



INFINITY MICROFINANCE BANK LTD



DataPro Limited

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October, 2021

INFINITY MICROFINANCE BANK LTD

This report is provided by **DataPro** subject to the terms & condition stipulated in our **Terms of Engagement**

CORPORATE RATING REPORT

References

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

EVALUATION

Expires: October, 2022

DataPro Rating:	BBB
Short term Rating	A2
Previous Rating:	NIL
Rating Outlook:	Stable
Trend:	UP
Currency:	Naira

EXECUTIVE SUMMARY

	2020 N'000	2019 N'000	2018 N'000	2017 N'000	2016 N'000
Gross Earnings	705,723	709,881	585,234	523,685	491,828
Profit Before Tax	107,113	145,939	113,778	121,336	110,104
Shareholders' Funds	955,108	857,307	720,240	611,567	502,728
Deposit Liabs	896,822	781,310	642,860	505,600	381,699
Loans & Advances	1,842,207	1,403,000	1,126,356	874,297	759,912
Total Assets	2,639,214	1,850,614	1,570,713	1,269,190	1,080,915

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 Bank, in our opinion, has a very strong ability to meet its ongoing obligations, but its financial strength is vulnerable to adverse changes in economic conditions.

This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.

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SUMMARY

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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 were obtained from the company's audited and management accounts.

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

Overall, the following were observed:

Strengths:

- Very Good Liquidity
- Good Capitalization
- Good Asset Quality

Weaknesses:

- Low Deposit Mobilization
- High Loan to Deposit Ratio

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BACKGROUND

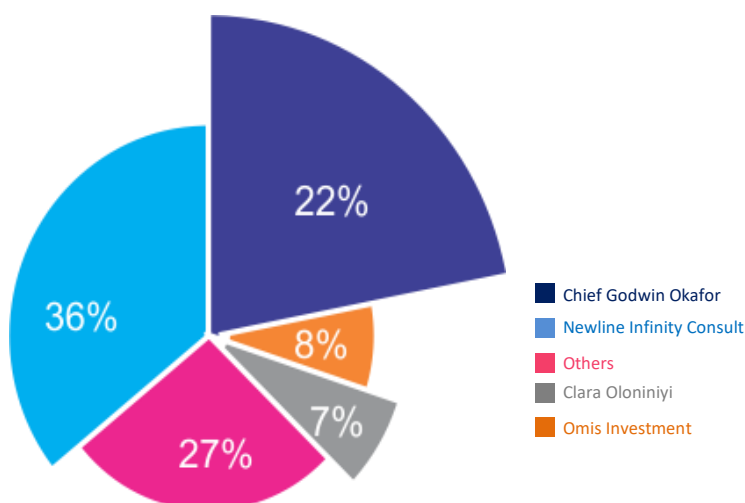
Infinty Microfinance Bank Nigeria Limited ("The Bank") started in 2001 as **Infinty Community Savings**, an initiative to provide a platform for mobilizing Savings and Loans among the grassroots. It was incorporated and became a Community Bank in March 2005.

Following the introduction of The **Central Bank of Nigeria (CBN)** Microfinance Bank Policy, it eventually became a Microfinance Bank in October 2007. The **CBN** granted the Bank a State License In Principle in 2013.

The principal activities of the bank include Consumer Financing, Deposit Mobilization, Leasing, Advisory Services, Micro, Small and Medium Enterprise (MSME) Financing, Fund Management as well as Acceptance of Deposits. The Bank performs its activities from its Head Office which is located in Ikorodu as well as through its 20 Branches located in Lagos. The Bank currently has over 250 employees under employment.

The Bank's Major Shareholders include: **Newline Infinty Consult**, **Chief Godwin Okafor**, **Omis Investment** and **Clara Oloniniyi**. However, **Newline Infinty Consult** is the major Shareholder of the Bank. It accounted for 35.52% of the Bank's shares.

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Infinty MFB Ltd

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KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Deposit Liabs ₦'000	Loan & Advances ₦'000	Total Assets ₦'000
2020	705,723	107,113	955,108	896,822	1,842,207	2,639,214
2019	709,881	145,939	857,307	781,310	1,403,000	1,850,614
2018	585,234	113,778	720,240	642,860	1,126,356	1,570,713
2017	523,685	121,336	611,567	505,600	874,297	1,269,190
2016	491,828	110,104	502,728	381,699	759,912	1,080,915

Source: Infinity MFB Audited Accounts

Infinity Microfinance Bank Limited recorded significant growth in four (4) out of six (6) Key Financial Indicators. The Equity, Loans and Advances, Deposit Liabilities and Total Assets increased during the year 2020. However, Gross Earnings and Pre-Tax profit declined in the same period.

Profit retention and growth in Deposit mobilization were responsible for the Bank performance during the year 2020.

DIRECTORS PROFILE

The following served on the Board during the year 2020; **Mr. Bimbo Josiah-Ajayi - Chairman, Gabriel Oludotun Adewunmi - Managing Director/CEO, Chief Godwin Okafor, Dr. Samson Amedu, Tope Oloniniyi, Olajide Diya and Kehinde Olubi (Mrs.)**

The profile of the bank directors are as stated below:

- Name:** Mr. Bimbo Josiah-Ajayi
Position: Chairman
Profession: Accountant
Experience (Years): 30 years
Education: •Obafemi Awolowo University
•Institute of Chartered Accountants (ICAN)
Board Membership: 2019
- Name:** Chief Godwin Okafor
Position: Director
Profession: Industrialist

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Experience (Years): 35 years

Education:

-
-

Board Membership: 2005

3. Name: Dr. Samson Amedu

Position: Director

Profession: Stockbroker, Investment Banker

Experience (Years): 30 years

Education:

- Ahmadu Bello University
- University of Sterling

Board Membership: 2016

4. Name: Tope Oloniniyi

Position: Director

Profession: Financial Consultant

Experience (Years): 31 years

Education:

- Ahmadu Bello University
- University of Lagos

Board Membership: 2011

5. Name: Olajide Diya

Position: Director

Profession: Banker

Experience (Years): 24 years

Education:

- B. Sc & M. Sc. - University of Lagos

Board Membership: 2016

6. Name: Kehinde Olubi (Mrs.)

Position: Independent Director

Profession: Banker

Experience (Years): 30 years

Education:

- B. Sc & M. Sc. - University of Lagos

Board Membership: 2019

7. Name: Gabriel Oludotun Adewunmi

Position: Managing Director/CEO

Profession: Banker

Experience (Years): 30 years

Education:

- Chartered Institute of Finance and Control of Nigeria
- Chartered Institute of Bankers of Nigeria

Board Membership: 2020

CAPITAL ADEQUACY

Year Item	2020 ₦'000	2019 ₦'000	2018 ₦'000
Shareholders' Funds	955,108	857,307	720,240
Total Assets	2,639,214	1,850,614	1,570,713
Fixed Assets	114,051	82,249	84,684
Loans & Advances	1,842,207	1,403,000	1,126,356
Equity/Total Assets (%)	36.19%	46%	46%
Equity/Loan & Adv. (%)	51.85%	61.11%	64.00%
Fixed Assets/Equity (%)	11.94%	10%	12%

Source: Infinty MFB Audited Accounts

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The Share Capital of the Bank remained the same at ₦110b in the year 2019 and 2020. However, Retained Earnings and Other Reserves grew during the year 2020 on account of Profit Retention by the Bank. Consequently, Total Shareholders' Funds grew from ₦0.9b (Yr. 19) to about ₦1.0b (Yr. 20).

The Bank's Total Assets grew significantly in the year 2020 by 43% from ₦1.8b (Yr. 19) to ₦2.6b (Yr. 20). This was due to increases in almost all of its components during the year. The only component which remained the same during the year was Investment Securities.

COMPONENT OF TOTAL ASSETS

Year Item	2020 ₦'M	%	2019 ₦'M	%
Cash & Cash Equivalent	489,235	19	210,682	11
Investment Securities	83,600	3	82,801	5
Loans & Advances	1,842,207	70	1,403,000	76
Other Asset	110,111	4	59,879	3
Property, Plant & Equipment	114,051	4	82,249	4

Source: Infinty MFB Audited Accounts

The Bank grew its Loans and Advances in 2020. Loans and Advances grew by 31% from ₦1.4b (Yr. 19) to ₦1.8b (Yr. 20). However, it reduces the risk outlook of the Bank as Net Loans to Total Assets was 70% (Yr.20) as against 76% (Yr.19). The Cash and Cash Equivalents held by

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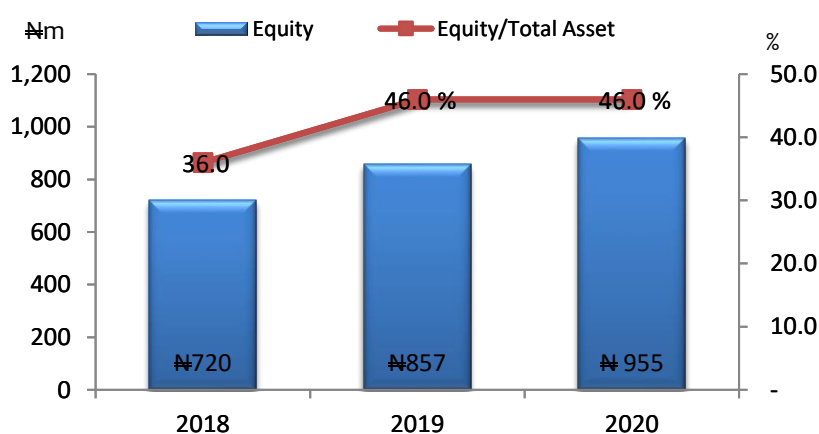
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the Bank also rose during the year by 132%. This increased the Liquid components of the Bank's Assets from 11% (Yr. 19) to 19% (Yr. 20). The permanently fixed component of Total Assets remained same at 4% in the year 2019 and 2020.

The rise in Total Assets outpaced that of Equity during the year. Consequently, Equity as proportion of Total Assets declined in 2020 from 46% (Yr. 19) to 36% (Yr. 20). This was the least proportion in 5 years.

COMPARISON OF SHAREHOLDERS' FUNDS



Source: Infinity MFB Ltd

The Bank grew its **Capital Adequacy Ratio (CAR)** from 36% (Yr. 19) to 38% (Yr. 20). This was above the CBN minimum Capital Adequacy Ratio of 10%.

ASSET QUALITY

Year	2020	2019
Item	₦'000	₦'000
Gross Loan & Advances	1,895,313	1,432,711
Classified Loan	9,695	25,510
Provisions	19,083	17,118
Classified Loans Prov./Classified Loans (%)	197%	67%
Classified Loans/Equity (%)	1%	3%
Classified Loans/Gross Loans (%)	1%	2%

Source: Infinity MFB Audited Accounts

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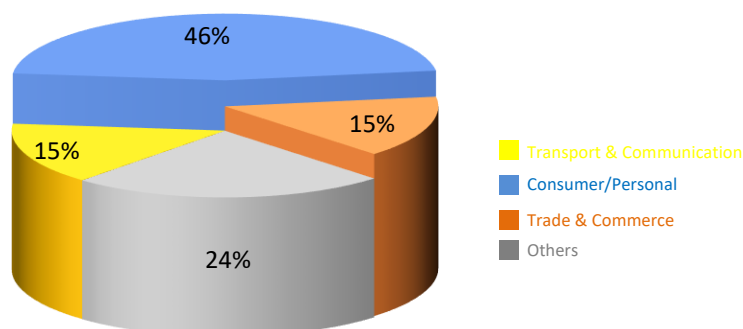
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Gross Loans and Advances increased in the year under review. This amounted to ₦1.8b (Yr. 20) as against ₦1.4b (Yr. 19). However, the classified portion of the Banks Loans declined in the year from ₦25.5m (Yr. 19) to ₦9.6m (Yr. 20). This only impaired 1% of the Bank's Gross Loans and Advances in the year 2020. The provision for Classified Loans and Advances was better at 197% (Yr. 20) than 67% (Yr. 19).

The Bank extended significant portion of its Loans to Consumers during the year under review. This constituted 60% of the Bank's total Loan Portfolio. The remaining portion of its Loans was concentrated in Trade and Commerce as well as Transport and Communication.

SECTORIAL DISTRIBUTION OF LOAN PORTFOLIO



Source: Infinity MFB Ltd

LIQUIDITY

Year		
Item	2020	2019
Loan & Advances/Total Assets (%)	71.81%	77%
Liquid Assets/Total Assets (%)	18.54%	11%
Liquid Assets/Total Deposits (%)	54.55%	27%
Loans & Advances/Total Deposits (%)	205.42%	180%

Source: Infinity MFB Audited Accounts

Deposit Liabilities of the Bank grew during the year by 15%. This increased from ₦781m (Yr. 19) to ₦896m (Yr. 20). This growth was as a result of increases in all its components. Term Deposits in particular grew the most from ₦201.8m (Yr. 19) to ₦272.7m (Yr. 20). Other components such as Current and Savings Accounts grew by 50% and 4% respectively.

ANALYSIS OF DEPOSITS BASED ON TYPE

Year Item	2020 N'000	%	2019 N'000	%
Current	77,141	9	51,773	7
Savings Account	546,923	61	527,790	68
Term Deposits	272,757	30	201,806	26
TOTAL	896,822	100	781,370	100

Source: Infinty MFB Audited Accounts

Savings Deposits represented 61% of the Banks Total Deposits in the year 2020. However, Current and Term Deposits accounted for 9% and 30% of Total Deposits respectively.

ANALYSIS OF DEPOSITS BASED ON MATURITY

Months	2020 N'000	%
1-3 Months	77,141	9
3-12 Months	546,923	61
1 year to 5 years	272,757	30
Gross Total	896,822	100

Source: Infinty MFB Ltd

Majority of the Bank's Deposits were set to become due within 3-12 months. The weight of this category of Deposits was 61% compared to total obligations to Customers. Long Term Deposits falling due after 1 year accounted for 30% of the Total. This amounted to ₦272.7m in absolute terms.

ANALYSIS OF LOANS AND ADVANCES BASED ON MATURITY

Months	2020 N'000	%
1-3 Months	1,281,954	65%
3-12 Months	525,439	27%
1 year– 5 Years	87,917	8%

Source: Infinty MFB Audited Accounts

The Bank's Loans were largely short term in the year 2020. An aggregate sum of ₦1.3b translating to 65% of the Bank's Loans will be maturing within 1 to 3 months. The portion of the Bank's Loans and Advances maturing within 3 to 12 months represented 27% of total exposure.

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LIQUIDITY GAP ANALYSIS

Year	2020 Loans & Advances ₦'000	2020 Deposit Liabilities ₦'000	Net Liquidity Gap ₦'000
Liquid Assets	489,235		489,235
1-3 Months	1,281,954	77,141	1,694,048
3-12 Months	525,439	546,923	1,672,564
1 year to 5 years	87,917	272,757	1,487,724

Source: Infinity MFB Audited Accounts

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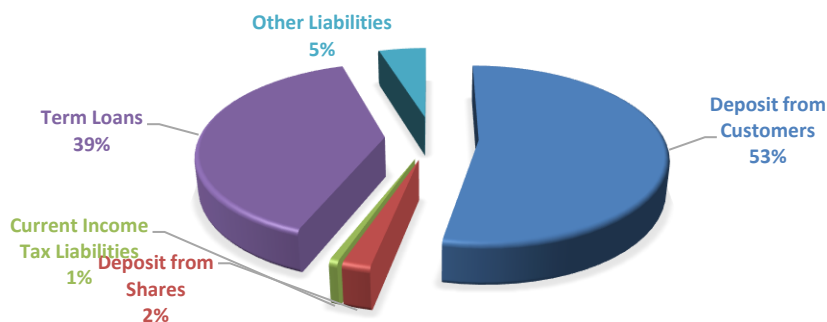
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The Bank did not record any Liquidity Gap in its operation in the year 2020. Loans and Advances provided adequate coverage for its Total Deposits. This position was further enhanced by the Bank's Liquid Assets. At the end of the 5 year period, there exists a Liquidity Surplus of ₦1.4b.

Loan to Deposit ratio was 205% (Yr. 20) as against 180% (Yr. 19). This is above maximum limit of 80% required by the regulator.

As a result of increased Term Loans during the year, Total Liabilities rose by 70%. This grew from ₦993m (Yr. 19) to ₦1.6b (Yr. 20). Term Loans grew from ₦147.4m (Yr. 19) to ₦659.7 (Yr. 20). Liquid Assets compared to Total Liabilities was 29% during the year 2020. This was better than the previous year figure of 21%. The Composition of Total Liabilities is as presented:

COMPOSITION OF TOTAL LIABILITIES



Source: Infinity MFB Ltd

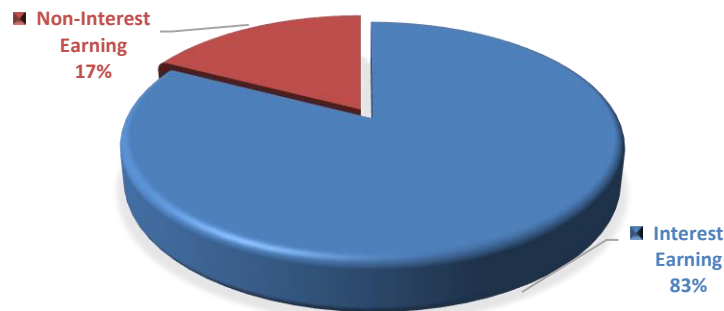
PROFITABILITY

The Gross Earnings recorded by the Bank in 2020 was marginally less than that of the previous year. It declined by 1% from ₦709.8m (Yr.

19) to ₦706m (Yr. 20). Revenue to the Bank comprised of Interest Income as well as Fees and Commission.

The decline in Fees and Commission Income during the year led to the overall decline in Gross Earnings. This portion of Revenue represented 17% of the Gross Income during the year under review.

COMPOSITION OF GROSS EARNING



Source: Infinity Trust MFB Ltd

Interest Earnings grew from ₦552m (Yr. 19) to ₦583m (Yr. 20). Interest Income included earnings from Loans, Deposits and Current Accounts. The most significant source of Interest Earnings was Loans. This made up 97% of Total Interest Income during the year 2020. Non-Interest Earnings was largely made up of Income from Commission and Charges. This accounted for 99% of Fees and Commissions Received.

Interest Expenses rose from ₦40.6m (Yr. 19) to ₦72.2m (Yr. 20). The rise in Interest Expenses was greater than that of Interest Income. This reduced the total Net Interest Income of the Bank to ₦510m (Yr. 20) from ₦511 (Yr. 19). Therefore, Net Interest Margin reduced during the year under review from 92% (Yr. 19) to 87% (Yr. 20).

The Bank recorded an Impairment Loss on Financial Assets of ₦23.3m (Yr. 20). This was against a gain of ₦2.5m recognized in the previous year. Personnel Expenses and Depreciation grew significantly during the year 2020. However, Other Operating Expenses declined during the year by 6% from ₦163.2m (Yr. 19) to ₦157m (Yr. 20).

The decline in Net Interest Income as well as Fees and Commissions Income affected profitability during the year 2020. Profit Before Tax declined by 31% from ₦145m (Yr. 19) to ₦114m (Yr. 20).

Consequently, all major Profitability Indices trended downwards during the year 2020 as presented.

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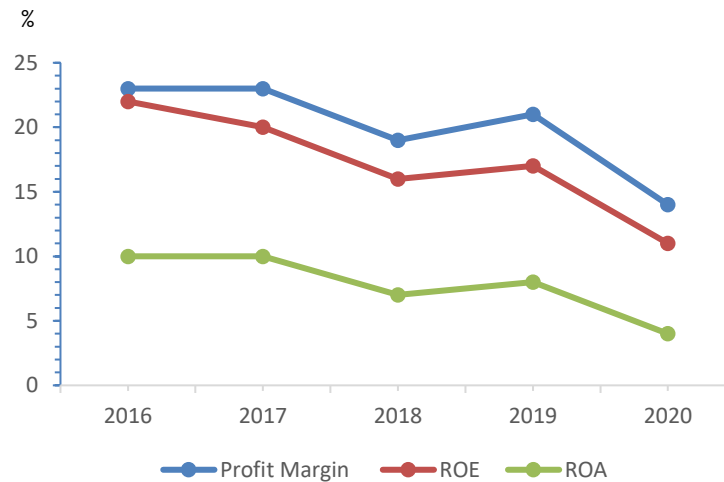
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PROFITABILITY INDICES



Source: Infinty MFB Audited Accounts

CORPORATE GOVERNANCE & RISK MANAGEMENT

The Board of the Bank comprised of Seven (7) members. The composition is made up of one (1) Executive and Six (6) Non-Executives. One of the Non-Executive members is an Independent Directors.

The Board operates with four (4) Committees. These are: Finance and Management, Credit, Audit and Risk Management Committees.

The Board manages its risk through the Board Risk Management Committees. The Term of Reference of the Committee is to:

- Design and implement Risk Management procedures for the refinement of the overall framework and ensuring that best practices are incorporated.
- Ensure that Management understands and accepts its responsibility for identifying, assessing and managing risk.
- Ensure and monitor Risk Management practices, specifically determine which Enterprise Risks are most significant and approve resource for risk monitoring.
- Facilitate the development of a comprehensive Risk Management framework for the Bank and develop the Risk Management policies and processes and enforce its compliance.
- To report to the entire Board at such times as the Committee and Board shall determine, but not less than twice a Year.

- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

RISK FACTORS

In the course of our review of the Bank's documents, we observed the following risk factors:

- **CONCENTRATION RISK**

Concentration Risk is the risk of loss to income as a result of significant exposure to an individual, connected entity or a particular sector.

Based on our review, the Bank's exposure to Personal/Consumers as a proportion of its entire loan portfolio was 60% (Yr. 20). Consequently, adverse movement in the economy may affect the Bank's earnings

- **LIQUIDITY RISK**

Liquidity risk is the risk arising from inability to meet obligations as they fall due.

In line with **CBN** requirement, Microfinance Bank is supposed to maintain a Statutory Liquidity ratio of 20% and Loan to Deposits of 60%.

Based on our review, the Bank achieved a Statutory Liquidity ratio of 62% and its loan to deposit ratio was high at 205% for the year ended 2020.

FUTURE OUTLOOK

The Bank is currently planning to raise Commercial Paper to enable it increase its outreach and profitability.

CONCLUSION

We have reviewed the document presented by **Infinty Microfinance Bank Nigeria Limited**. The Rating is supported by the Bank's very Good Liquidity Position, Good Profitability and Asset Quality.

Consequently, we assigned a Rating of **BBB**.

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FINANCES

Financial Position as at

	Dec, 2020 N'000	Δ%	Dec, 2019 N'000	Δ%	Dec, 2017 N'000
ASSETS					
Cash and cash equivalent	489,236	132.21	210,683	6.59	197,658
Financial assets held for trading					
Leans and advances	1,842,208	31.30	1,403,000	24.56	1,126,357
Investment Securities:					
-Available-for-sale securities	4,591	-	4,591	(12.42)	5,242
-Held to maturity securities	79,018	1.03	78,211	-	78,211
Other Investments					
Other assets	110,111	83.89	59,880	(23.78)	78,561
Intangible Asset					
Property and equipment	114,051	38.66	82,250	(2.87)	84,684
Total assets	2,639,215	42.61	1,850,615	17.82	1,570,713
Liabilities:					
Deposit liabilities	896,822	14.78	781,370	21.55	642,860
Deposit for shares	35,024				
Current tax liabilities	10,798	(40.05)	18,011	(2.70)	18,511
Term loans	659,792	347.40	147,472	(10.21)	164,250
Other liabilities	81,671	75.81	46,453	86.91	24,853
Total liabilities	1,684,107	69.55	993,306	16.79	850,474
Net assets	955,108	11.41	857,309	19.03	720,239
Equity:					
Share capital	110,906	-	110,906	-	110,906
Retained earnings	534,629	18.75	450,219	30.66	344,576
Other reserves	309,573	4.52	296,184	11.87	264,759
Total equity attributable to equity holders of the company	955,108	11.41	857,309	19.03	720,241
Gross earnings	705,723	(0.59)	709,881	21.30	585,234
Profit before taxation	119,113	(25.41)	159,690	29.01	123,779
Taxation	(12,000)	(12.73)	(13,750)	37.50	(10,000)
Profit after taxation	107,114	-26.60	145,940	28.27	113,779

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Signed: 
Name:
Designation: Chief Rating Officer
Date: 27th October, 2021

For and on behalf of:
DataPro Limited
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By Marina Water Front
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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(f) through DD(f). 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+.

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LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk	(Superior) Assigned to banks which have superior financial strength, operating performances and profile when compared to the standards established by DataPro Limited. These banks, in our opinion, have aExcellent ability to meet their ongoing obligations.
AA	Lower Risk	(Excellent) Assigned to banks which have excellent financial strength, operating performance and profile when compared to the standards established by DataPro Limited. These banks, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	(Very Good) Assigned to banks which have very good financial strength, operating performance And profile when compared to the standards established by DataPro Limited. These banks, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	(Fair) Assigned to banks which have fair financial strength, operating performance and profile when compared to the standards established by DataPro Limited. These banks, in our opinion, have an ability to meet their current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

SUMMARY

- **Rating:**

BBB

- **Report Type:**
Corporate
Rating

- **Client:**
Infinity
Microfinance
Bank Ltd

- **Date
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Non-Investment Grade

Indicator	Meaning	Explanation
BB	Moderate Risk	(Marginal) Assigned to banks which have, marginal financial strength, operating performance and profile when compared to the standards established by DataPro Limited. These banks, 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	(Weak) Assigned to banks which have, weak financial strength, operating performance and profile when compared to the standard established by DataPro Limited. These banks, 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	(Poor) Assigned to banks, which have poor financial strength, operating performance and profile when compared to the standards established DataPro Limited. These banks, 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	(Very Poor) Assigned to banks, which have very poor financial strength, operating performance and profile when compared to the standards established by DataPro Limited. These banks, 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,

SUMMARY

- **Rating:**

BBB

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		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.
D		Indicates an entity that has defaulted on all its financial obligations.