

## Credit Rating Report WAVE Foundation

**Analysts:**

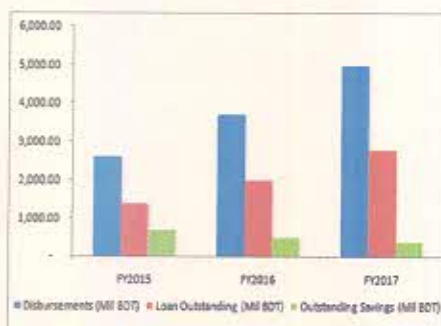
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**Assigned Rating:**

Long Term : A<sub>3</sub>  
Short Term : ST-3  
Outlook : Stable  
Date of Rating : 21 December 2017  
Valid Till : 30 December 2018

Methodology: CRAB's Micro Finance Institution Rating Methodology (www.crab.com.bd)

Highlights		
--Year Ended June 30--		
	FY-2017	FY-2016
No. of districts	15	12
No. of Branches	102	81
No. of samiti	7,761	6,834
No. of Members	162,401	146,583
No. of Borrowers	133,631	119,913
No. of Staff	851	761
No. of Credit Officer	508	434
Loan Outstanding (BDT in Mil)	2,780.8	2,011.7
Members Savings (BDT in Mil)	695.4	510.6
PAR (BDT in Mil)	43.7	25.3
PAR > 180 days (%)	1.0	0.7
Return on Assets (ROA) (%)	1.4	1.0
Portfolio Yield (%)	20.7	21.6
Operating Expense Ratio (%)	10.7	13.3
Borrowed Fund to Equity (Times)	5.9	5.2
Capital Adequacy Ratio (%)	11.0	11.6


**ORGANIZATION PROFILE**

WAVE Foundation (hereinafter called 'the Organization'), a Civil Society Organization emerged in 1990 in Bangladesh. WAVE Foundation launched its development pursuits aiming at integrated development emphasizing economic, human and skill development of organized women. During the last 26 years in the development field, the organization has been implementing multifaceted interventions on various pressing issues like basic rights governance along with right to food and rights of the poor & marginalized communities with emphasis on women-youths-children, access to justice, democratic decentralization & local-self-government, responsiveness of public service & institutions, election observation, economic empowerment & employment through microfinance, agriculture & livestock development with focus on Black Bengal Goat-BBG, value chain, holistic community development, education service, renewable energy, human resource & productive skill development. At present organization directly works with more than 4.00 lac households of the country. In FY2017 the organization has 102 branches covering 15 districts of Bangladesh. Mr. Mohsin Ali is the Founder and Executive Director of the organization.

**RATIONALE**

Credit Rating Agency of Bangladesh Limited (CRAB) has awarded 'A<sub>3</sub>' (pronounced Single A Three) rating in the long term and 'ST-3' rating in the short term to WAVE Foundation. CRAB performed the rating based on audited financial statement up to 30 June 2017 and other relevant quantitative and qualitative information.



The rating reflects the Organization's strength in its operation of microfinance program in the area of loan portfolio quality, operational efficiency and information system. However, the rating is constrained by leverage position of the organization thus may have impact on net margin.

CRAB evaluates the loan portfolio of MFIs in terms of loan portfolio size, quality of loan portfolio as well as concentration of the portfolio. During FY17 there were 133,631 active borrowers who are availing micro credit amount BDT 2,780.84 million. Loan portfolio of the organization grew 28.50% an average in the last four years. At the end of FY17, 1.57% of the total loan portfolio payment of WAVE Foundation was irregular whereas 0.97% of the portfolio's repayment was irregular for more than 180 days. However WAVE Foundation maintained BDT 54.72 million loan loss reserve in FY17 according to MRA regulation. At the end of FY17 loan loss reserve was 1.97% of outstanding loan and 125.27% of portfolio at risk.

In FY17, 63.94% of total fund mix of WAVE Foundation came from borrowed fund including PKSF, Bangladesh Bank, IDCOL and commercial banks, 14.26% shared by members savings followed by capital fund 6.62% and fund liabilities 1.12%. WAVE Foundation is mainly funded by borrowed fund and members' savings. Thus, excessive borrowed fund may have impact on net surplus. At the end of FY17, borrowed fund of WAVE Foundation was 5.89 time of its equity (FY16: 5.20 times). The borrowed fund from commercial bank has grown significantly which are mainly disbursed as micro credit in agricultural sector during last few years.

WAVE Foundations' interest income grew 33.74% in FY17 consist of interest earning from micro credit program and term deposits kept in commercial banks. Interest income shared 98.46% of total income of the organization during last 4 years. Thus average portfolio yield of WAVE Foundation in last 4 years was 22.46% ended in FY17. On the other hand, interest expense grew 30.79% in FY17 which combines PKSF, commercial banks and members' savings interest expense. Operating expense of WAVE Foundation has increased marginally for the last few years due to the business expansion and strict monitoring of loans which need close supervision and there by high administrative cost. Net Surplus with grant was BDT 76.09 million in FY17 experiencing significant growth. Net surplus with grants to loan portfolio was 2.74% in FY17 (FY16: 1.08%) which reflected the operational sustainability of WAVE Foundation

Along with the micro credit program WAVE Foundation has set its goal as to improve sustainable livelihood resources, enhancing access to rights & good governance and advancing self-reliant community in its 3rd strategic plans panning from 2015-2020. In achieving his, organization is now implementing diversified activities under 3 Major Sectors- 1) Rights & Governance; 2) Community Finance and 3) Livelihood and Human Resource Development. At present organization directly works with more than 8.00 lac households of the country.

Rating scope: Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity or social impact of the programs of an NGO, although such considerations may affect CRAB's view on credit risk, such as access to capital or likelihood of refinancing. At the time of credit rating of WAVE Foundation, CRAB did not conduct any social research and survey on its non credit programs. It is not within the purview of credit rating agency to carry out comprehensive impact study. However, CRAB at the time of credit rating, apart from WAVE Foundation Micro Finance Operation, Business Enterprises (if there are any), looked into various publications of WAVE Foundation's micro credit, health, education and other programs and tried to understand how effectively and efficiently it could link its programs with its vision, mission and goals. CRAB's credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, repayment of principal, insurance claims or counterparty obligations. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested.

#### ■ Organization Profile

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activities under 3 Major Sectors – 1) Rights & Governance; 2) Community Finance and 3) Livelihood and Human Resource Development. At present organization directly works with more than 8.00 Lac households of the country. The organization intends to achieve its goal as well as contribute to the overall development of the country through playing complementary role in attaining government's 7th five year plan and universal Sustainable Development Coals-SDGs. WAVE Foundation has been implementing its projects / social development programs in 20 Districts (Khulna, Chuadanga, Meherpur, Kushtia, Jhenaidah, Magura, Jessore, Satkhira, Bagerhat, Rajshahi, Pabna, Natore, Naogaon, Barisal, Patuakhali, Borguna, Bhola, Dhaka, Manikganj and Tangail.) under 4 divisions namely Khulna, Rajshahi, Barisal and Dhaka.

**LEGAL STATUS**

- NGO Affairs Bureau: # 719, dated 22.06.1993, latest renewal on 02 May 2013
- Societies Act XXI of 1860: # S-3240(29)/2003, dated 23.07.2003
- Department of Social Services: # Kush-87/91, dated 20.02.1991 & 28.07.2004
- Microcredit Regulatory Authority, Dhaka to operate as MFI: License No. 04908-00607-00023, dated 05.09.2007
- Department of Family Planning: # Affiliation Number-14, dated 18 June 2013.

**SECTORS AND Different PROGRAMS OF WAVE FOUNDATION SECTOR:**

Sector 1: RIGHTS AND GOVERNANCE Programs. Access to Rights and Justice 2) Democratic Decentralization & Institutional Accountability

SECTOR 2: COMMUNITY FINANCE Programs: 1) Microfinance 2) Agriculture Finance 3) Micro-entrepreneurship

SECTOR 3: LIVELIHOOD DEVELOPMENT Programs: 1) Food Security and Agriculture 2) Social Development and Community Resilience 3) Youth Empowerment 4) Renewable Energy

Supplementary Loan	Cluster Loan	Standard Living Loan	Major Products	Loan	Other services	Risk coverage	Savings
Seasonal Loan	Black goat rearing	Housing Loan	Micro Finance		Education	Life risk coverage	General Savings
Disaster Management Loan	Spices Cultivation	WASH Loan	Micro Entrepreneurship		Training	Health coverage	Security Savings
			Agriculture Finance		Human Health		Voluntary Savings
					Animal health		
					Scholarship		

**Operational Model of Micro credit program**

WAVE Foundation implements its Microfinance Program to ensure self-employment through promoting socio-economic development of poor and lower-middle class people living in both rural and urban settings. Under this program, 3 major loan products and various sub loan products play important role in agricultural production, livestock development including Black Bengal goat, local transportation, small to large scale business, enterprises and economic development in different sectors of organization working areas.

Major program of WAVE Foundation is micro-credit program. WAVE Foundation forms group which is the initial unit of WAVE Foundation institutional structure. To form a new group, two/ three field workers of WAVE Foundation visit the target area to gather possible member. Then they have conversation with the probable members and try to motivate them. After getting sufficient feedback, they form an initial "Samity" consisting of 10 to 30 members from





the same village/area or similar economic status for enrollment. Then branch manager from the adjacent branch visits the area and arranges a meeting with the members and cross checks the information about members with field workers. In case of a new branch/area, area manager also present in the meeting. A Branch manager decides the final group members and forms a "Samity". In each group there is a five member committee including one selected as Samity Leader and Secretary. At the first day of creating a group, members fill-up their information in the member enrollment form and started general savings BDT 20 - BDT 100. WAVE Foundation provides the pass-book on that date. The members can submit loan proposal from the 2nd Samity meeting. Samity hold meetings once a week or fortnight where they discuss their problems, projects, share experience and pay savings and loan installments. After submission, the loan proposal goes to Branch manager for checking and after his approval it is sent to Area Manager. The manager visits the individual member and if satisfied, then approves the loan. Presently, approval limit are as follows:

Branch Manager: up to BDT 44,000  
 Area Managers: from BDT 45,000 to BDT 50,000  
 Regional Head: BDT 51,000 to BDT 200,000  
 Component Head: BDT 200,000 to 500,000  
 Micro-Finance Deputy Director: BDT 500,000-10,00,000

WAVE Foundation has 01 head office & 01 base office. Besides, there are 08 regional, 17 Area, 31 project, 102 Units offices/ Branch and 1 training centre and 1 farm based training centre. WAVE Foundation operates through its branches in different places. Area for a new branch/group is selected depending on communication facilities, controlling, banking facilities, social, political & financial condition, influences of other organizations, cooperation of local administration and dwellers etc. A branch is managed by one Branch Manager, one Accountant and 5-7 field workers. The monitoring cell of head office, regional managers and area managers monitor and guide the activities of branches. The Head Office also provides all logistic supports to these offices. The branch offices daily reports can be checked by head office through online software on regular basis. The head office organizes internal auditing of accounts etc. for the smooth implementation of program activities.

■ **MICRO FINANCE PROGRAM**

The micro finance program of WAVE Foundation includes savings, micro credit ( PKSF and non PKSF), credit for extreme poor, housing loan, wash loan, micro insurance, health and education etc.

Table 1

**Outreach Summary of Micro Finance Program**

--Year Ended June 30--

	FY-2017	FY-2016	FY-2015
Districts covered	15	12	11
No. of Branches	102	81	81
No. of group	7,761	6,834	6,849
No. of Members	162,401	146,583	140,059
No. of Borrowers	133,631	119,913	109,753
No. of Staff	851	761	749
No. of Credit Officer	508	434	403
Loan Outstanding (BDT in Mil)	2,780.84	2,011.73	1,406.96
Members Savings (BDT in Mil)	695.43	510.63	380.84

Initially WAVE Foundation started its micro credit activities with rural micro credit program in a view to provide small amount of fund for income generating activities of the rural poor (mainly women) and to reduce the dependency on money launders with high usury. Gradually it has extended various micro credit programs with the support of PKSF and commercial bank loans. It has "Agriculture finance program" which supports micro credit program in skill development training, input supply & technology transfer, insurance etc. Moreover, "Micro-entrepreneurship Program of the organization provides Business Development Skills, Financing, Market Linkage, and Insurance to the client. Presently WAVE Foundation has expanded its





microfinance program with 12 loans (details given in Annexure-2) across 15 districts of the country with a client base of 133,631 borrowers. For the last 3 years, growth of borrowers was in line with the growth of members. Average loan growth was 28.50% for the last 4 years. During FY17, BDT 4,997.18 million loans disbursed. Outstanding loan portfolio of WAVE Foundation reached BDT 2,780.84 million at the end of FY17 registering growth of 38.23%. On the other hand, WAVE Foundation collected BDT 695.43 million members' savings during the same period with its two types of members saving schemes.

**Loan Portfolio Analysis**
**Table 2**
**Segregation of Outstanding Loans**

--Year Ended June 30--

Mil. BDT	FY-2017			FY-2016		
	Amount	% in Total	Growth	Amount	% in Total	Growth
JAGORON	1,086.39	39.07	32.63	819.13	40.72	31.26
AGROSOR	793.44	28.53	54.74	512.74	25.49	62.02
BUNIAD	167.67	6.03	16.77	143.59	7.14	35.09
SUFOLON	514.50	18.50	30.08	395.54	19.66	46.93
Other	218.8	7.87	55.51	140.73	7.00	54.76
<b>Total</b>	<b>2,780.84</b>	<b>100.00</b>	<b>38.23</b>	<b>2,011.73</b>	<b>100.00</b>	<b>42.98</b>

WAVE Foundation's loan portfolio grew significantly (by 38.23%) in FY17 and reached BDT 2,780.84 million. For the last three years, the organization's loan outstanding was mainly concentrated in Jagoron (Rural/urban micro credit especially in agriculture sector). On an average, Jagoron financing constituted 40.17% of total loan portfolio for the last three years followed by Agrosor (Micro Enterprise loan) shared 26.50% of total) and Sufalan (Agriculture based loan) (19.10% of total). Besides these, WAVE Foundation has some other micro finance programs of PKSF which constituted 7.11% of the portfolio for last three years. Sector wise concentration depicts that, major portion of loans were outstanding in agriculture & crop sector, small business/trade sector, livestock sector, and small & cottage industries sector in FY17.

**Portfolio Quality**

Portfolio quality of the micro finance program is very crucial as these are not backed by bankable collateral. The most widely used measure of portfolio quality is portfolio at risk (PaR) which measures the portion of the loan portfolio contaminated by arrears as a percentage of the total portfolio. PaR (in absolute amount) enhanced significantly by 72.60% in FY17 to BDT 43.69 million, at the same time loan portfolio of WAVE Foundation on micro finance program grew substantially (by 38.23%) and stood at BDT 2,780.84 million.

**Table 3**
**Portfolio at Risk**

	FY-2017	FY-2016	FY-2015	FY-2014
Loan outstanding (BDT in Mil)	2,780.84	2,011.73	1,407.0	1,165.6
PaR (BDT in Mil)	43.69	25.30	22.67	26.15
<i>Loan Portfolio Growth (%)</i>	<i>38.23</i>	<i>42.98</i>	<i>20.71</i>	<i>12.09</i>
<i>PaR Amount's Growth (%)</i>	<i>72.60</i>	<i>11.60</i>	<i>(13.30)</i>	-

Aging of loan portfolio of WAVE Foundation depicts that at the end of FY17, 1.57% of the total loan portfolio's repayment was not regular whereas 0.97% of the portfolio's repayment was irregular for more than 180 days. On an average, PaR was 1.48% of total portfolio for the last three years. Main reason behind overdue loan is migration of the borrower and natural calamity. WAVE Foundation has portfolio risk coverage with loan loss provision fund of BDT 54.72 million in FY17.



**Table 4**

Particulars	No. of Days Outstanding	FY2017		FY2016		FY2015	
		Loan Outstanding (BDT Mil)	% in Total Loan portfolio	Loan Outstanding (BDT Mil)	% in Total Loan portfolio	Loan Outstanding (BDT Mil)	% in Total Loan portfolio
Watchful	Loan default duration between 1 and 30 days	4.80	0.17	3.23	0.16	2.20	0.16
Sub-standard	Loan default duration between 31 and 180 days	11.99	0.43	7.40	0.37	5.34	0.38
Doubtful	Loan default duration between 181 and 365 days	11.13	0.40	4.80	0.24	3.76	0.27
Bad Loan	Loan default duration above 365 days	15.77	0.57	9.88	0.49	11.37	0.81
<b>Total</b>		<b>43.69</b>	<b>1.57</b>	<b>25.30</b>	<b>1.26</b>	<b>22.67</b>	<b>1.61</b>

At the end of FY17, loan loss provision reserve was 1.97% of outstanding loan (FY16: 1.76%). In FY17, 125.27% of portfolio at risk (PaR) was covered by its actual loan loss reserve (FY16: 139.72%). On the other hand, provision expense ratio gives an indication of the expense incurred by WAVE Foundation to anticipate future loan losses. The provision expenses ratio of 0.70 indicates that 0.70% of outstanding loan of WAVE Foundation can be written off without charging anything in the equity.

**Table 5**

Provision & risk coverage ratio	FY2017	FY2016	FY2015	FY2014
Provision Expense ratio	0.70	0.63	0.78	0.20
Provision Reserve ratio	1.97	1.76	2.10	2.46
Risk Coverage ratio	125.27	139.72	130.05	109.86

**Capitalization & Funding Strategy**

Microfinance program of WAVE Foundation is mostly funded by borrowed fund and members' savings. In FY17, 63.94% of total fund mix came from borrowed fund including PKSF and commercial banks, 14.26% shared by members savings followed by capital fund 6.62% and fund liabilities 1.12%.

**Table 6**

(Mil. BDT)	Funding Mix								
	Year Ended June 30								
	FY-2017			FY-2016			FY-2015		
	Amount	Total (%)	Growth (%)	Amount	Total (%)	Growth (%)	Amount	Total (%)	Growth (%)
Capital Fund	322.98	10.85	31.71	245.22	11.87	4.26	235.21	2.76	26.58
Fund Liabilities	54.72	1.84	54.79	35.35	1.71	19.93	29.48	0.35	2.61
Loan from commercial Banks	1,205.44	40.51	115.63	559.03	27.07	123.62	249.99	2.94	207.13
Loan from PKSF	697.24	23.43	(2.51)	715.18	34.63	16.27	615.13	7.23	(7.40)
Members' Savings	695.43	23.37	36.19	510.63	24.72	34.08	380.84	4.48	21.18
<b>Total</b>	<b>2,975.82</b>	<b>100.00</b>	<b>44.08</b>	<b>2,065.42</b>	<b>100.00</b>	<b>219.96</b>	<b>645.53</b>	<b>100.00</b>	<b>22.07</b>

WAVE Foundation needs to boost up its own fund and members savings share in the fund mix. Capital fund grew 31.71% due to internal capital generation in FY17. On an average, during the last four years 36.60% of total fund mix came from borrowed from PKSF & commercial banks and 14.26% came from members' savings. In FY17 member's savings shared 14.26% of total fund mix grew 36.19% build up from 162,401 members. Borrowed fund from commercial bank has grown significantly which are used as micro credit in agricultural sector during last few



years. Fund liabilities consist of loan loss reserve. In FY17, capital adequacy ratio was 11.02% with an average ratio of 13.20% for the last five years.

Table 7

Funding structure ratio					
	FY2017	FY2016	FY2015	FY2014	FY2013
Capital/Asset Ratio (%)	10.42	11.37	14.91	14.06	13.89
Debt to Equity Ratio (Times)	5.89	5.20	3.68	4.01	4.16
Deposits to Loans (%)	25.01	25.38	27.07	26.96	26.17
Capital Adequacy Ratio (%)	11.02	11.62	14.54	13.76	15.12
Deposits to Assets (%)	22.44	23.67	24.14	23.77	23.27
Loan Portfolio to Assets (%)	89.73	93.24	89.18	88.17	88.94

Initially, microfinance program of WAVE Foundation was supported by PKSF. As of 30 June 2017, WAVE Foundation had BDT 697.24 million outstanding with PKSF for its different programs. Besides these, the organization also takes loan/fund from different commercial banks as well as donor organizations in order to expand its credit coverage. In FY17, total borrowed fund of WAVE Foundation was 5.89 time of its equity (FY16: 5.20 times). However, WAVE Foundation leverage position is major in the funding mix. Higher dependence on debt funding may put pressure on the net margin. Member's savings shared 22.44% of total asset in FY17.

Table 8

Fund Cost				
--For the Year Ended June--				
	FY-2017	FY-2016	FY-2015	FY-2014
Cost of Savings (%)	4.41	4.19	4.70	4.71
Cost of Borrowings (%)	6.12	7.15	7.41	6.20

#### Earnings and Profitability

Net interest income is the major contributing source of WAVE Foundation since last 4 years. On an average, 97.90% of total operating income came from net interest income for the last four years (2014-17). There is substantial growth observed in loan portfolio (by 38.23%), along with growth of net interest income 35.00% in FY17.

Table 9

Segregation of Revenue						
For the year Ended June 30						
Year	FY-2017		FY-2016		FY-2015	
(BDT in Mil)	Amount	Growth	Amount	Growth	Amount	Growth
Interest Income	501.09	33.74	374.67	12.11	334.19	33.13
<i>Interest income on loan</i>	<i>495.54</i>	<i>34.07</i>	<i>369.60</i>	<i>13.07</i>	<i>326.87</i>	<i>33.90</i>
<i>Interest income on bank deposit</i>	<i>5.55</i>	<i>9.41</i>	<i>5.07</i>	<i>(30.73)</i>	<i>7.32</i>	<i>6.05</i>
Interest & Finance Charges (b)	147.15	30.79	112.51	37.12	82.05	34.41
<i>On Borrowings</i>	<i>55.37</i>	<i>16.47</i>	<i>47.54</i>	<i>2.25</i>	<i>46.49</i>	<i>16.28</i>
<i>On Deposits</i>	<i>30.64</i>	<i>43.04</i>	<i>21.42</i>	<i>19.60</i>	<i>17.91</i>	<i>21.06</i>
Net Interest Income (a-b)	353.93	35.00	262.16	3.98	252.14	32.72
Other Operating Income	5.80	(6.65)	6.21	(24.30)	8.21	223.62
Total Income (a+c)=d	359.73	34.04	268.38	3.09	260.34	35.23
Operating Expenses	297.15	11.13	267.40	17.15	228.26	26.23
<i>Personnel Expenses</i>	<i>203.86</i>	<i>13.38</i>	<i>179.81</i>	<i>16.08</i>	<i>154.90</i>	<i>19.81</i>
<i>Administrative &amp; Other Expenses</i>	<i>93.29</i>	<i>6.51</i>	<i>87.59</i>	<i>19.41</i>	<i>73.35</i>	<i>42.35</i>
Profit Before provision	62.58	n.a	0.98	(96.94)	32.09	174.50
Provision expense for loan loss	19.36	53.70	12.59	14.69	10.98	370.93
Net surplus without donation	43.22	(472.18)	(11.61)	(155.03)	21.11	125.55



Grant/Donations (PKSF)	32.87	(1.20)	33.27	33.33	24.95	128.48
Net Surplus with donations	76.09	251.43	21.65	(\$2.99)	46.06	127.13

In FY17, WAVE Foundation earned BDT 495.54 million from its different micro credit products registering a growth of 34.07%. Average portfolio yield of WAVE Foundation in last 4 years was 22.46%. WAVE Foundation also earned BDT 5.55 million interest income during the same period for its deposit with different banks. On the other hand, WAVE Foundation paid BDT 55.37 million for the borrowed fund of PKSF & banks and BDT 30.64 million for interest on members saving in FY17. Net interest income reached BDT 353.93 million at the end of FY17. Besides net interest income, WAVE Foundation earned BDT 5.80 million in FY17 which includes training income, miscellaneous income, passbook selling income etc.

Total operating expense of WAVE Foundation includes personnel expense and infrastructure cost and other overhead cost. On an average, 68.80% of total operating expenses of WAVE Foundation comprised of personnel expenses for the last four years. The rest expenses belong to infrastructure cost and other overhead cost (shared about 31.20% of operating expenses). Operating expense of WAVE Foundation has been increasing marginally for the last few years due to the organization's staff cost resulted from business expansion and strict monitoring of loans which need close supervision and there by high administrative cost.

**Table 10**

Profitability & Efficiency				
--Year Ended June 30--				
	FY2017	FY2016	FY2015	FY2014
Portfolio Yield (%)	20.68	21.62	25.41	22.14
Return on Assets (ROA) (%)	1.39	1.00	1.34	0.71
Operating Expense Ratio (%)	10.69	13.29	16.22	15.51

WAVE Foundation maintained provision as per the guidelines of MRA. In FY17, the organization maintained provision of BDT 54.72 million. The net surplus without donation of the organization reached BDT 43.22 million at the end of FY17. WAVE Foundation received BDT 32.87 million donations from different organization including PKSF (FY16: BDT 33.27 million). Therefore, net surplus with grants of the program reached BDT 76.09 million in FY17. ROA enhanced to 1.39% in FY17 from 1.00% in FY16 resulted from higher growth of total asset than that of operating income.

#### ■ SAVINGS PROGRAM

Group members of WAVE Foundation maintain two types of savings; mandatory savings and optional savings, ranging from BDT 20 to BDT 100. WAVE Foundation has 2 types of savings schemes. (See Annexure 2).

#### ■ INSURANCE PROGRAM

WAVE Foundation has been providing micro insurance services or can be called risk coverage in both rural and urban areas through its 91 branch offices with the financial support from PKSF. The products of micro insurance are:

- Microfinance Insurance
- Livestock Insurance
- Crop Insurance
- Health Insurance
- Life Insurance

WAVE Foundation has been implementing an integrated Insurance Scheme with the credit program of the organization. All the members of credit program of WAVE Foundation, except those of Housing Scheme, automatically become beneficiaries of insurance scheme of WAVE Foundation. Each members deposit insurance premium at a rate of 1% of loans (ultra poor @ 0.50%). Each borrower has a nominee (his/her spouse/father).in life insurance of members, if the borrower or first guarantor dies; the outstanding amount of the current loan is waived. Besides these, WAVE Foundation also provides up to BDT 5,000 for funeral cost for its borrower. The organization



realized BDT 43.34 million premium income, whereas BDT 17.58 million was paid off as claim in FY17. Also WAVE Foundation considers medical expenses of its borrower too. MRA has regulation where a MFI have to spend 10% of its net surplus of a financial year in corporate social responsibility.

**Other credit program:**

Renewable Energy Program includes Bio-gas and Bio-fertilizer, Solar Home System, Improved Cooking Stove, Solar Irrigation Systems.

**Non-Credit Program of WAVE Foundation**

**Rights and Governance Sector:** The various sectors are considered under this program which are Right to Food, Nutritional Security, Social Protection, Women Rights, Prevention of Violence against Women, Youth Rights and Development, Child Rights, Health Rights, Human Rights, Access to Justice (Village Court and Community Mediation), Right to Employment, Democratic Decentralization & Local-Self Government, Local Governance, Responsive Public Services, Food Governance, Institutional Accountability, Civic Awareness and Election Observation etc. Programs are following:

**Access to Rights and Justice and Democratic Decentralization & Institutional Accountability**

**Access to Rights and Justice Program:** This program includes following: Right to Food Campaign & Projects, Youth Rights and Development Campaign, Activating Village Courts in Bangladesh Phase II and Community Mediation.

**Democratic Decentralization & Institutional Accountability Program:** Includes Democratic Decentralization & Local Self Government Campaign, Support for Ensuring Rights of Service Users and Strengthening Accountability in Health System for Maternal, Neonatal & Child Health Services.

**Civic Awareness and Election Observation**

**Active Citizens**

**Promoting Democratic Inclusion and Governance through Youth-PRODIGY (Phase II)**

**Network & Alliance under Rights and Governance Sector:** Includes Coordinated and Led by WAVE Foundation, Governance Coalition (GC), Loak Morcha-LM (People's Alliance), Governance Advocacy Forum (GAF), Right to Food Bangladesh (RtFBD), National Youth Assembly (NYA), Affiliation with Other Networks, Election Working Group (EWG), International Peace Youth Group-IPYG, CIVICUS.

**Livelihood and Human Resource Development sector:** Food Security, Nutrition, Agriculture (crop & aquaculture), Agro-biodiversity, Livestock (Black Bengal Goat, Sheep & Cow Rearing), Value Chain, Holistic Community Development, Health & Educational Services, Water and Sanitation, Disaster Risk Reduction, Climate Adaptation, Human Development Training, Skill Development Training and Employment etc. This Program includes: Food Security and Agriculture Program, Social Development and Community Resilience Program, Human and Productive Skill Development Program.

**Food Security and Agriculture Program: Following programs are included**

- Food Security 2012 Bangladesh - UJJIBITO Project
- Income Generation and Employment Creation for Entrepreneurs through Black Bengal Goat - BBC Rearing
- Income Generation and Employment Creation for Entrepreneurs through Year-Round Onion Cultivation & Marketing
- Achieving Sustainable Livelihood through Goat and Beef Value Chain Interventions - ASL Project
- FK Norway-Knowledge Exchange Program (KEP)



- Kuwait Good will Fund for Promotion of Food Security in Islamic Countries
- Agriculture, Fisheries & Livestock Unit Support Project
- Production, Processing and Marketing of Drought Resilient Variety of Rice Seeds
- Genetic Conservation, Increasing Productivity and Up-Scaling of Black Bengal Goat Rearing
- Alleviation of Poverty through Rearing and Conservation of Local Improved and Hybrid Sheep Breed and Increasing Productivity at Family and Demonstration Farm Level in Meherpur & Patuakhali
- Alleviation of Poverty through Genetic Conservation and Increasing Productivity of Black Bengal Goat at Family and Breeding Farm Level
- Development and Scale-up of Spices
- High Value Local Variety Mixed Fish Culture Project

**Social Development and Community Resilience Program:** Projects under this program are following:

- Enhancing Resources and Increasing Capacities of Poor Households towards Elimination of their Poverty-ENRICH
- Uplifting the Life-standard of Elderly People Program
- Accelerating Sustainable Water and Sanitation Facilities for All-ACCESS
- Scaling Up Microfinance Institutions Lending for Improved Rural Sanitation (MIJS)
- Cultural & Sports Program
- Basic Literacy Project

**Human Resource and Productive Skill Development Program:** Activities under this program are following:

- Human Development Training
- Productive Skill Development Training
- Skill for Employment Investment Program-SEIP
- Empowering Youth for Work.

**Centers and Initiatives under Human Resource and Productive Skill Development Program:**

- WAVE Foundation Training Center, Chuadanga
- WAVE Foundation Trade Training Center, Darsana & Chuadanga
- WAVE Foundation On-Farm Training Center Koshaghata, Chuadanga

**WAVE Foundation Institution**

- Centre for Development & Capacity-CDC, Koshaghata, Chuadanga
- WAVE Foundation Agriculture Institute (Under Construction),

**WAVE Foundation Social Enterprise**

- Angkur Crafts: Support poor people specially women in establishing themselves as small entrepreneur and self-reliant through building market linkage of their products especially crafting and clothing.
- Angkur Seeds: The initiative has been started since 2009 by WAVE Foundation. ANKUR Seeds has developed the capacity of farmers introducing new technologies, produced and marketed three high-yielding varieties of Rice (BR 26, BRRI dhan 28 and BRRI dhan 50) with remarkable success.
- Angkur Agro Machineries: Angkur Agro Machineries is an enterprise of WAVE Foundation that aims at complementing WAVE Foundation's commitment towards the development of agriculture sector. It offers a wide range of agro machineries to the farmers- Power Tiller, Thresher, Chopper, Reaper, Harvester, Shallow Pump, Sprayer and so on at an affordable price.



**■ DONORS AND PARTNERS**

WAVE Foundation has stable consortium of donors and partner organizations. WAVE Foundation uses donors' funds of the following organizations:

Table 11:

Name Of The Organization	Name of the Project	Date Of Sanctioning	Purpose	Amount Outstanding
Christian Aid Bangladesh	Right to Food Campaign & Projects	Jun-17	Campaign, meeting & seminar	1,277,625.00
UNDP	Activating village Courts in Bangladesh	Dec-16	Strengthening Local government.	101,891,143.00
UNICEF-Bangladesh	MNH-UNICEF Project, Tangail & Khulna	Apr-17	Health Rights, Health Governance, Rights Based Approaches, Governance, Advocacy and Project Management	10,260,803.00
PKSF & WAVE Foundation	Food Security 2012 Bangladesh-Ujjibito Project	Nov-13	Nutrition, Health & food security.	9,368,854.00
PKSF & WAVE Foundation	Income Generation and Employment creation for Entrepreneurs through Black Bengal Goat -BBG Rearing -(PACE), Meherpur	Jul-15	Generation and Employment creation for Entrepreneurs through Black Bengal Goat -BBG Rearing	5,312,748.00
PKSF & WAVE Foundation	Income Generation and Employment creation for Entrepreneurs through year /round onion Cultivation and Marketing Project (PACE),Mojibnagor.	May-17	Income Generation and Employment creation for Entrepreneurs through year /round onion Cultivation and Marketing Project	2,705,717.00
HEIFER International	Achieving Sustainable Income through Goat and Beef Value Chain Intervention.	Jul-16	Sustainable Income through Goat and Beef Value Chain Intervention.	3,165,506.00



PKSF-KGF & WAVE Foundation	Kuwait goodwill fund project expenses	Jul-15	Livelihood Development	352,690.00
PKSF & WAVE Foundation	Agricultural, Fisheries and Livestock unit Project	Jul-15	Agricultural, Fisheries and Livestock development	4,466,110.00
PKSF-LIFT & WAVE Foundation	Production, Processing and Marketing of Drought Resilient Variety of Rice Seeds	Jul-15	Production, Processing and Marketing of Drought Resilient Variety of Rice Seeds	1,162,100.00
PKSF-LIFT & WAVE Foundation	High Value and Quality full Local Fish Species Cultivation Project	Jul-15	High Value and Quality Local Fish Species Cultivation.	1,340,635.00
PKSF & WAVE Foundation	Enrich projects	Oct-10	Education, Health & Awareness	15,677,542.00
PKSF & WAVE Foundation	Elderly people program	Nov-15	Elderly people livelihood development	4,253,400.00
Water.org	Accelerating Sustainable water & Sanitation Facilities for All-ACCESS	Aug-16	Accelerating Sustainable water & Sanitation Facilities	11,526,235.00
PKSF & WAVE Foundation	Scaling Up Micro Finance Institutions Lending for Improved Rural Sanitation(MILIS)	Jul-16	Sanitation and health	-
PKSF & WAVE Foundation	Cultural and Sports Program	Jul-17	Cultural and Sports related	1,520,000.00
GOB Primary & Mass Education Ministry, Dhaka	Basic Literacy Project	Jul-17	Basic Literacy for illiterate person	3,584,000.00
PKSF & WAVE Foundation	Skill for Employment Investment Training (SEIP)	Jan-16	Training for Employment	4,875,000.00
OXFAM GB	Empowering Youth for Work (EYW) Project	Nov-16	Training & awareness program for empowering Youth.	36,931,492.00



Housing Loan Program	Bangladesh Bank Housing Loan Program	Jul-04	Construction of House building.	1,610,000.00
IDCOL & WAVE Foundation	Biogas project by IDCOL	Jun-11	Renewable Energy	12,317,863.00
IDCOL & WAVE Foundation	Expenditure of WAVE Foundation Solar Power program	Jun-15	Renewable Energy	12,093,737.00
IDCOL & WAVE Foundation	Improve Cooking Stove (ICS) Program	Jun-16	Renewable Energy	100,000.00
<b>Total</b>				<b>245,793,200.00</b>

Program Support Division and Units: There are different support division and units of WAVE Foundation which enables the organization runs smoothly. Following dept. are part of the organizations administration.

- Finance & Accounts Division
- Admin & HR Division
- Information, Communication & Documentation Division
- Internal Audit Division
- Research, Monitoring & Evaluation Division
- Identity & Resources Division
- Risk Management Unit
- Gender Unit
- Loak Theatre Unit
- Audio visual Unit
- Agriculture and Livestock Unit

#### MANAGEMENT

##### Senior Management

The organization is headed by the Founder and Executive Director Mr. Mohsin Ali who is (member of the General body of PKSF) responsible for the smooth implementation of all programs of the organization. He has more than twenty nine years' experiences in development field. He is responsible of program operation, management and capacity building, Implement savings, micro-credit, micro-insurance program countrywide including disaster management program of WAVE Foundation. Mr. Mohsin Ali is supported by a group of senior professionals and other support staff of the Organization. There is Deputy Executive Director of the organization who is responsible for operations of microfinance and other programs, contributing and conducting strategic planning, effective communication liaison and lobbying with credible creditors, donors and civil society representative, ensuring and executing organizational HR & administrative, financial policies in operations etc.

##### Human Resource Management

The Organization has a manual for human resource operation. The Organization follows standard recruitment policy for employee recruitment as well as for the development of the human resources. The Organizations has approved service manuals covering various policies on employment conditions, performance appraisal, training and development, salary and other perquisites, leave etc. The HR dept. is headed by a Deputy Director. Total human strength of the organization was 1,523 employees are working in WAVE Foundation at various levels. 512 of them are female and 1,011 are male. The Organization arranges both internal and external training programs to enhance the skills and knowledge of the employee. Moreover, the staff members also receive training on various aspects and issues from partners and other institutions. Such training includes capacity building, exposure visit, experience sharing etc. Green Award - Bangladesh with Nature Presented to WAVE Foundation Organized by: Southeast Bank Limited, The Financial Express & Policy Research Institute.



**Management information system**

"Integrated Micro Finance Automation Suite" software is used in WAVE Foundation. The IMFAS – Integrated Micro Finance Automation Suite is the Flagship product of InitVent. This is a web based comprehensive solution for all kind of Micro Finance organizations. This is fully PKSF and MRA compliant. Using this all the operations of an MFI like Member management, Savings management, Loan Management, HR & Payroll Management, Accounting Management, Fixed Asset Management, Inventory Managed, Branch/Unit Level Operations, Field collections using hand held devices (like Smart Phone, Tablet), Organization Level integration, etc. can be performed very smoothly and efficiently. It's a total solution for the automation of Micro Finance Institutions. All the branches of WAVE Foundation is already under this software. WAVE Foundation has the four types Back Up System. (i) WAVE Foundation uses the Raid five in server, (2) Auto Backup System in server, (3) Manual Backup system in an external HDD is kept in Office and (4) Backup in External HDD is kept with the assignee person. Lastly WAVE Foundation is taking the step for Cloud backup system. A web based complete ERP solution for WAVE Foundation is in process which will be implemented next year.

**■ CORPORATE GOVERNANCE**
**Governing Body**

The governing body of the Organization is consists of seven (07) members and is headed by Md. Shahab Uddin, chairperson of the Organization. The supreme authority of WAVE Foundation is its Governing Body. It is the highest policy and decision making committee of the Organization. In 2017, 4 meetings were held. The present governing body is effective for next 2 year up to 19 May 2019.

**General Body**

The Organization has twenty two (22) members General Body which includes Chairperson, Vice Chairperson, Treasurer and members.

**Internal Audit**

The internal audits department and risk management department is headed by a Coordinator. Total audit staff works in this department. The audit report is submitted to the Executive Director. These are discussed in meeting and asked for clarifications, if it is required. Governing Body of WAVE Foundation has formed an Independent Audit Committee in addition to Internal Audit Committee with a view to monitor and to control the organization's financial operations smoothly, transparently and effectively. These are two divisions operate separately.

**Development Partners of WAVE Foundation**

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Bangladesh Bank</li> <li>• British Council and U.S. State Department</li> <li>• Christian Aid</li> <li>• DFID through Maxwell Stamp PLC</li> <li>• GIZ</li> <li>• Heifer International–USA</li> <li>• IDCOL</li> <li>• IDE</li> </ul> | <ul style="list-style-type: none"> <li>• LGD, UNDP and EU</li> <li>• MJF and UKAID</li> <li>• Oxfam</li> <li>• PKSF and EU, IFAD, SDC &amp; World Bank</li> <li>• The Asia Foundation</li> <li>• Unicef</li> <li>• USAID</li> <li>• water.org</li> </ul> |
|--|--|



**APPENDIX 1: FINANCIAL RATIOS IN COMPLIANCE WITH PKSF CRITERIA**
**Table 1.1**
**Eligibility Criteria Compliance Certificate**

	Standard	in FY2017	in FY2016
Minimum loan recovery rates based on the following :			
Cumulative loan collection ratio on total dues :	Minimum 95%	99.82	99.87
Loan collection ratio on current dues (on running 12 month basis) :	Minimum 92%-100%	99.10	99.36
Liquidity to Savings ratio	Minimum 15%	20.77	13.95
Rate of return on capital	Minimum 1%	26.78	8.92
Capital adequacy ratio	Minimum 10%	11.20	12.06
Current ratio	Minimum 2:1	1.40:1	1.81:1
Debt service cover ratio	Minimum 1.25:1	1.06:1	1.04:1
Debt to Capital Ratio	9:1	8.41:1	7.55:1

**Table 1.2**

Particulars	No. of Days Outstanding	Outstanding Loan	Required provision by MRA Regulation	
		Amount in BDT Mill	Rate %	Amount in BDT Mill
Regular	Loans with no overdue installments	2,737.16	1%	27.37
Watchful	Loan default duration between 1 and 30 days	4.80	5%	0.24
Sub-standard	Loan default duration between 31 and 180 days	11.99	25%	3.00
Doubtful	Loan default duration between 181 and 365 days	11.13	75%	8.35
Bad Loan	Loan default duration above 365 days	15.77	100%	15.77
Required Loan Loss Provision for WAVE Foundation				54.72
Loan Loss Provision kept by WAVE Foundation				54.72
Surplus/ (Deficit) Provision				-

**Table 1.3**

Particulars	FY2017	FY2016	FY 2015
Total number of clients at the beginning of the period	146,583	140,059	133,884
Total number of clients at the end of the period	162,401	146,583	140,059
New clients - all those who joined during the period	81,249	68,558	135,857



**ANNEXURE-2: LOAN & SAVINGS PRODUCTS**
**Table 2.1**

Segment	JAGORON	AGROSOR	BUNIAD	SUFOLON	LIFT	ENR-IGA	ENR-AC	ENR-LI	WASH	SDL	Start-Up	Housing (BB)
Loan Term	1 Year	1&2 Year	1 Year	4-6 Month	1 Year	1&2 Year	2 Year	2 Year	1 Year	1 Year	2 Year	3-4 Year
Loan Size (Thousand)	15-40	50-1,000	5-25	10-50	10-100	50-1,000	30	0.7-10	5-100	3-10	50-100	70
Interest Rate (%)	25	25	20	24	24	25	8	8	20	-	20	5
Repayment Policy	46	46/11/23	46	1	6	46/11/23	23	23	46	40	23	48
Loan Processing Fees	15	-	5	15	15	-	15	0/15	15	15	-	-
Any Other Fees	-	-	-	-	-	-	-	-	-	-	-	-
Penalty If Any	-	-	-	-	-	-	-	-	-	-	-	-

**Table 2.2**

Savings	Frequency	Amount Saved	Interest	Other Features
(Regular Savings)	Weekly/Monthly	581.77	6.00%	-
(Security Savings)	Weekly/Monthly	113.66	6.00%-13.00%	-
Insurance	Frequency	Amount Paid	Sum Insured	Other Features
(Micro Insurance)	One time	56.70	88.89	-
(Livestock Insurance)	One time	7.55	13.89	-

**ANNEXURE-3: COMPOSITION OF THE GOVERNING BODY**
**Table 3.1**

Composition of the Governing Body		
SL No	Name	Designation
1	Mr. Mohammad Shahab Uddin	Chair person
2	Ms. Rashidunnahar Begum	Vice Chair person
3	Mr. Mohsin Ali	Secretary
4	Mr. Fazlul Haque	Member
5	Dr. Shahinur Haider	Member
6	Mr. Mohsin Ali	Member
7	Mr. Ratan Sarker	Member



**Annexure 4: Commercial sources of fund**
**Table 4.1**

Name Of The Lending Institution	Amount Sanctioned	Date Of Sanctioning	Interest Rate	Loan Tenor	Repayment Frequency	Amount Disbursed	Loan Outstanding As On 30 June 2017
Prime Bank Limited, Mouchak Branch	1,000.00	28.12.14	9.50%	3 Years	Quarterly	1,000.00	332.80
	1,000.00	27.04.17	9.50%	3 Years	Quarterly	500.00	500.00
Mercantile Bank, Chuadanga	500.00	25.11.14	10.00%	3 Years	Quarterly	500.00	178.57
	500.00	21.12.15	10.00%	3 Years	Quarterly	500.00	320.33
	500.00	21.03.17	10.00%	3 Years	Quarterly	500.00	500.00
Trust Bank Limited, Kakrail Branch	500.00	03.08.16	10.00%	1 Year	Once up	500.00	500.00
	2,000.00	09.03.17	9.00%	1 Year	Once up	2,000.00	2,000.00
Shahjalal Islam Bank Ltd. Chuadanga Branch	1,000.00	09.10.16	10.00%	2 Years	Quarterly	1,000.00	756.32
Mutual Trust Bank Ltd. Dhanmondi Branch	1,500.00	22.08.16	10.00%	1 Year	2 Equal Installment	1,000.00	1,000.00
				3 Years	Quarterly	500.00	416.67
BRAC Bank, Head office, Niketon	1,500.00	26.06.16	9.00%	3 Years	Quarterly	1,500.00	1,125.00
Bank Asia, Lalmatia Branch	1,000.00	11.04.16	10.00%	3 Years	Monthly	1,000.00	649.69
	600.00	05.06.17	10.00%	18 Months	Quarterly	335.00	335.00
Midland Bank Ltd, Gulshan Branch	1,000.00	21.07.16	10.00%	5 Years	Quarterly	1,000.00	1,000.00
Southeast Bank, Agargaon Branch	1,500.00	18.01.17	9.00%	1 Year	2 Equal Installment	1,500.00	1,500.00
SBAC Bank, Dhanmondi Branch	800.00	10.11.16	10.00%	5 Years	Quarterly	800.00	740.00
Standard Bank, Chuadanga	200.00	06.12.16	10.00%	18 Months	Quarterly	200.00	200.00
<b>Total Loan from Commercial Bank</b>							<b>12,054.38</b>
Bangladesh Bank (Grihaoun Tohobil)	131.80	30.04.13	1.50%	4 Years	6 Monthly	115.70	42.30
IDCOL	356.83	10.07.12	6.00%	5 Years	Quarterly	224.79	202.00
PKSF	10,790.00	01.07.15	7.50%	3 Years	Quarterly	10,790.00	6,922.41
<b>Grand Total</b>							<b>19,221.09</b>



LONG-TERM CREDIT RATING:  
MICRO FINANCE INSTITUTIONS (MFIs)

RATING	DEFINITION
AAA Triple A	Extremely Strong Capacity & Highest Quality. MFIs rated 'AAA' have extremely strong capacity to meet their financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. AAA is judged to be of the highest quality, with minimal credit risk.
AA <sub>1</sub> , AA <sub>2</sub> , AA <sub>3</sub> * Double A	Very Strong Capacity & Very High Quality. MFIs rated 'AA' have very strong capacity to meet their financial commitments. They differ from the highest-rated MFIs only to a small degree. AA is judged to be of very high quality and is subject to very low credit risk.
A <sub>1</sub> , A <sub>2</sub> , A <sub>3</sub> Single A	Strong Capacity & High Quality. MFIs rated 'A' have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than MFIs in higher-rated categories. A is judged to be of high quality and are subject to low credit risk.
BBB <sub>1</sub> , BBB <sub>2</sub> , BBB <sub>3</sub> Triple B	Adequate Capacity & Medium Quality. MFIs rated 'BBB' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the MFIs to meet their financial commitments. BBB rated MFIs are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
BB <sub>1</sub> , BB <sub>2</sub> , BB <sub>3</sub> Double B	Inadequate Capacity & Substantial Credit Risk. MFIs rated 'BB' are less vulnerable in the near term than other lower-rated MFIs. However, they face major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which might lead to inadequate capacity to meet their financial commitments. BB is judged to have speculative elements and is subject to substantial credit risk.
B <sub>1</sub> , B <sub>2</sub> , B <sub>3</sub> Single B	Weak Capacity & High Credit Risk. MFIs rated 'B' are more vulnerable than the MFIs rated 'BB', but the MFIs currently have the capacity to meet their financial commitments. Adverse business, financial, or economic conditions are likely to impair the capacity or willingness to meet their financial commitments. B is considered speculative and weak capacity and is subject to high credit risk.
CCC <sub>1</sub> , CCC <sub>2</sub> , CCC <sub>3</sub> Triple C	Very Weak Capacity & Very High Credit Risk. MFIs rated 'CCC' are currently vulnerable, and are dependent upon favorable business, financial, and economic conditions to meet their financial commitments. CCC is judged to be of very weak standing and is subject to very high credit risk.
CC Double C	Extremely Weak Capacity & Extremely High Credit Risk. MFIs rated 'CC' are currently highly vulnerable. CC is highly speculative and is likely in, or very near, default, with some prospect of recovery of principal and interest.
C Single C	Near to Default. A 'C' rating is assigned to MFIs that are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest.
D	Default. MFIs rated 'D' are in default. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

*NOTE: CRAB APPENDS NUMERICAL MODIFIERS 1, 2, AND 3 TO EACH GENERIC RATING CLASSIFICATION FROM AA THROUGH CCC. THE MODIFIER 1 INDICATES THAT THE OBLIGATION RANKS IN THE HIGHER END OF ITS GENERIC RATING CATEGORY; THE MODIFIER 2 INDICATES A MID-RANGE RANKING; AND THE MODIFIER 3 INDICATES A RANKING IN THE LOWER END OF THAT GENERIC RATING CATEGORY.*



**SHORT-TERM CREDIT RATING: MICRO FINANCE INSTITUTIONS (MFIs)**

RATING	DEFINITION
ST-1 Highest Grade	MFIs rated in this category are considered to have the highest capacity for timely repayment of obligations. MFIs rated in this category are characterized with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds.
ST-2 High Grade	MFIs rated in this category are considered to have strong capacity for timely repayment. MFIs rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds.
ST-3 Average Grade	MFIs rated in this category are considered to average capacity for timely repayment of obligations, although such capacity may impair by adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterized with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds.
ST-4 Below Average Grade	MFIs rated in this category are considered to have below average capacity for timely repayment of obligations. Such capacity is highly susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories. MFIs rated in this category are characterized with average liquidity, internal fund generation, and access to alternative sources of funds.
ST-5 Inadequate Grade	MFIs rated in this category are considered to have inadequate capacity for timely repayment of obligations susceptible to adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds.
ST-6 Lowest Grade	MFIs rated in this category are considered to have obligations which have a high risk of default or which are currently in default. MFIs rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

The rating committee of CRAB is the final authority to award a rating. The rating committee of CRAB is comprised of external independent persons who are not members of the board of the company and they ensure the independence of rating.

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