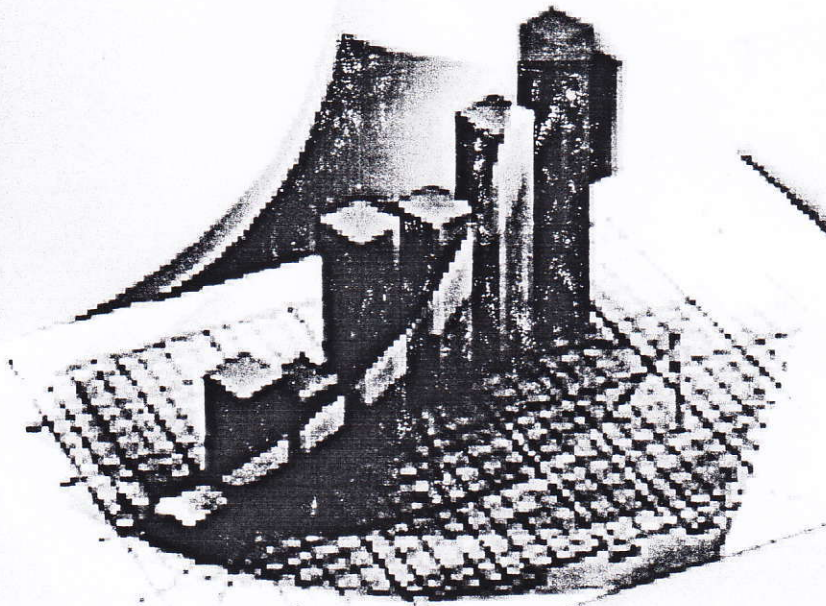


CREDIT RATING REPORT



CREDIT RATING AGENCY OF BANGLADESH LIMITED

Credit Rating Report (Surveillance)

SETU

Ratings

Long Term : BBB₃

Outlook : Stable

Date of Rating : 31 December 2015

Valid Till : 22 December 2016

Rating Based on : Audited financial statement up to June 30, 2015 and other relevant quantitative as well as qualitative information up to the date of rating declaration.

Methodology: CRAB's MFIs Rating Methodology (www.crab.com.bd)

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Financial Highlights

Year ended June 30		
(Month)	(12)	(12)
(BDT in Mil)		
Micro Finance Program	2015	2014
No. of Beneficiaries	58,503	56,023
Active Borrowers	43,555	40,952
District Covered	9	8
No. of Branches	50	48
Total Assets	608.05	448.51
Loan Outstanding	537.46	390.32
Members savings	222.61	167.4
Net surplus	8.49	15.78
Portfolio Yield (%)	23.75	23.35
Operating Expense Ratio (%)	22.67	21.69
PaR > 180 days (%)	3.68	5.16
Borrowed fund to Equity Ratio (Times)	3.04	2.25

■ PROFILE OF SETU

SETU, a national NGO was formed in 1983 aiming to enable the disadvantaged community for sustainable development. SETU's development effort concentrates on organizing and mobilizing the viable groups, enhancing their analytical capability, so that they can act and speak in local, national even global context.

SETU has been equipped in a way to take and/or undertake right based challenging initiatives. Its particular expertise developed on the issues of globalization, rights & governance, climate justice, advocacy, CSO accountability etc. aiming at contributing its micro-macro impact which have been gained from its past work experiences.

Now SETU has been working in 9 districts covering 102,700 households. SETU was registered with the Micro Credit Regulatory Authority (MRA) in 2006. Mr. M A Quedar is the Executive Director of SETU. At the

end of 30 December 2015, SETU's loan outstanding was BDT 537.46 million to active borrowers spread across its 50 branches.

Programs

There are different social development programs implemented and continued by SETU. Major programs of SETU in are Micro Finance Program, Urban Governance and Infrastructure Improvement Project (UGIIP), Legal Aid Program, Community Health Program, STD/HIV/AIDS Prevention Program, Non-Formal Primary Education, Arsenic Mitigation Program, Domestic Biogas etc.

■ RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has upgraded the long-term rating of SETU to "BBB₃" (Pronounced Triple B three). CRAB performed the rating based on audited financial statement up to 30 June 2015 and other relevant quantitative and qualitative information.

The rating reflects the Organization's strength in operational efficiency of its micro finance program. However, the rating is constrained by external borrowing and enhanced overdue loan.

At the end of 2015, the outstanding loan portfolio under micro credit program grew 37.69% at BDT 537.46 million from 43,555 borrowers. SETU's members' savings was BDT 222.61 million from 58,503 members. Aging of loan portfolio of SETU depicts that at the end of 2015, 3.68% of the portfolio's repayment was irregular for more than 181 days. During 2015 fund based income increased by 29.42% and net interest income increased by 26.95% respectively due to increased loan portfolio.

Net Surplus of SETU was BDT 8.49 million in 2015 experienced drawbacks due to enhanced interest and finance charges. SETU microfinance program was mainly funded by external borrowing. Of the total funding 43.00% was from long term liability followed by 36.61% of members savings, 11.40% by own fund. During 2015, own fund grew by 15.44% backed by internal capital generation. SETU's long term liability shared 35.03% from PKSF loan, 31.63% from long term commercial bank loan and rest portion was fund liability. Members' savings of SETU has 03 types of savings scheme registered 40.95% from last year. Balance sheet liabilities to equity) of micro finance program was 6.25 times in 2015 (2014: 5.03 times) and borrowed fund to equity was 3.04 times in 2015 which was 2.25 times in 2014.

In 2015, total assets of SETU increased by 35.57% and stood at BDT 608.05 million driven by significant loan portfolio growth. At the end of 2015, SETUs' maintained its required loan loss provision according to Micro Credit Regulatory Authority which was BDT 25.49 million.

The major social development programs of SETU is Poverty alleviation through Micro Credit & Micro enterprise loan, Livelihood Restoration Program (LRP), Mainstreaming the Disable People in Development Process, Non formal Primary Education (NFPE), Reaching Out of school Children (ROSC), Sanitation, Hygiene Education & Water Supply Project, Urban Governance & Infrastructure Improvement Projects (UGIIP), Hygiene, Sanitation and Water Supply (HYSHWA) Program. The organization is implementing its multiple programs to improve socio-economic condition of poor and extreme poor at Kushtia. The organization works with landless especially women, outcasts, untouchables and religion-ethnic minorities and extreme poor communities of the region.

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 rating of SETU, CRAB did not conduct any social research and survey on its programs. It is not within the purview of rating agency to carry out comprehensive impact study. However, at the time of rating of SETU apart from its micro credit program, CRAB tries to focus into various aspects of SETU's social development projects and tried to understand how effectively and efficiently SETU can interlink its micro credit program and social development program 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 and repayment of principal, insurance claims or counterparty obligations.

SETU At A Glance

Name of the MFI	SETU
Year of operation	1993
Year of commencement of micro finance program	1993
Executive Director	M. A. Quader
Head Office	T & T Colony Road , Courtpara , Kushtia-7000
Registered office	Hazra hati , Kushtia 70002
External Auditors of 2014	Rahman Anis & Co.

SETU's Legal Status:

The organization has established functional association and affiliation with the following government departments:

- Registration No. under voluntary welfare agencies (Registration & control) ordinance, 1961:
No. Kushtia-10/86, Dated: 17.02.1986.
- Registration No. under the foreign donation (voluntary activities) regulation rules, 1978:
No. DSS/FDO/R-240, Dated: 05.10.1987.
- Certification of Micro-Credit Regulatory Authority (MRA) rule, 2006,
No. 03033-03265-0049, Dated: 05-09-2007
- Tax Identification No. under ordinance (XXXVI of 1984),
TIN No. 412-400-0094/KC-2, Khulna. Dated: 12.01.2003.

The major programs that SETU undertook in the past and continuing were poverty alleviation through Micro Credit including Micro enterprise loan, Livelihood Restoration Program (LRP), Agriculture and Livestock Development, Promotion of Eco-Friendly Fertilizer, Farmer-to-Farmer for Food Security, Participatory Forestry Program (PFP), Health



for All, Environmental Sanitation, Arsenic Mitigation, Nutrition Education, Mainstreaming the Disabled People in Development Process, Education for All, conscientize on MDGs, Technological Empowerment Through ICT, Strengthening Climate Justice, Disaster Management, River Basin Development, National Domestic Biogas & Manure program, Rights & Governance, Democracy Education, Tax Justice and Peoples' Participation, Youth Animation, Community Learning Movement (CLM), SETU-WFCL Program, Social Rehabilitation for Senior Citizen, STD/HIV/AIDS Prevention, *Anti-Trafficking Movement*, Cultural Action for Social Transformation, Civil Society Mobilization etc.

MICRO FINANCE OPERATION

SETU is continuing its "Poverty Alleviation Program" through Rural Micro Credit (RMC), Urban Micro Credit (UMC), Ultra Poor Program (UPP), Micro Enterprise Loan (MEL), Seasonal Loan and Livelihood Restoration Program (LRP), with financial and technical assistance of Palli Karma-Shahayak Foundation (PKSF) since 1993. Presently SETU implements the program through on line service. This program covers total 21 upazilas of 09 districts. Total 4,121 nos. of samity were formed with 60,958 members. In 2015, BDT 222.61 million was collected as members' savings. Active borrowers of SETU were 44,136 whereas loan outstanding was BDT 537.46 million in 2015. Poverty alleviation program is managed through SETU's 50 branches and 7 regional offices. SETU's microfinance program has different loan products of PKSF (details given in Annexure-2).

OPERATIONAL MODEL: To operate microfinance program SETU forms a group, which is the key and lowest unit of SETU institutional structure. Minimum five like-minded people from the same village with similar economic status can form a group. Each group has an elected main person whose house is the weekly meeting place. These groups belong to a unit. Each unit has a center chief and a deputy center chief. They hold meetings once a week where they collected installment amount, deposits. A branch channels all services to its members. All records and accounts maintained in a branch office. A Manager heads a branch office where 4-6 field officers assist the Branch Manager. An Assistant manager is responsible in account section of a Branch as well as assists Branch manager. The main function of a branch is to implement microcredit and other programs in its command areas. Usually a branch's site selection prefers on the concentration of poor people. An Assistant Program Manager (APM) heads SETU zonal office. An APM looks after maximum of seven branches. Loan approval, supervision, monitoring and group recognition are among the major responsibilities of APM. The APM are also responsible for overall monitoring, supervision and coordination of other activities under his/her working area. The Program manager heads the regional offices (4-5 area office is under each regional office). The Head Office supervises monitors and guides the activities of each branch, region and central coordination office. The Head office also provides all logistic supports to these offices. The Branch offices send weekly and monthly reports to head office. The head offices consolidate on regular basis. The Head office also organizes external and internal auditing of branch accounts for the smooth implementation of project activities.

CLIENT CRITERIA: To improve social and economic position of the common people. Before disbursing a loan, SETU's management evaluates a borrowers' intention of loan repayment, past record of loan repayment, professional skill required to utilize the fund etc. At first field level officers collect the data, after wards branch manager, assistant program manager and regional head and head office judged these criterion.

Table 1:

Summary of Micro Finance Program	2015	2014	2013	2012
Month	(12)	(12)	(12)	(12)
No. of member	60,958	56,023	52,918	52,135
No. of Groups	4,121	4,211	3,648	3,689
No. of Borrowers	44,136	40,952	42,149	41,585
No. of Districts Covered	9	8	8	8
No. of Branches	50	48	48	48
Loan Outstanding (Mill BDT)	537.50	390.32	344.66	306.708
Members Savings (Mill BDT)	222.60	167.40	127.51	106.31

Loan Portfolio Analysis

SETU loan portfolio grew 37.69% in 2015. It was mainly concentrated in Jagoron (60.70%) followed by micro enterprise loan (22.91%), and Sufolon 16.31% in 2015. In 2014, micro enterprise loan grew 45.17% from 2013.

Table 2:

Sector wise Loan outstanding	2015	% in Total
	Amount in BDT Mill	
JAGORON (RMC and UMC)	325.31	60.70
AGROSOAR (Micro Ent.)	122.76	22.91
BUNIAD (UPP)	0.48	0.09
SUFOLON (Agriculture)	87.41	16.31
Total Loan outstanding	535.96	100.00

Portfolio Quality

Non-government organizations whose loans are typically not backed by bankable collateral, so, the quality of the portfolio is absolutely crucial. The most widely used measure of portfolio quality is portfolio at risk which measures the portion of the loan portfolio contaminated by arrears as a percentage of the total portfolio.

Table 3:

Particulars	2015			2014	
	¹ Loan Portfolio	Proportion in total (%)	Growth(%)	Loan Portfolio	Proportion in total (%)
Amount in BDT Mill					
PaR 1-30 days	8.11	1.51	10.21	7.36	1.89
PaR 31-180 days	5.02	0.94	11.75	4.49	1.15
PaR 181-365 days	3.70	0.69	0.55	3.68	0.94
PaR > 365 days	16.02	2.99	(2.60)	16.45	4.22
Total PaR	32.85	6.13	2.73	31.98	8.20

In 2015 total PaR grew 2.73% from 2014. Aging of loan outstanding of SETU depicts that at the end of 2015, 93.87% of loan was regular. 2.99% of the portfolio was overdue for more than 365 days. At the end of 2015 required loan loss provision according to Micro Credit Regulatory Authority was BDT 25.49 million and SETU maintained BDT 28.51 million. (See Annexure-2)

Capitalization & Funding Strategy

SETU microfinance program was mainly funded by external borrowing. Of the total funding 43.00% was from long term liability followed by 36.61% of members savings, 11.40% by own fund. During 2015, own fund grew by 15.44% backed by internal capital generation.

Table 4:

Funding Mix							
Year Ended June 30							
(Mil. BDT)	Amount	2015 Total (%)	Growth (%)	Amount	2014 Total (%)	Growth (%)	2013 Amount
Capital Fund	69.31	11.40	15.44	60.04	13.39	17.38	51.15
Long Term Liabilities/Loan	316.13	51.99	43.00	221.07	49.29	13.32	195.07
<i>Fund Liabilities</i>	<i>105.38</i>	<i>17.33</i>	<i>22.16</i>	<i>86.26</i>	<i>19.23</i>	<i>22.22</i>	<i>70.57</i>
<i>Loan from PKSF</i>	<i>110.75</i>	<i>18.21</i>	<i>(7.56)</i>	<i>119.81</i>	<i>26.71</i>	<i>(3.77)</i>	<i>124.50</i>
<i>Bank Loan</i>	<i>100.00</i>	<i>16.45</i>	<i>n.a</i>	<i>15.00</i>	<i>3.34</i>	<i>-</i>	<i>-</i>
Members' Savings	222.61	36.61	32.98	167.40	37.32	31.28	127.51
Total	608.05	100.00	35.57	448.51	100.00	20.01	373.74

¹ Loan outstanding amount of financial year 2014 and 2015 was without service charge/interest.

SETU has 03 savings scheme through which the organization collected BDT 222.61 million in 2015 registering a growth of 32.98% from 2014. Balance sheet liabilities to equity) of this program was 6.25 times in 2015 (2014: 5.03 times) and borrowed fund to equity was 3.04 times in 2015 which was 2.25 times in 2014.

Financial Performance

In 2015, fund based income was 97.73% of total micro finance income backed by interest from on loan. Fund based income and net interest income increased by 29.42% and 26.95% respectively due to realization of interest income and loan growth. Interest and finance charges enhanced 12.84% from 2014 due to increased external borrowing. Therefore net surplus of the program decreased by 46.19% due to impact of both financial and personnel expenses in 2015.

Table 5:

Segregation of Revenue				
For the year Ended June				
Year	2015		2014	
(BDT in Mil)	Amount	Growth	Amount	Growth
Fund Based Income (a)	111.10	29.42	85.85	15.06
Interest income on loan	110.17	28.39	85.81	15.20
Interest income on bank deposit	0.92	n.a	0.03	(73.33)
Interest & Finance Charges (b)	12.84	52.06	8.44	2.06
On Borrowings	0.78	166.73	0.29	(85.62)
On Deposits	12.06	47.97	8.15	30.47
Net Interest Income (a-b)	98.26	26.95	77.40	16.68
Fee Based & Other Income (c)	2.58	(73.22)	9.64	n.a
Total Income (a+c)=d	113.68	19.05	95.49	25.89
Total Expenses (e)	79.75	7.44	74.23	22.87
Personnel Expenses	51.68	12.37	45.99	15.27
Administrative & Other Expenses	28.07	(0.59)	28.24	37.67
Provision For Loan Loss	8.34	n.a	(2.96)	n.a
Net Surplus	8.49	(46.19)	15.78	258.39

Financial Indicators

During 2015, portfolio yield increased 0.40 percentage points due to increased fund based income along with loan growth. ROA was 1.40 due to decreased net surplus in the same duration. In 2015, operating expense ratio was 22.67% indicates increased administrative and personnel expenses. Deposit to loan ratio was 41.42% which was lower than 80% (maintains MRA requirement). The Organization's borrowed fund to equity ratio was 3.04 times in 2015 which was 2.25 times in 2014 due to increased external borrowing from commercial banks. At the end of 2015, capital adequacy stood at 11.58%.

Table 6:

Key Financial Indicators				
	2015	2014	2013	2012
<i>Profitability & Efficiency</i>				
Portfolio Yield (%)	23.75	23.35	22.87	27.06
Return on Assets (ROA) (%)	1.40	3.52	1.18	5.16
Operating Expense Ratio (%)	22.67	21.69	21.94	21.40
Net surplus / Loan outstanding (%)	1.58	4.04	1.28	5.64
<i>Fund Cost</i>				
Cost of Savings (%)	6.00	6.00	6.00	9.37
Cost of Borrowing (%)	8.11	6.35	5.50	5.50
<i>Capitalization</i>				

Borrowed Fund to Equity (Times)	3.04	2.25	2.43	3.75
Capital Adequacy Ratio (%)	11.58	13.74	13.88	14.62
<i>Liquidity</i>				
Deposit /Loan (%)	41.42	42.89	37.00	34.65
Liquid assets to Deposit (%)	6.21	10.35	6.87	9.75

SOCIAL DEVELOPMENT PROGRAM OF SETU

Agriculture and Livestock Development: SETU provides agricultural loan to its group members for cultivation of onion, garlic, banana, paddy, maize, potato, vegetables, sunflower etc. SETU undertakes beef fattening program with funding from PKSIF. This is an income generating program by SETU which helps in alleviating poverty. The organization also provides credit support to fish culture, poultry and goat rearing.

Safe Migration for Bangladeshi Workers project: Migration is a major source of income of Bangladesh. Remittances earned from migration contribute highly in Bangladesh economy. The income of migrant workers improves their family status as well as it is helpful for overall development of the country. In spite of their contribution in economy the migrants face many problems in different stages mainly in lacking of right information in right time. In this perspective SETU undertakes 'Safe Migration for Bangladeshi Workers' project in Kushtia sadar upazila area in order to ensure safe migration. Under the project the migrants will get different services like easy and right information, reduce dependency on middle men.

Promotion of Eco-Friendly Fertilizer: SETU has been preparing eco-friendly fertilizer in Meherpur in cooperation with Meherpur Pourashava and UNICEF under technical assistance of Waste Concern. The constructed composting Plant was used only for the purpose of organic composting through garbage collected from residential and commercial areas. SETU operated and maintained the compost plant as per the guidelines of Waste Concern. The NGO takes care of operation and maintenance of community based resource recovery system.

Farmer-to-Farmer for Food Security: SETU has been implementing Farmer-to-Farmer for food security project with technical assistance of WINROCK International through USAID. The project includes improved seed production for home based gardening; improve soil conditions through fertilization management. Some courses were organized involving male and female farmers of Mirpur and Kushtia Sadar Upazila area which were facilitated by international experts.

Participatory Forestry Program (PFP): Under this program, 152 villages under 20 unions of three thanas, namely Mirpur upzilla, Kushtia sadar and Kumarkhali of Kushtia district were covered since 1991. Major components of this program are plantation at homestead & cropland, village nursery establishment, central nursery development, tree renovation, core farmer development training etc.

Health for All: SETU promotes awareness on health for all agenda among the stakeholders as an essential service. SETU initiates advocacy with government departments and service providing NGOs to enhance quality health facilities. Mentionable results of the program are access raised to claim health service from ongoing government facilities, health awareness raised among women, and knowledge level upgraded on reproductive health, HIV/AIDS, safe water use and sanitation.

Environmental Sanitation: SETU has gathered experiences in implementing Sanitation, Hygiene Education and Water Supply (GOB-UNICEF) Project in Meherpur district under financial and technical assistance of UNICEF, DPHE & DFID. The project includes 101 villages of 5 unions of Meherpur Sadar Upazila covering 1,94,665 people (male - 1,00,067, female - 94,598) of 48,977 households. A variety of activities have carried out in the field to wage social mobilization for achieving the MDGs. Moreover SETU has implemented same activities in Meherpur municipal area covering 6,265 households with funding from UNICEF, DPHE & DFID.

Arsenic Mitigation: SETU undertook Arsenic Mitigation Program as a pioneering organization soon after arsenic victims were detected in some villages under Kushtia district. SETU's program includes the following activities; advocacy and lobbying with stakeholders, water testing, surface water study, identification of patients, coordination; communication, seminar, symposium and meeting, media linkage, social mobilization, formation of CBOs etc. The Water & Sanitation Program started in 1987 at Mirpur, Kushtia sadar and Khoksa thana. Under this program 380 nos. of tube wells and

250 nos. of sanitary latrines were installed at the target families' houses. Moreover motivational & consciousness raising program on safe water and environment sanitation has been a regular routine work under this program.

Nutrition Education: SETU undertook this project in Kushtia Sadar, Mirpur and Khoksa upazilas in order to develop the nutritional status of rural people through establishing vegetable and fruit nurseries, Grameen Nursery (GN) and Central Nursery (CN) and promoting nutritional education in cooperation with the project participants.

Mainstreaming the Disabled People in Development Process: SETU implemented the above mentioned project in Kushtia Sadar and Khoksa upazila under Kushtia district. SETU assists the PWDs in involving them in socio-economic activities enabling them to voice their rights and opportunities. Initial activities of the project were institution building, savings mobilization and awareness about human rights, health etc., including provision for providing health support, Aids/Appliances and capacity building.

Education for All: SETU has been promoting education for all through implementing different programs. SETU initiates in ensuring 100% enrollment in primary school. Since 1986, SETU has been initiating adult education and non-formal education programs through organizing education centers. SETU also implemented ROSC (Reaching Out of School Children) program and arranged 30 no. of Ananda Schools in Daulatpur upazilla of Kushtia District with the financial assistance of GOB. Moreover SETU has been working with Campaign for Popular Education (CAMPE) to popularize education program through involving CSOs. SETU conducts 80 no. of Non Formal Primary Education Centers in different villages of Mirpur Upazila of Kushtia district where a total of 2,400 girls and boys of poor families were enrolled. SETU has implemented the program under financial and technical assistance of BRAC-ESP.

Conscientize on Millennium Development Goal (MDG): The MDGS are commitment by the United Nation to establish peace and a healthy global economy by focusing on major issues like poverty, children's health, empowerment of women and girls, sustainable environment, disease and development. The goals are critical for meeting the basic needs of people but efforts are required to accelerate progress across all the goals. SETU make aware its members on "Millennium Development Goals" (MDG) through organizing meetings, workshops, seminars, public hearing, and information dissemination through IEC materials. SETU also conducts several types of IPT (Interactive Popular Theatre) shows. The organization has been implementing different programs in the field to attain the MDGs and also initiates campaign among the stakeholders to enhance civic sensitivity on Beyond 2015.

Technological Empowerment through ICT: SETU provides management training and technical assistance to its staff members with a view to enabling them in utilizing Information Communication Technology in their respective fields. This empowers the employee to cope with the modern challenges in performing daily duties. In this regard SETU organized series of courses/activities on automation, networking, MIS, data analysis using its computer facilities. Already all offices of SETU were connected with online network, facilitating quick dissemination of information on a regular basis. Obviously this technological empowerment of staff through ICT results in speedy and fruitful performance of organizational work.

Strengthening Climate Justice: There are threats' in climate change which are very real and associated challenges are formidable. Bangladesh is vulnerable due to hydro-geological and socio-economic factors. It is therefore, of utmost importance to assess its vulnerability in terms of population, areas at risks and potential for adaptation. In this perspective SETU intends to pioneer strategies to counter climate change at the community level, thus promotes following interventions:

- Mainstreaming climate change adaptation into policies and programs.
- Integrating climate justice issues in educational curriculums.
- Disseminating climate change information to vulnerable communities for raising consciousness in climate justice.
- Developing eco-specific knowledge in climate variability to enhance resolution for climate justice issues.
- Empowering the vulnerable communities on claiming climate justice and human rights, thus guarantee their socio economic development.

MANAGEMENT

SETU has a structural management system where general body is the decision making body, Executive Committee implements the decision of the General body. On behalf of the Executive Committee, the Executive Director



implements the activities of SETU with the assistance of all tire staff. The organization has several wings in its management system such as Financial, Program, Monitoring, Gender, Training and Disaster. It has a central management committee consisting of the all sector heads. The management committee held meeting tri-monthly where progress is discussed and future plan of action is prepared for better implementation of the project with a view to achieve its outcome. They have organizational rules for the above. Total project wise manpower is as follows:

Internal Control

Cash handling in the SETU branch offices and head office and procedures on a/c opening, cash withdrawal, depositing cash & closure of a/c, investments etc. are run as per organizational rules.

Internal Audit

There is a internal audit team of SETU. The internal audit team arranges audit twice a year by organizational rules and procedure.

MANAGEMENT INFORMATION SYSTEM

SETU has Software based MIS continuing from 2011. The Software established through Datasoft System Bangladesh Ltd.

CORPORATE GOVERNANCE

SETU has a General Committee consisting of 22 members headed by the Chairman; an Executive Committee consists of 07 members and an Executive Office headed by the Executive Director who is guided by the Executive Committee. All the decisions come from General Committee (GC) and Executive Committee (EC) and The Executive Director implements the decisions accordingly. Executive Committee and General Committee duly reckon up the activities, outputs and imparts in different projects independently. Moreover, a team of advisors with national and international reputation pays advisory services to enrich SETU activities in global perspective.

ORGANIZATION'S INFORMATION

ANNEXTURE-1

Table 7: List of Executive Committee Members

Sl No.	Name	Designation
01	Mr. Md. Omar Ali	Chairperson
02	Mr. Md. Shahidullah Sheikh	Vice-Chairperson
03	Ms. Nazma Parvin	Treasure
04	Mr. Md. Abdus Sattar Biswas	Member
05	Mr. Md. Mukul Hossain	Member
06	Mst. Lakia Khatun	Member
07	Mr. M A Quader	Member Secretary/ Executive Director

Table 8: List of senior management

Sl No.	Name	Designation
01	Mr. M A Quader	Executive Director
02	Mr. Md. Mofizul Islam	Asstt. Director
03	Ms. Nazmunahar	Coordinator, Audit & Monitoring
04	Mr. S M Hasib Nehal	Manager, HRD
05	Mst. Shahanaj Parvin	Manager, Finance
06	Mr. Abdulla Munim Ahmed	Manager, ICT

External Auditors: A MATIN & CO.

SETU has functional association and affiliation with the following organizations:

- Palli Karma Sahayak Foundation (PKSF), Bangladesh
- Bangladesh Rural Advance Committee (BRAC)
- Federation of NGOs in Bangladesh (FNB)
- Center for Disability and Development (CDD)
- Disaster Forum, Bangladesh.
- Action on Disability in Development (ADD)
- International Labor Organization (ILO)
- Hospital for Sick Children (Canada)
- Cord Aid (Netherlands)



ANNEXTURE-2

Table 9:

Segment	Jagoron	Agrosor	Sufolon	Others	Remarks
Loan Term	1 year	1 year	6 month	6 month	
Loan Size	10,000-29,000	30,000-5,00,000	10,000-30,000	6,000-20,000	
Interest Rate	27%	27%	27%	27%	
Repayment Policy	Weekly	Monthly	One time	One time	
Loan Processing Fees	No	0.05%	No	No	
Any other Fees	1%	No	No	No	Insurance fee
Penalty if any	No	No	No	No	

Table 10

Savings	Frequency	Amount Saved	Interest	Other Features
Product 1	Weekly	BDT 10- BDT 25	6.00%	
Product 2	Monthly	BDT 100- BDT 1,000	12.50%	
Insurance	Frequency	Amount Paid	Sum Insured	Other Features
Product 1	Yearly	1.00% on loan	As per loan	
Product 2				

Table 11:

Name of the Lending Institution	Amount Sanctioned	Date of Sanctioning	Interest Rate	Loan Tenor	Repayment Frequency	Loan Outstanding as on 06 July 2015
Amount in BDT Mill						
PKSF			5.5%	3 Years	Quarterly	110.75
One Bank Ltd.	50.00	28/06/2015	11%	9 months	Quarterly	50.00
Standard Bank Ltd.	30.00	21/04/2015	11%	1 year 6 month	Quarterly	30.00
Mutual Trust Bank Ltd.	50.00	06/07/2015	11%	Upto 30.06.2016	Quarterly	20.00

Table 12:

Particulars	2015(Dec)	2014	2013	2012
Total number of clients at the beginning of the period	60,323	52,918	52,135	56,617
Total number of clients at the end of the period	60,958	56,251	53,100	52,313
New clients - all those who joined during the period	1,718	5,820	5,735	3,350

Table 13:

Other Indicator	2015	2014	2013	2012
Borrowers per Branch (No)	859	853	878	866
Borrowers per loan Officer (No)	250	266	260	252
Loan Outstanding per Branch (Mil BDT)	10.97	8.94	7.18	6.39
Loan Outstanding per loan Officer (Mil BDT)	3.20	2.79	2.13	1.86



Table 14:

Particulars	No. of Days Outstanding	Outstanding Loan Amount	Required provision	
		Amount in BDT Mill	Rate %	Amount in BDT Mill
Total Loan Outstanding		535.96		
Total overdue:				
Regular	Loans with no overdue installments	503.10	1%	5.03
Watchful	Loan default duration between 1 and 30 days	8.11	5%	0.41
Sub-standard	Loan default duration between 31 and 180 days	5.02	25%	1.25
Doubtful	Loan default duration between 181 and 365 days	3.70	75%	2.78
Bad Loan	Loan default duration above 365 days	16.02	100%	16.02
Provision required by SETU				25.49
Provision kept by SETU				28.51
Surplus / (Deficit)				3.02

Table 15:

Eligibility Criteria Compliance Certification (by PKSf)	As of 30 June 2015	
	PKSF Standard	SETU Ratios
Minimum Loan recovery rate computed QTR based :		
95% minimum cumulative loan collection ratio on total dues(cumulative collectables)	95-98%	99.56%
92-100% minimum loan collection ratio on current dues (on running 12 month basis)	95-100%	99.74%
Actual collection during the past 12 month on current dues*100 collection on current dues		
Minimum Liquidity to Saving ratio	15.00%	9.43%
Minimum Current Ratio	2:01	5.54:1
Minimum Capital Adequacy ratio	10%-15%	13.47%
Minimum Debt Service Coverage Ratio	1.25:1	0.72:1
Debt to Capital ratio	9:01	5.63:1
Minimum Rate of Return on Capital	11.00%	11.81%

Formula of the Ratios :

Profitability & Efficiency

Portfolio Yield = Interest income / Avg. Gross Outstanding Portfolio

Return on Assets (ROA) = Net surplus / Total Asset

Operating Expense Ratio = Operating Expense / Avg. Gross Outstanding Loan Portfolio

Net surplus / Loan outstanding

Fund Cost

Cost of Savings = Interest Paid on Deposits / Avg. Deposits

Capitalization

Borrowed Fund to Equity (times)

Capital Adequacy Ratio = Total Equity / (Total Assets - Cash and Bank Balance).

Liquidity

Liquid Assets to Deposits

Deposit to loan

Borrowed Fund = Long & short term loan (do not include member's savings)

Equity & Funding = Equity (Own fund + Donation) + member's savings + Long & short term loan

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.
AA₁, AA₂, AA₃* 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.
A₁, A₂, A₃ 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.
BBB₁, BBB₂, BBB₃ 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.
BB₁, BB₂, BB₃ 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.
B₁, B₂, B₃ 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.
CCC₁, CCC₂, CCC₃ 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.

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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