



DataPro



CORPORATE RATING REPORT

CITITRUST HOLDINGS PLC

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May, 2022

CITITRUST HOLDINGS PLC

Long-Term Rating:

BBB-

Short Term Rating: A2

Rating Outlook: Evolving

Trend: UP

Currency: Naira

Date issued: 27 May, 2022

Valid Till: 26 May, 2023

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

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EXECUTIVE SUMMARY

| | 2021 ₦'000 | 2020 ₦'000 | 2019 ₦'000 |
|---------------------|---------------|---------------|---------------|
| Gross Earnings | 9,510,388 | 4,009,947 | 5,291,621 |
| Pre Tax Profit | 2,880,900 | -137,364 | -1,668,155 |
| Net Worth | 9,747,749 | (1,010,450) | 2,330,944 |
| Prop. Plant & Eqpt. | 1,246,061 | 949,356 | 820,388 |
| Total Assets | 47,483,052 | 25,616,719 | 6,165,244 |

Rating Explanation

The Short-Term Rating of **A2** indicates *Fair Credit Quality* and adequate capacity for timely payment of financial commitments.

The Long-Term Rating of **BBB-** indicates *Slight Risk*. It shows *Fair* Financial Strength, Operating Performance and Business Profile when compared to the standard established by **DataPro**. This Company, in our opinion, has ability to meet its ongoing obligations, but its financial strength is vulnerable to adverse changes in economic conditions.

RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information was obtained from the Group Audited and Management Accounts.

The risk factors were assessed using the Group's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of its current healthy profile in the medium to long term period.

Overall, the following were observed:

Strengths:

- Diversified Revenue Profile
- Improved Capitalization

Weaknesses:

- Weak Operating Subsidiaries
- Fair Liquidity Position

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BACKGROUND

Cititrust Holdings Plc ("The Group") is a Non-Operational Holding Company which was incorporated on the 3rd of January 2019 and commenced operations on the same day. The Group has Subsidiaries licensed by the *Securities & Exchange Commission (SEC)*.

The Group, through its subsidiaries, has interests in various services which include Commercial Banking, Investment Banking, Wealth Management, Pension Management, and Alternative Investment. The Group has 6 Subsidiaries operating in Nigeria. These include: *Living Trust Mortgage Bank Plc, Cititrust Capital Partners Limited, Cititrust Asset Management Limited, Cititrust Registrars and Data Solutions Limited, Cititrust Private Equity Limited* and *Cititrust Securities Limited*.

CITITRUST HOLDINGS PLC SUBSIDIARIES

| NO | COMPANY NAME | RELATIONSHIP | LINE OF BUSINESS |
|----|---|--------------|-------------------------------------|
| 1 | Cititrust Holdings Plc | Parent | • Financial Services Group |
| 2 | Living Trust Mortgage Bank Plc | Subsidiary | • Mortgage Bank |
| 3 | Cititrust Capital Partners Limited | Subsidiary | • Issuing House/Investment Banking |
| 4 | Cititrust Asset Management | Subsidiary | • Asset Management |
| 5 | Cititrust Registrars and Data Solutions Limited | Subsidiary | • Registrars/Data Solutions Company |
| 6 | Cititrust Private Equity Limited | Subsidiary | • Finance Company |
| 7 | Cititrust Securities Limited (Asset Portfolio Limited) | Subsidiary | • Company Stockbroking |

Source: Cititrust Holdings Plc

The Group operates from its head office in Lagos, Nigeria. It also has subsidiaries located in states across the Country. The Group employed 391 individuals.

The major Shareholders of the Group are *Globevest Partners Limited, Elora Capital Management Limited* and *FBN Quest Trustees*.

The summary of the Group operation is as presented:

KEY FINANCIAL INDICATORS

| Item Year | Gross Earning ₦'000 | PBT ₦'000 | Total Asset ₦'000 | Equity ₦'000 | Total Liabilities ₦'000 | Non- Current Assets ₦'000 |
|--------------|---------------------------|--------------|----------------------|-----------------|-------------------------------|------------------------------------|
| 2021 | 9,510,388 | 2,880,900 | 47,483,052 | 9,747,749 | 37,735,303 | 1,246,061 |
| 2020 | 4,009,947 | (137,364) | 25,616,719 | (1,010,450) | 26,627,169 | 949,356 |
| 2019 | 5,291,621 | (1,668,155) | 6,165,244 | 2,330,944 | 8,496,187 | 820,388 |

Source: Cititrust Holdings Plc

DIRECTORS PROFILE

The following served as directors during the year under review; *Mr. Yemi Adefisan – Group Chief Executive, Mr Ohio Ifiabor-Group Chairman, Mr. Yemi Adefisan-Group Chief Executive, Mr. Afolabi Martins, Alhaji Lawal Danladi Yaro, Meg Nkechinyere Irozuru, Mrs Rakiya Edota Bello, Mr. Adeleke Adebayo, Mr. Babafemi Lawal and Mr George Otienio.*

The Directors' profiles are as follows.

1. **Name:** Mr Ohio Ifiabor
Position: Group Chairman
Profession: Banker
Years of Experience: 30 years
Education:
 - University of Nigeria, Nsukka
 - University of Lagos**Job Experience:**
 - Globacom
 - Equitorial Trust Bank
2. **Name:** Yemi Adefisan
Position: Group Chief Executive
Profession: Banker
Years of Experience: 21 years
Education:
 - Edinburgh Napier University, UK
 - University of Salford
 - University of Chichester, UK
 - Ladoke Akintola University, Oyo State**Job Experience:**
 - EAIN Capital
 - Skye Bank
 - Unity Bank
3. **Name:** Afolabi Martins
Position: Executive Director
Profession: Economist
Years of Experience: 20 years
Education:
 - Lagos State University
 - University of Stellenbosch, Cape Town, South Africa.**Job Experience:**
 - Standard Alliance Capital
 - Kinley Securities
4. **Name:** Alhaji Lawal Danladi Yaro
Position: Non-Executive Director
Profession: Banker
Years of Experience: 21 years
Education: Texas Southern University, Houston
Job Experience:
 - International Trust Bank Limited

•International Merchant Bank Limited

5. **Name:** Meg Nkechinyere Irozuru
Position: Non-Executive Director
Profession: Oil & Gas
Years of Experience: 30 years
Education:
 - University of Lagos, Lagos
 - Sikkim-Manipal University, India
 - Leeds Metropolitan University, London**Job Experience:** Petrobas Nigeria Limited
6. **Name:** Mr Adeleke Adebayo
Position: Non-Executive Director
Profession: Corporate Investment
Years of Experience: 25 years
Education:
 - Obafemi Awolowo University, Ile-ife
 - Delta State University, Abraka**Job Experience:**
 - African Petroleum Plc (Now Forte Oil Plc)
 - 5 Star Asset Management Limited
 - Lancelot Ventures Limited
7. **Name:** Mrs Rakiya Edota Bello
Position: Non-Executive Director
Profession: Banker
Years of Experience: 23 years
Education:
 - Nasarawa State University, Keffi
 - Usman Dan Fodio University, Sokoto**Job Experience:** United Bank of Africa Plc
8. **Name:** Mr Babafemi Lawal
Position: Non-Executive Director
Profession: Investment Banker
Years of Experience: 24 years
Education: University of Ilorin
Job Experience:
 - Synergon Infrastructure Limited
 - AT & T Asset Management Limited
9. **Name:** Mr George Otienio
Position: Non-Executive Director
Profession: Insurer
Years of Experience: 35 years
Education: University of Lagos, Lagos
Job Experience:
 - African Reinsurance Corporate, West Africa
 - Pan African Insurance Company Limited, Kenya

FINANCIAL SERVICES INDUSTRY

The Nigerian financial services industry comprises Banks and Non-Bank Financial Institutions. These include Finance Companies, Primary Mortgage Institutions, Microfinance Banks, Discount Houses, Insurance Companies, Forex Bureau De Change, Investment Banks, Financial Technology Companies

Nigeria is the leading economy in Africa. It has a population of nearly 200 million people. The Country's Gross Domestic Product (GDP) grew by 3.11% in the first quarter of 2022. The Nigerian financial sector contributed significantly to the growth. It recorded a growth rate of 23.24%. This growth is higher compared with 10.07% recorded in the previous quarter.

The Oil benchmark for the year 2022 budget is \$62 per barrel and 1.88 million barrel per day. This compares well with the current selling price of Oil which is above the benchmark (\$117.20 as at May 27th, 2022 according to oilprice.com).

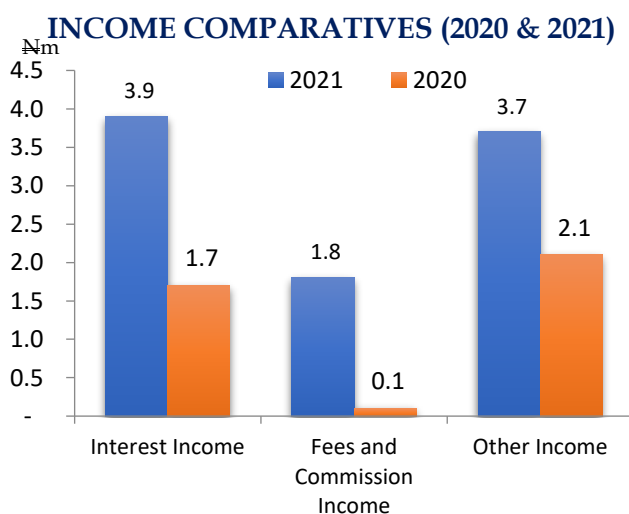
In an effort to achieve price stability amidst rising inflation (currently 16.82%), the **Central Bank of Nigeria (CBN)** increased MPR to 13% from 11.5% at its MPC meeting in May, 2022. This is expected to moderate the effect of political spending and encourage investors. However, cost of fund is expected to increase in the near future.

The **CBN** has been managing its Foreign Exchange Reserves tightly because of lower Oil receipts. The official Exchange Rate to the dollar as at May 26th, 2022 was ₦115.72 while the exchange rate at the parallel market stood at ₦1610.

The **Group's** operation is largely in the Financial Services Sector. Consequently, improvements in the economy particularly in the Non-Oil sectors will support the **Group's** ability to generate Revenue.

FINANCIAL PERFORMANCE

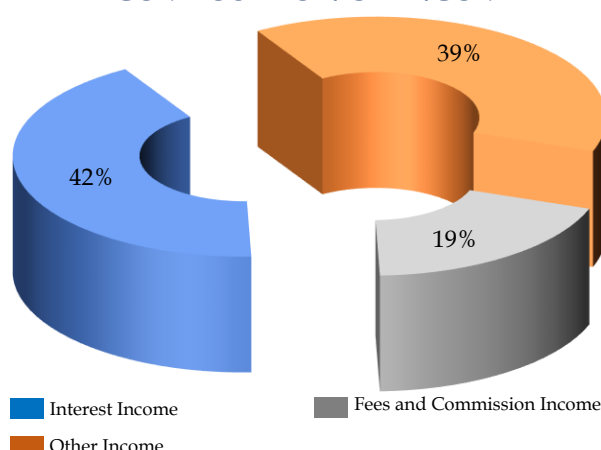
• EARNINGS PROFILE



Source: Cititrust Holdings Plc

The Group grew its Revenue significantly during the year 2021. It grew by 137% from ₦4b (Yr. 20) to ₦9.5b (Yr. 21). In 2021, The Group generated Revenue from Interest Earnings, Fees and Commissions as well as Other Operating Income. All sources of Income rose during the year and contributed to the overall growth in Revenue.

COMPOSITION OF INCOME



Source: Cititrust Holdings Plc

The most remarkable growth was recorded in Interest Income. It grew by 129% from ₦1.7b (Yr. 20) to ₦3.9b (Yr. 21). Interest based earnings was also the major contributor during the year 2021. It contributed 42%. However, Fees and Commission accounted for the least proportion of 19%.

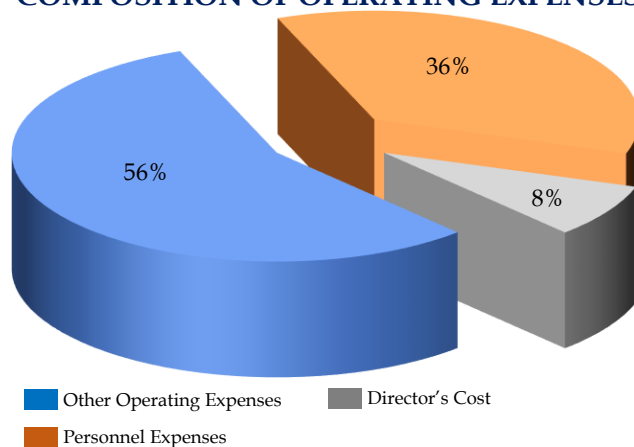
Other Operating Income consisted of Sale of Foreign Currency, Banking Services and Gain on Disposal of Unquoted Investment.

The Gains from Disposals was the main driver for growth in Other Operating Income as it increased from ₦1.7b (Yr. 20) to ₦3.1b (Yr. 21).

• PROFITABILITY

The Growth in Revenue was followed by increased Expenditure in 2021. There was growth in the Interest Cost as well as the Fees and Commission Expenses during the year. This moved by 208% from ₦928m (Yr. 20) to ₦2.8b (Yr. 21). The increase in Expenses impacted the Gross Profit Margin which declined from 77% (Yr. 20) to 70% (Yr. 21).

COMPOSITION OF OPERATING EXPENSES



Source: Cititrust Holdings Plc

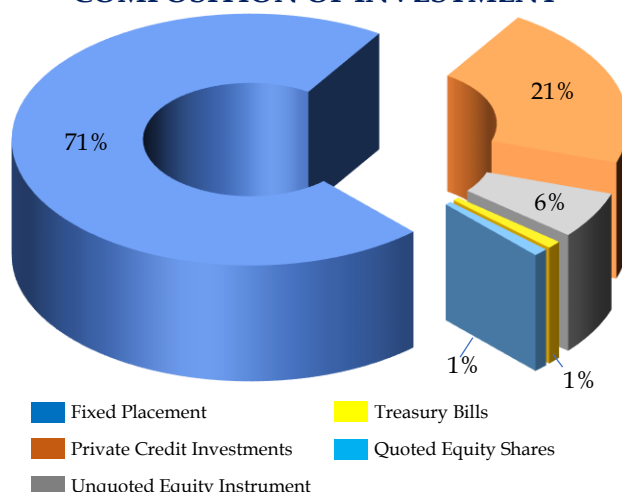
The Group's Operating Expenses included Personnel Expenses, Depreciation and Directors Cost. Asides Depreciation, all Components of Operating Expenses grew during the year 2021. Total Operating Expenses rose by 24% from ₦2.5b (Yr. 20) to ₦3.1b (Yr. 21).

The Group recorded a Profit after Tax of ₦2.8b (Yr. 21). This was after recording losses for two consecutive years. Improvement in profitability was due to the increase in Revenue outpacing the growth in Expenditure during the year under review. Consequently, all profitability indices in the year 2021 increased significantly.

• INVESTMENT

The Group had several investments during the year 2021. This included Quoted Equity Shares, Unquoted Equity Instrument, Fixed Placement, Treasury Bills and Private Credit Investments.

COMPOSITION OF INVESTMENT



Source: Cititrust Holdings Plc

The Investment of the Group grew significantly during the year 2021 by 209%. It rose from ₦5.6b (Yr. 20) to ₦17.3b (Yr. 21). The growth of the Group's Investments was largely due to the rise in the Fixed Placements made during the year. This accounted for 71% of the Investments in 2021 and it rose from ₦4.1b (Yr. 20) to ₦12.8b (Yr. 21).

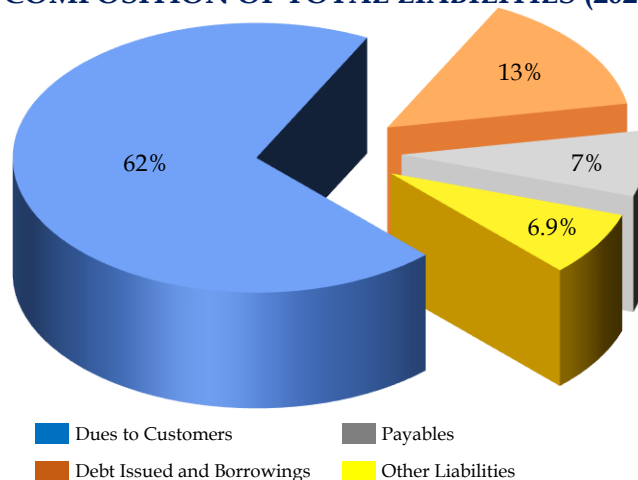
The rise in the Investments of the Company outpaced the growth in Returns. Consequently, the Return

on Investments of the Company declined during the year 2020, despite the significant rise in the Revenue. Return on Investment was 23% (Yr. 21) as against 30% (Yr. 20).

• LIQUIDITY

The Group's Total Liabilities grew in 2021 by 42% from ₦26.6b (Yr. 20) to ₦37.7b (Yr. 21). This growth was largely driven by an increase in the Dues to Customers during

COMPOSITION OF TOTAL LIABILITIES (2020)



Source: Cititrust Holdings Plc

the year. Dues to Customers made up 62% of the Group's Total Liabilities, growing from ₦13.4b (Yr. 20) to ₦23.3b (Yr. 21). Other Liabilities amounted to ₦5.8b (Yr. 21).

Despite the overall increase in the Total Liabilities of the Group, the Debt Issued and Borrowed Funds declined in 2021 from ₦9.5b (Yr. 20) to ₦4.9b (Yr. 21). Similarly, the Accruals and Other Payables of the Group also declined from ₦3.2b (Yr. 20) to ₦2.4b (Yr. 21).

The Group's Total Liabilities grew in 2021 by 42% from ₦26.6b (Yr. 20) to ₦37.7b (Yr. 21). This growth was largely driven by an increase in the Dues to Customers during the year. Dues to Customers made up 62% of the Group's Total Liabilities, growing from ₦13.4b (Yr. 20) to ₦23.3b (Yr. 21). Other Liabilities amounted to ₦5.8b (Yr. 21).

NET LIQUIDITY (2021)

| Items | Asset N'000 | Liabilities N'000 | Cumulative balance N'000 |
|--------------------------------|-------------|-------------------|--------------------------|
| Liquid Assets | 5,767,970 | | 5,767,970 |
| Net Loans & Advances | 10,658,085 | | 16,426,055 |
| Due to Customers | | 23,397,976 | (6,971,921) |
| Debt Issued/ Borrowed Funds | | 4,988,306 | (11,960,227) |
| Trade Receivables | 10,548,511 | | (1,411,716) |

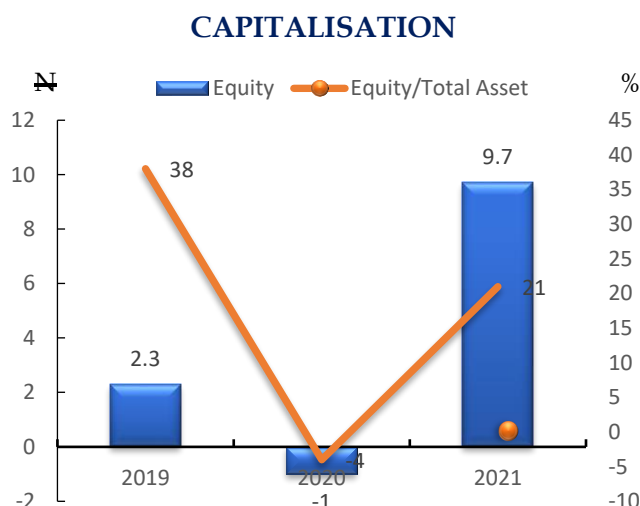
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also declined from ₦3.2b (Yr. 20) to ₦2.4b (Yr. 21).

The liquid profile of the Group Assets dipped during the year 2021. Liquid Assets as a proportion of Total Assets declined from 14% (Yr. 20) to 12% (Yr. 21). Cushion provided for Dues to Customers also declined from 26% (Yr.20) to 25% (Yr.21). On the whole, The Group Liquidity Gap in the year 2021 was ₦1.4b arising from the inability of the Liquid Assets and Receivables to provide adequate coverage for current obligations.

• CAPITAL ADEQUACY

The Group injected new Capital into its operation in the year 2021. Consequently, Share Capital rose from ₦0.5b (Yr. 20) to ₦1.3b (Yr.21). The injection of the new capital also led to Share Premium amount of ₦7b during the year 2021.



Source: Cititrust Holdings Plc

The Group also improved its profitability. It turned around its Retained Loss of ₦2.6b (Yr. 20) to a Profit of ₦1.3b (Yr. 21). Therefore, the Equity of the Group was significantly improved in 2021. It rose from a negative balance of ₦1b (Yr. 20) to ₦9.7b (Yr. 21).

Total Assets surged in the year 2021 by 85% from ₦25.6b (Yr. 20) to ₦47.4b (Yr. 21). The key driver for this growth was the addition of Financial Investments amounting to ₦8.6b (Yr. 21). Other notable

growths included the Loans and Advances of the Group as well as Trade Receivables. These classes of Assets rose from ₦14.6b (Yr. 20) to ₦21.1b (Yr. 21).

Equity therefore funded 21% of the Group operations in the year 2021. This is an improvement compared with negative funding recorded in the year 2020.

CITITRUST FINANCIAL SERVICES LIMITED

Cititrust Financial Services Limited is a subsidiary under the Group. The Company is licensed to carry out Investment and Portfolio Management related services.

The operation of the company is registered with the *Securities & Exchange Commission (SEC)*. The Summary of its operation is as presented:

KEY FINANCIAL INDICATORS

| Item Year | Gross Earnings ₦'000 | PBT ₦'000 | Total Asset ₦'000 | Equity ₦'000 | Total Liabilities ₦'000 | Fixed Assets ₦'000 |
|--------------|----------------------------|--------------|----------------------|-----------------|-------------------------------|--------------------------|
| 2020 | | 423,528 | 9,880,293 | (1,686,839) | 11,567,132 | 79,748 |
| 2019 | 311,235 | (1,863,134) | 2,257,629 | (1,824,397) | 4,082,026 | 47,216 |
| 2018 | 28,127 | 22,642 | 1,343,255 | 36,355 | 1,306,900 | 19,868 |

Source: Cititrust Financial Services Limited

CITITRUST PRIVATE EQUITY LIMITED

Cititrust Private Equity Limited was established in November 2019. Its business focus includes: Investment Management and Venture Capital.

The Summary of its operation is as presented:

KEY FINANCIAL INDICATORS

| Item Year | Gross Earnings ₦'000 | PBT ₦'000 | Total Asset ₦'000 | Equity ₦'000 | Total Liabilities ₦'000 | Fixed Assets ₦'000 |
|--------------|----------------------------|--------------|----------------------|-----------------|-------------------------------|--------------------------|
| 2020 | 245,414 | (103,678) | 8,684,959 | (126,611) | 8,810,570 | 15,100 |

Source: Cititrust Private Equity Limited

CORPORATE GOVERNANCE & RISK MANAGEMENT

The Group directs its affairs through its Board of Directors. The Group had five (5) Non-Executive Directors and four (4) Executive Directors on its Board in the year 2021. The reporting line of the Group is presented below:

The Group's organogram is as highlighted.

GROUP ORGANOGRAM



Source: Cititrust Holdings Plc

RISK FACTORS

In the course of our review, we observed the following significant risks.

- **REGULATORY RISK**

This is the risk that the Group will not be able to operate as a result of inability to comply with regulatory demand.

Most of the Group subsidiaries operate in sectors regulated by the CBN and SEC. The major demand of the primary regulators is for Companies to maintain appropriate Shareholders Funds. Based on our review, some of the Group subsidiaries are currently operating with negative Shareholders' Funds.

- **FOREIGN EXCHANGE RISK**

This is the risk arising from loss of capital or earnings due to adverse movements in the Exchange Rates of Assets or Liabilities.

Our review revealed that the Group had investments in African countries such as Liberia, Kenya and South Africa. Consequently, adverse movement in Exchange Rate will impact the Group's Earnings.

- **LIQUIDITY RISK**

This is the risk that the Group will not be able to meet its obligation as at when due.

Our review revealed that the Group maintained a current ratio of 26% (Yr.21). This is coupled with a net liquidity gap of ₦1.1b

- **CREDIT RISK**

This is the risk that an obligor will not be able to meet its obligation as and when due.

The Group is significantly exposed to third parties based on its line of business as a lender. Trade Receivables and Loans amounted to 43% of Total Assets. Therefore, the inability of the obligors to pay as and when due will affect the Group profitability.

- **REPUTATIONAL RISK**

This is the risk that the Group may be exposed to reputational damage of its brand which may lead to loss of business.

In the course of our review, there was no negative public information or adverse press report against the Group or its Board of Directors.

CONCLUSION

The Rating is supported by the improved Revenue and Capitalization of the Group. Consequently, we assigned a Rating of “**BBB-**”.

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 27th May, 2022

For and on behalf of:
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USER GUIDE

DataPro's credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long-term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

LONG-TERM RATING

Investment Grade

| Indicator | Meaning | Explanation |
|-----------|--------------|---|
| AAA | Lowest Risk. | (<i>Superior</i>) Assigned to companies which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a Excellent ability to meet their ongoing obligations. |
| AA | Lower Risk | (<i>Excellent</i>) Assigned to companies which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a very strong ability to meet their ongoing obligations. |
| A | Low Risk | (<i>Very Good</i>) Assigned to companies which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a strong ability to meet their ongoing obligation. |
| BBB | Slight Risk | (<i>Fair</i>) Assigned to companies which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have an ability to meet their |

current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

| Indicator | Meaning | Explanation |
|-----------|---------------|--|
| BB | Moderate Risk | <i>(Marginal)</i> Assigned to companies which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions. |
| B | High Risk | <i>(Weak)</i> Assigned to companies which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions. |
| CCC | Higher Risk | <i>(Poor)</i> Assigned to companies, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions. |
| DD | Highest Risk | <i>(Very Poor)</i> Assigned to companies, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions. |

SHORT-TERM RATING

| Indicator | Meaning | Explanation |
|-----------|------------------------|---|
| A1+ | Highest credit quality | Indicates the strongest capacity for timely payment of financial commitments. May have an added “+” to denote any exceptionally strong credit feature. |
| A1 | Good credit quality | A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings. |
| A2 | Fair credit quality | The capacity for timely payment of financial commitments is adequate. However, near term adverse changes could result in reduction to non-investment grade. |
| B | Speculative | Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions. |
| C | High default risk | Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment. Indicates an entity that has defaulted on all its financial obligations. |