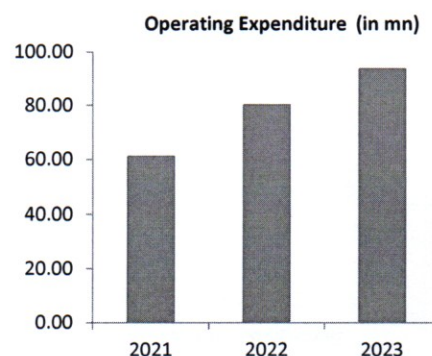
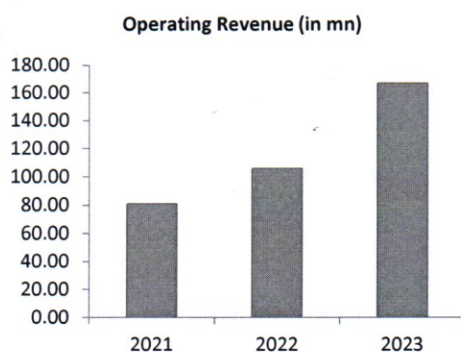
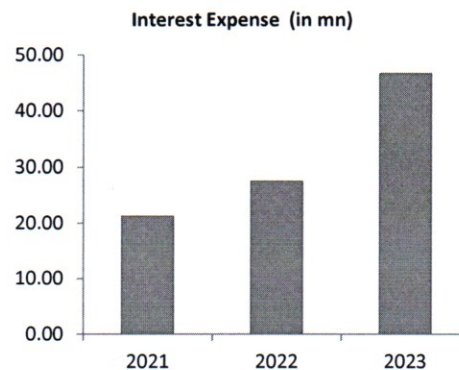
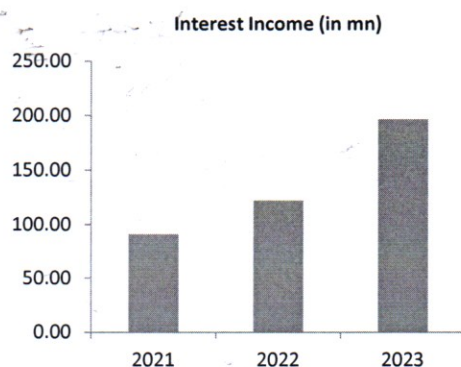
4. Social Programs:

- **Human Chain against Smoking in Public Places:** BEDO, BRCT, Manab Unnayan Sangstha and Sonar Bangla Bastobayan Foundation jointly formed a human chain in front of National Press Club Dhaka against smoking in public places on 6 January 2011. The speakers of these organizations said that smoking in the public places was not stopped, rather increased alarmingly. As a result, nonsmokers including children and women are being victims of hazardous effect of smoking. They also said that existing Tobacco Control Law is defective, because restaurant, saloon, working places, non govt. organizations and industries were not declared as public places. The speakers called upon the Govt. to enact new law in this regard and to stop smoking in the public places. Most of the national dailies covered the news with photographs in a befitting manner.
- **Food and Livelihood Security (FLS) Program:** Pazilas of Naogaon district since February 2012. The Department of Women Affairs under Ministry of Women and Children Affairs is the contracting authority, while the European Union is the financing authority of the project. ASOD is implementing the project in Mohadebpur, Patnitala and Porsha upazilas and BEDO is implementing the project in Badalgachhi, Dhamuirhat and Shapahar upazilas. The beneficiaries of the project are 5,000 ultra-poor women and 3,000 marginal farmers and sharecroppers.

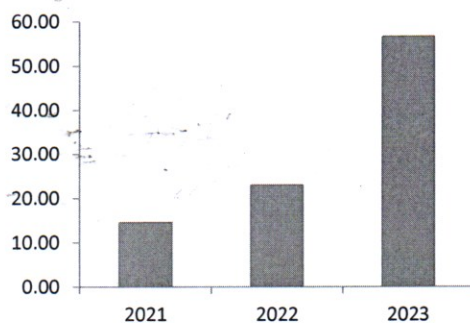


2 CHARTS

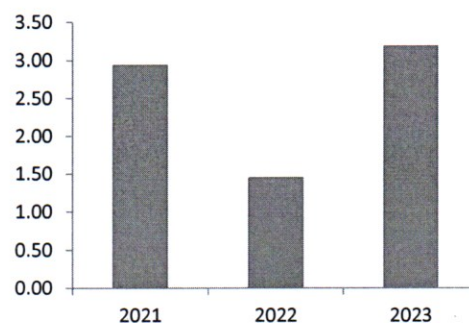
2.1 INCOME STATEMENT CHARTS



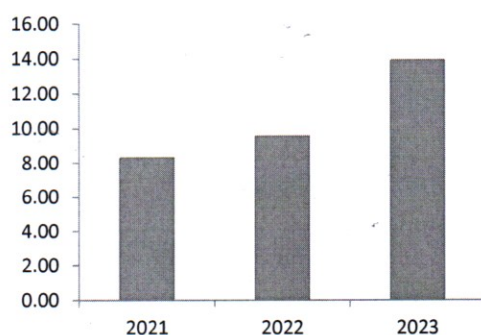
Net Profit



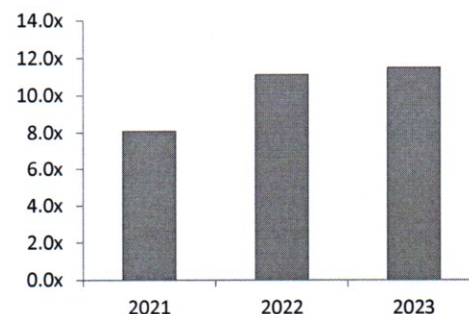
Investment Income (in mn)



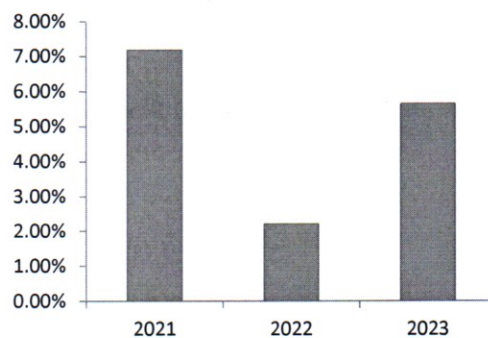
Non-Funded Income (in mn)



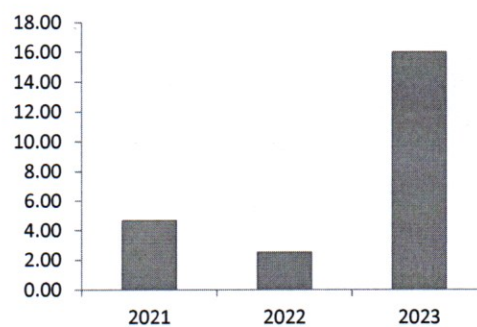
Interest Income/Non Interest Income



Yield on Investments

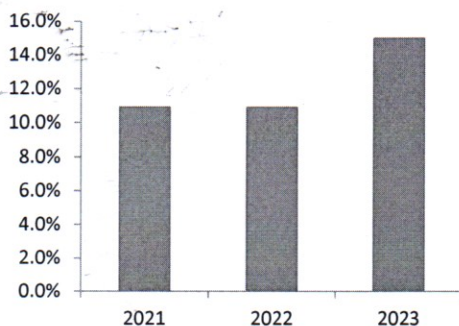


Loan loss expense (in BDT mn)

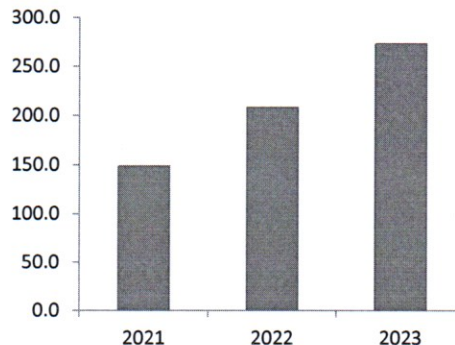


2.2 BALANCE SHEET CHARTS

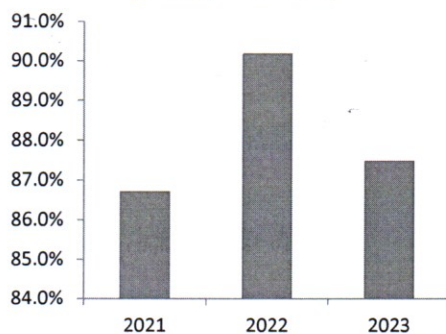
Capital Adequacy Ratio



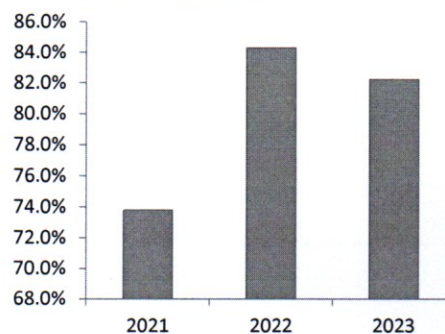
Total Deposits (in mn)



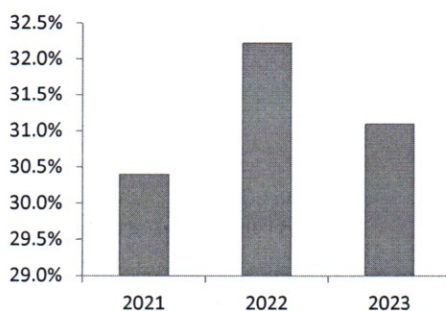
Earning Asset (% Total Asset)



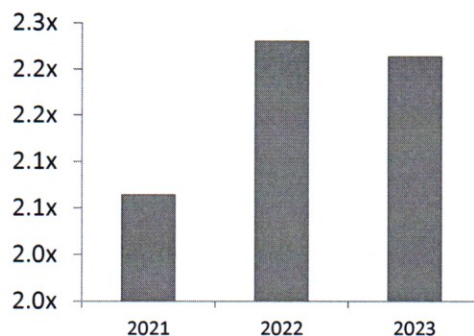
Loans (% Total Asset)



Deposit (as % of Interest bearing liabilities)

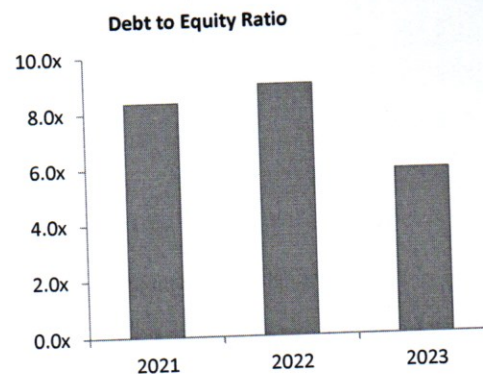
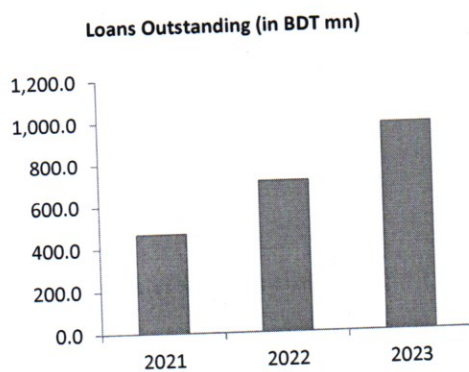
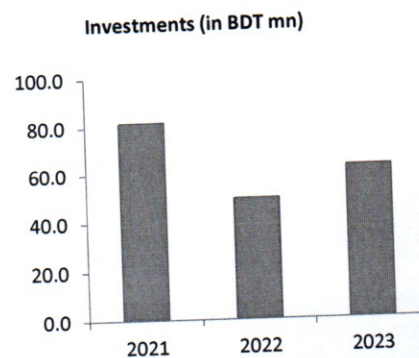
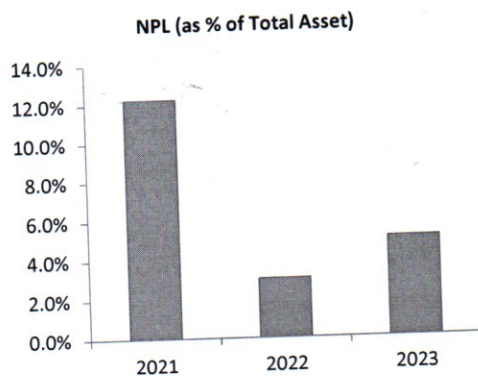
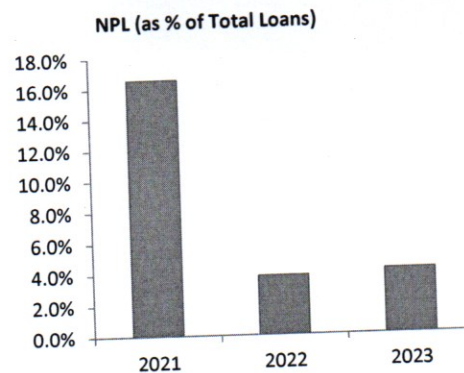
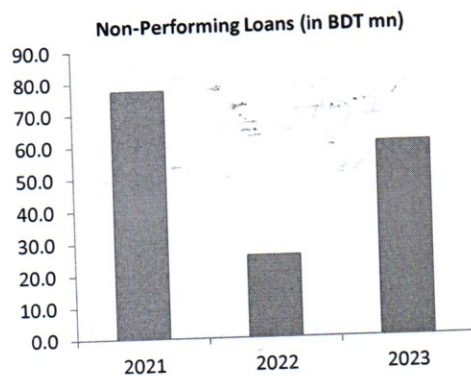


Credit-Deposit Ratio



Signature





APPENDIX A: SUMMARY OF FINANCIAL METRICS

Balance Sheet Metrics (in BDT MN)	2021	2022	2023
Cash	0.31	0.62	3.02
Bank Balance	49.76	42.33	101.03
Money at Call & Short Notice	0.00	0.00	0.00
Short term Investments	81.69	49.66	62.83
Loans & Advances	467.24	713.15	981.70
Fixed Assets	16.30	21.01	21.29
Other Assets	17.80	19.19	24.28
Total Assets	633.10	845.96	1,194.16
Borrowings (PKSF & Bank)	341.17	437.63	605.51
Members Savings & Other Accounts	185.23	276.07	383.81
Loan Loss Provision Fund	41.16	43.68	59.67
Total Liabilities	567.56	757.38	1,049.00
Statutory Reserve Fund	5.87	7.96	14.52
Capital Fund	58.67	79.62	129.64
Other Equities	1.00	1.00	1.00
Total Capital Fund	65.54	88.58	145.16
Total Capital Fund & Liabilities	633.10	845.96	1,194.16

Income Statement Metrics (in BDT MN)	2021	2022	2023
Interest Income	90.99	122.46	196.52
Interest Expense	21.25	27.51	46.68
Net Interest Income	69.73	94.94	149.85
Investment Income	2.93	1.45	3.18
Commissions, Exchange & Brokerage	0.00	0.00	0.00
Other Operating Income	8.33	9.56	13.92
Total Operating Income	80.99	105.95	166.94
Non-Interest Expenses	61.16	80.16	93.69
Operating Profit/(Loss) Before Provision	19.83	25.79	73.26
Provision for Loan Loss and Others	4.67	2.52	16.00
Net Profit/(Loss) Before Tax	15.16	23.27	57.26
Provision for Taxation	0.56	0.23	0.68
Net Profit/(Loss) After Tax	14.60	23.04	56.58



APPENDIX B: SUMMARY OF ANALYTICS

Indicators	2021	2022	2023
Average Yield on Loans	33.01%	18.61%	23.12%
Average Yield on Investments	7.18%	2.21%	5.65%
Cost of Fund	8.07%	4.44%	5.48%
Net Interest Margin	25.41%	14.48%	16.58%
Cost to Income Ratio	75.51%	75.66%	56.12%
Interest Income/Non-Interest Income	8.08x	11.13x	11.50x
Operating Revenue Growth	-	30.81%	57.57%
Growth Rate of Loans and Advances	-	52.63%	37.66%
Growth Rate of Investments	-	-39.20%	26.51%
ROA	2.31%	3.12%	5.55%
ROE	22.27%	29.90%	48.41%
Loan % of Total Asset	73.80%	84.30%	82.21%
Earning Asset % Total Asset	86.70%	90.17%	87.47%
Deposit/Interest Bearing Liabilities	30.39%	32.23%	31.09%
NPL as % total loans	16.58%	3.82%	4.14%
Debt to Equity Ratio	8.35x	8.96x	5.87x
Credit Deposit Ratio	2.06x	2.23x	2.21x
Capital Adequacy Ratio	10.91%	10.91%	15.00%



APPENDIX C: LONG TERM RATING DETAILS

ACRSL CORPORATE / ENTITY RATING (LONG TERM)

Rating	Definition
AAA Triple A (Highest Safety)	Investment grade. Highest credit quality with lowest expectation of credit risk. When assigned this rating indicates the obligor has exceptionally strong capacity to meet its financial obligations and it is highly unlikely that this capacity will be impacted adversely by foreseeable events.
AA+, AA, AA- Double A (High Safety)	Investment grade. Very high credit quality and minimal expectation of credit risk. When assigned this rating indicates the obligor has very strong capacity to meet its financial obligations and is unlikely to be impacted adversely by foreseeable events.
A+, A, A- Single A (Adequate Safety)	Investment grade. High credit quality and low expectation of credit risk. When assigned this rating indicates the obligor has strong capacity to meet its financial obligations but may be vulnerable to adverse economic conditions compared to obligors with higher credit ratings.
BBB+, BBB, BBB- Triple B (Moderate Safety)	Investment grade. Good credit quality and moderate expectation of credit risk. When assigned this rating indicates the obligor has adequate capacity to meet its financial obligations but this capacity remains more vulnerable to adverse economic conditions.
BB+, BB, BB- Double B (Inadequate Safety)	Speculative grade. Substantial credit risk. When assigned this rating indicates the obligor has business or other alternatives to meet current financial obligations but is substantially vulnerable to adverse economic conditions that may impair ability to meet such obligations in the future.
B+, B, B- Single B (Risky)	Highly Speculative grade. High credit risk. When assigned this rating indicates the obligor has business or other alternatives to currently meet its financial obligations but the degree of certainty regarding timely payment of financial obligations is doubtful unless circumstances improve and remain favorable.
CC+, CC, CC- Double C (Vulnerable)	Highly Vulnerable grade. Very High credit risk. When assigned this rating indicates the obligor is near to default and the degree of certainty regarding timely payment of financial obligations is doubtful unless circumstances improve. This rating may indicate that an 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.
C+, C, C- Single C (Near to Default)	Default Imminent. This category for an institution is considered to be either currently in default or expected to be in default with high probability. The obligor with this rating is unlikely to meet maturing financial obligations.
D Single D (Default)	In Default. This category for an institution is of the lowest credit quality. The rating indicates the obligor has already failed to meet its financial obligations and may have entered bankruptcy proceedings.



APPENDIX D: SHORT TERM RATING DETAILS

ACRSL CORPORATE / ENTITY RATING (SHORT TERM)

Rating	Definition
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.

