



# DataPro



## **CORPORATE RATING REPORT**

# **FINTRAK SOFTWARE COMPANY LIMITED**

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October, 2023

# FINTRAK SOFTWARE COMPANY LTD

## Long-Term Rating:

# BBB

Short Term Rating: A2

Rating Outlook: Stable

Trend: Even

Currency: Naira

Date Issued: 3 Oct., 2023

Valid Till: 2 Oct., 2024

## Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

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

## EXECUTIVE SUMMARY

	2022 ₦'000	2021 ₦'000	2020 ₦'000	2019 ₦'000
Turnover	1,265,391	1,214,177	804,812	805,070
Profit Before Tax	123,503	148,970	146,552	141,048
Equity	3,213,940	3,124,302	1,258,636	1,158,784
Non-Current Asset	4,125,013	3,775,700	1,825,702	1,595,759
Total Asset	4,844,408	4,488,606	2,329,992	1,961,965
Total Liabilities	1,630,468	1,364,304	1,071,356	803,181

### 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 the ability to meet its current 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 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 its current healthy profile in the medium to long term period.

Overall, the following were observed:

### Positive Rating Factors:

- Good Revenue Profile
- Strong Capitalization

### Negative Rating Factor:

- Low Liquidity

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## BACKGROUND

*Fintrak Software Company Limited ("The Company")* was incorporated as a Limited Liability Company on 15<sup>th</sup> of May, 2007. It was formerly named *Farsight Systems Technologies Limited*. However, following a special resolution dated March 4, 2010 the Company changed its name to *Fintrak Software Company Limited*.

The Company is an ICT Organization whose core operation involves the provision of Technology and Business Solutions. Its clientele base cut across Commercial Banks, Mortgage Banks and other Financial Institutions across Africa. It has provided technology solutions for enterprises across Nigeria, Benin, Togo, Cote D'Ivoire, Gambia and some other African countries.

The products offered by the Company include: Core Banking Solution, Enterprise Resource Management System (ERP), Management Information System (MIS), Financial Reporting as well as Data Warehouse and Business Intelligence Solutions.

The Company operates from its Head Office situated in Lagos, Nigeria. It serves its customers via a workforce of 159 employees.

The ownership of the Company is divided between *Abimbola Ajibade Abioye* with 60% Shareholding and *Olabisi Abosedo Abioye* with 40% Shareholding.

## DIRECTORS' PROFILE

The following persons served as Directors during the year under review: *Abimbola Ajibade Abioye - Chairman/GMD; Olabisi Abosedo Abioye; Oladipupo Michael Ipaye; Stephen Clement Ongharaka; Bolanle Olufemi Omotoso and Nofiu Olasina Olasoju.*

The Directors' profiles are as follows:

1. **Name:** Mr. Abimbola Ajibade Abioye
- Position:** Chairman/Group Managing Director
- Profession:** Chartered Accountant and Technological Expert
- Years of Experience:** Over 30 years
- Education:**
  - MBA – Olabisi Onabanjo University
  - Fellow – Institute of Chartered Accountants of Nigeria
  - Associate Chartered Institute of Taxation of Nigeria
  - Certified Information Systems Auditor (CISA)
  - Certified Information Systems Security Professional
  - Certified Information Security Manager (CISM)
  - Computer Professional Nigeria (CPN)
- Job Experience:**
  - Fintrak Software Company Ltd.
  - Unity Bank Group
  - Royal Exchange Plc

- Reliance Bank

**Board Membership:** Since inception

- Name:** Mrs. Olabisi Abosede Abioye  
**Position:** Executive Director, Corporate Services  
**Profession:** Financial and IT Professional  
**Years of Experience:** Over 10 years  
**Education:**
  - B.Sc.
  - MBA**Job Experience:**
  - Fintrak Software Company Ltd**Board Membership:** Since inception
- Name:** Mr. Oladipupo Michael Ipaye  
**Position:** Executive Director, Business Development  
**Profession:** Business Developer and Financial Professional  
**Years of Experience:** Over 7 years  
**Education:**
  - B.Sc.
  - MBA
  - Associate Chartered Accountant (ACA)**Job Experience:**
  - Fintrak Software Company Ltd
  - Oceanic Bank Plc
- Name:** Mr. Stephen Clement Ongharaka  
**Position:** Executive Director, Technical Services  
**Profession:** IT Professional  
**Education:**
  - Microsoft Certified Professional
  - Certificate of Training - Transition to International Financial Reporting Standards (IFRS)
  - Certificate of Accounting - Derivatives and Hedge Accounting (IFRS)**Job Experience:**
  - Fintrak Software Company Ltd
- Name:** Mr. Bolanle Olufemi Omotoso  
**Position:** Executive Director  
**Profession:** ICT  
**Education:**
  - HND - The Polytechnic, Ibadan
  - Microsoft Certified Systems Administrator (MCSA)
  - Certified Information Systems Auditor (CISA)
  - Certified Information Security Manager (CISM)
  - Member, Nigeria Computer Society
  - Member, Int'l Information Systems Sec. Certification Consortium (**Job Experience:**
  - Data Recovery Specialist Limited
  - Digital Assure Limited
  - Greenwich Trust Limited (Group Of Companies)
  - Oak Pensions Limited,

- Officetron Company Limited
- Pogma Computers (Nigeria) Ltd.

<b>6. Name:</b>	Mr. Nofiu Olasina Olasoju
<b>Position:</b>	Non-Executive Director
<b>Profession:</b>	Accountant
<b>Education:</b>	<ul style="list-style-type: none"> <li>• B. Sc - University of Lagos</li> <li>• MBA - Pan Atlantic University, (Lagos Business School)</li> <li>• Institute of Chartered Accountants of Nigeria</li> <li>• Fellow Chartered Accountant (FCA),</li> </ul>
<b>Job Experience:</b>	<ul style="list-style-type: none"> <li>• Fintrak Software Company Ltd</li> <li>• Titi Olaniyan &amp; Co. Chartered Accountants</li> <li>• Yinka Folawiyo Group Conglomerate</li> <li>• Churchgate Group</li> <li>• Abayomi Dosunmu &amp; Co. Chartered Accountants</li> <li>• KPMG VI Services</li> <li>• Chevron</li> <li>• BPSS Chartered Accountants</li> </ul>

## SECTOR REVIEW

Nigeria is the leading economy in Africa. It has a population in excess of 200 million. In the first quarter of 2023, Nigeria's Gross Domestic Product (GDP) growth slowed to 2.31% year on year. This represented a decline of 3.52% from the preceding quarter and 3.11% recorded in Q1 2022. The *Nigerian Bureau of Statistics (NBS)* blamed the slow growth on the adverse effect of the cash crunch experienced during the quarter. The *CBN* reported that the financial services contribution to GDP declined by 25% from ₦870.8b (Q1 2023) to ₦696.9b (Q4 2022).

Nigeria's Information and Communication Technology (*ICT*) sector in real terms grew by 8.6 percent (year-on-year) in the second quarter (Q2) of 2023, the highest in three years. According to the Gross Domestic Product (GDP) report by the National Bureau of Statistics (NBS), the sector contributed 19.54 percent in Q2, higher than 18.44 percent in the same quarter of 2022. The growth is attributed to the increasing number of digital literacies in the economy arising from significant broadband penetration.

Despite the growth, it is considered that Nigeria is still performing below its inherent capacity. The software development economy is estimated at \$10billion annually, significantly in excess of Nigeria present attainment. Nigeria is also trailing behind African countries like Rwanda, Botswana and Mauritius.

The major challenge in the software development sector has been stiff competition from "off the shelf" foreign offerings in the domestic space. This is in addition to concern for Cyber Security. Losses arising from Cyber security was estimated by the *Cyber Security Experts Association of Nigeria (CSEAN)* to be about N127 billion.

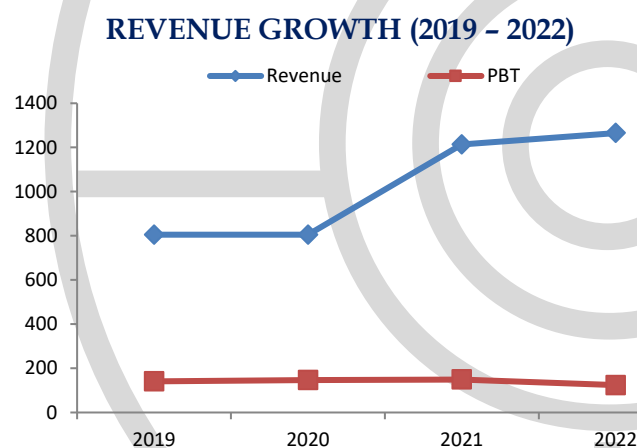
The rise in automation of economic activities continued to drive demand for the sector. This became significantly high particularly in the financial sector during the peak and post Covid-19 period. To address Cyber security challenges, the Nigerian Software Testing Guidelines (NSTG) was developed to promote practice for safety and quality of software development.

The Sector today is now benefitting from the local content initiatives of Government agencies such as *National Information Technology Development Agency (NITDA)*. Patronage is also driven by weak local currency which now make foreign acquisition extremely expensive.

The critical success factor in the sector is ability to provide solutions that can sufficiently address emerging challenges without breaching information security and compromising personal data.

## FINANCIAL PERFORMANCE

### • EARNINGS PROFILE



The Company's main Revenue was derived from the Installation and Maintenance Fees of its Software Products. This Revenue source gradually increased on a yearly basis (2019 - 2022), excluding the year 2020.

In the year 2022, Revenue growth slowed down to 4% as against a significant increase of 51% recorded in the prior year.

*Source: Fintrak Software Company Ltd*

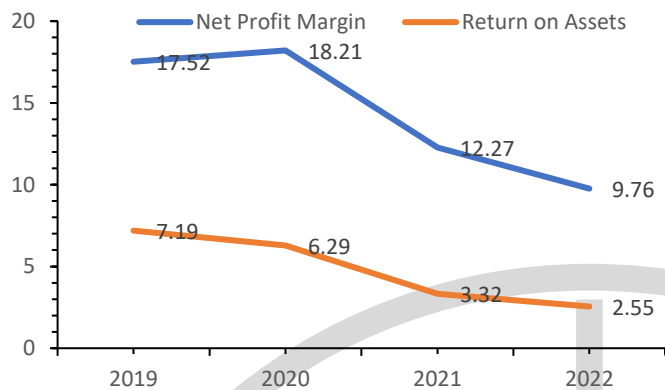
Other Income earned included Interest and Exchange Gains. These summed up to ₦196m (Yr. 22), reflecting over a 100% growth above the previous year.

The Management Accounts for the period ended July, 2023 revealed a Revenue of ₦935.3m. This reflects an enhancement in the Company's financial performance and a strong Revenue closure.

### • PROFITABILITY

A Gross Profit of ₦652.7m was reported in the year 2022. This represented 8% decline compared with ₦708m (Yr.21). This was due to the increased Direct Cost incurred during the year.

### PROFITABILITY INDICES



Source: Fintrak Software Company Ltd

However, a Net Operating Income of ₦849.4m was recorded for the year 2022. This was mainly driven by the growth in Realised Exchange Gains which grew from ₦22.3m (Yr. 21) to ₦192.5m (Yr. 22).

Administrative Expenses, Personnel Cost and Depreciation were the components of Operating Expenses in the year 2022. These categories of Expenditure aggregated to ₦725.9m (Yr. 22) as against ₦582.8m (Yr.21).

Administrative Expenses formed bulk of the Company's Operating Expenses. It constituted 51% of the Total Operating Expenditure and grew by 20%. The major contributor to this change was the rise in Interest Expenses. It increased from ₦71.9m to ₦118m in the years 2021 and 2022 respectively.

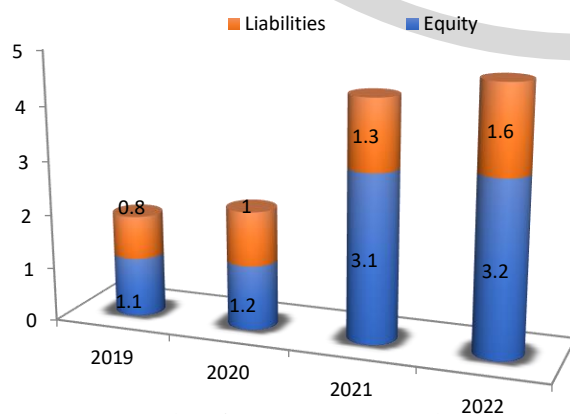
Personnel Costs attributed to Operating Expenses included Salaries and Wages of Staff asides those involved in Developing and Implementing Software. This represented 45% of Operating Expenses and increased by 33% in the year 2022.

The rise in both Operation and Direct Costs impacted profitability. Consequently, the Company recorded a Profit Before Tax (PBT) of ₦123.5m (Yr. 22). This is 17% lower compared with the prior year's Net Profit. Consequently, Net Profit Margin shrank from 12% (Yr. 21) to 10% (Yr. 22).

### • CAPITALIZATION

The Company's Share Capital was static at ₦1m over the last four years, spanning from 2019 - 2022. Notwithstanding, its overall Equity was strengthened over the years. As at the year-end 2022, Total Equity grew up to ₦3.2b. However, it reflected only a 3% growth when compared with the prior year.

### FUNDING OF OPERATIONS



Source: Fintrak Software Company Ltd

As at the period ended 31<sup>st</sup> of July, 2023 Total Shareholders' Fund had grown further by 9%.

Equity funding of operation declined from 70% to 66% in the years 2021 and 2022 respectively. This indicated that most of the Company's Total Assets were financed by Equity.

## • ASSET UTILITY

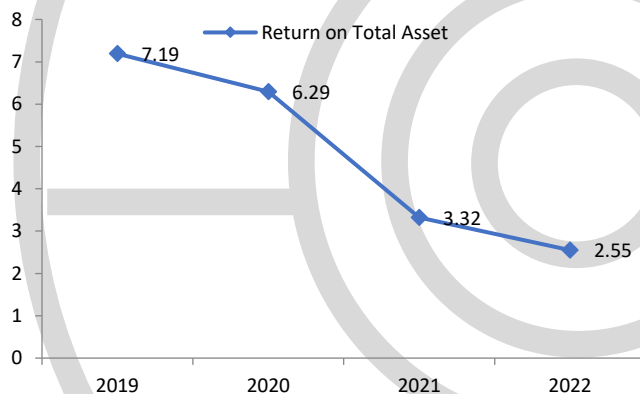
The Company continues to offer different types of products including Core Banking, Financial Reporting and Enterprise Resource Management (ERP) yearly.

### CURRENT MARKET SHARE BY PRODUCT



Source: Fintrak Software Company Ltd

### ASSET UTILIZATION TREND (2019-2022)



Source: Fintrak Software Company Ltd

(Yr. 21) to ₦21m (Yr. 22).

The Company's ability to effectively generate Revenue using its Assets reduced from 27% (Yr. 21) to 26% (Yr. 22). Also, its Return on Total Assets slightly declined in the financial year.

## • LIQUIDITY

As at the financial year end 2022, Total Liabilities summed up to ₦1.6b (Yr.22). This reflected a significant increase of 20% compared with ₦1.3b (Yr.21). The recorded growth is attributed to the rise in Short-term Owings, particularly Payables and Accruals. They grew by 24% (Yr. 22) and represented the largest portion of Current Liabilities.

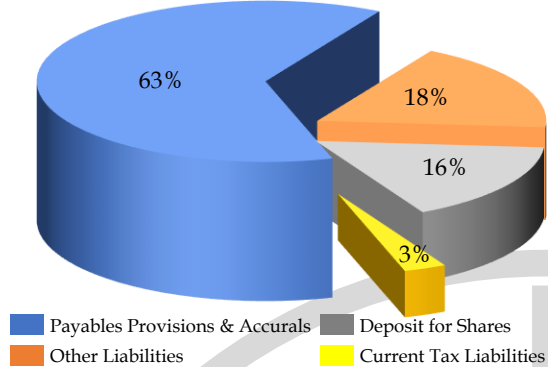
of products including Core Banking, Financial Reporting and Enterprise Resource Management (ERP) yearly. The Company intends to increase its market share by investing in marketing and sales.

Bulk of the Company's Assets were held as Non-Current Assets. This type of Assets formed 84% and 85% of the Total Assets in the years 2021 and 2022 respectively. It surged from ₦3.7b (Yr. 21) to ₦4.1b (Yr. 22).

In line with the Company's operations, its Non-Current Assets were mostly Intangible in nature. These intangibles represented its Software Development in value. In absolute term, this category of Asset amounted to ₦4b (Yr. 22), showing a 9% rise from the prior year.

The most significant component of Current Assets in the financial year was Trade and Other Receivables. It grew by 28% and constituted 97% of the Current Assets. Cash and Cash Equivalent diminished from ₦166m

**DISTRIBUTION OF CURRENT LIABILITIES (2022)**



Source: Fintrak Software Company Ltd

Deposits by Shareholders for future Issue of Shares grew by 10% as at the year 2022. The Company also had other Short-term Borrowings from Emerging Capital (₦291.6) and a Lease Liability (₦5.2m).

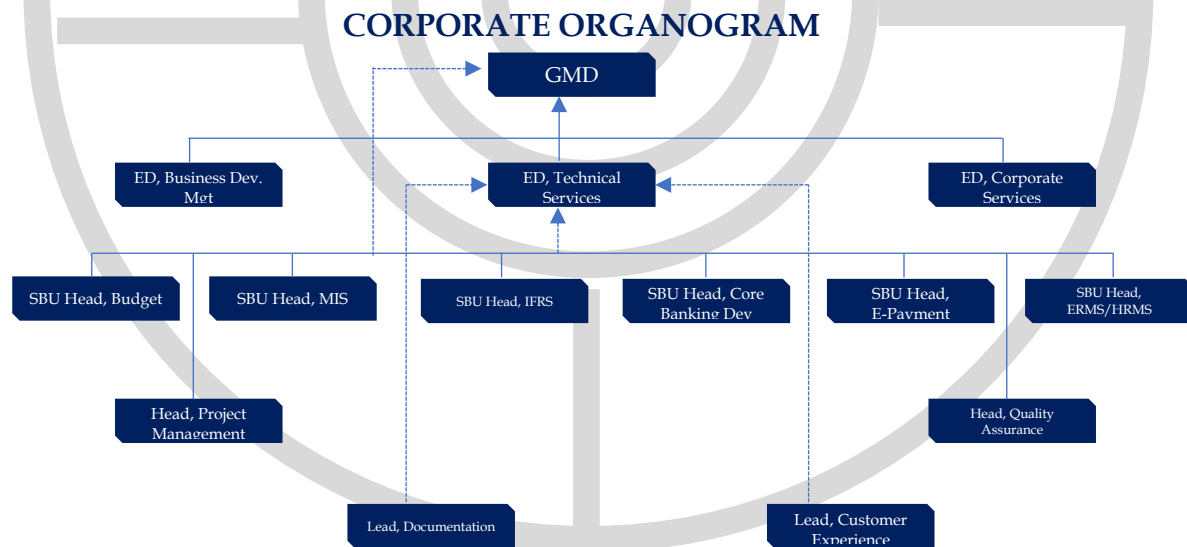
The ability of the Company to settle its Short-term Obligations using its Current Assets declined from 52% (Yr. 21) to 44% (Yr. 22). However, this was strengthened back to 52% as at the six months period (July,

2023). This reflected that the Liquid Assets failed to provide adequate cover for the Short-term Borrowings.

**CORPORATE GOVERNANCE & RISK MANAGEMENT**

The activities of the Company are directed by its Board of Directors consisting of six (6) Executive Directors.

The company’s corporate organogram is as presented.



Source: Fintrak Software Company Ltd

**FUTURE OUTLOOK**

In the next five (5) years, the Company intends to increase its revenue by 20% per year; expand more into the Insurance Industry and other African Countries and launch new products that will meet the needs of its prospective and existing clients.

The Company also plans to increase its market share through investing in marketing and sales.

Additionally, it has a budget of ₦2 billion for the next five years to fund the sales and marketing, product development as well as general and administrative expenses.

## RISK FACTORS

In the course of our review, we observed the following risk factors.

- **LIQUIDITY RISK**

This is the risk that the Company will be unable to pay its obligations as and when due.

Based on our review, the Company recorded a current ratio of 44% as at year end 2022. This is considered low for its operations.

- **CREDIT RISK**

This is the risk arising from the inability of customers to honor obligations as and when due.

Trade and Receivables constituted 97% of the Company's Total Assets in the year 2022. This shows very significant Credit Risk as the inability of the obligors to honor obligation as and when due may impair profitability.

- **HUMAN CAPITAL RISK**

This risk is associated with high industry staff turnover due to developers' passion to move at will. The Company is faced with this risk due to the nature of its business. However, it has measures in place to mitigate such risk.

- **CORPORATE GOVERNANCE RISK**

This is the risk arising from improper oversight from the Board which may adversely affect operation.

The Board of the Company comprised mainly of Executive Directors with no one acting as Non-Executive or Independent Director. Consequently, expected level of oversight may not be available.

## CONCLUSION

The Rating of the Company is supported by Good Revenue Profile and Strong Capitalization.

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

## FINANCE

### Statement of Financial Position

	Dec, 2022		Dec, 2021		Dec, 2020
	₱	Δ%	₱	Δ%	₱
<b>Assets</b>					
Property, Plant and Equipment	30,701,867	(0.02)	30,709,528	170.48	11,353,852.00
Intangible Assets	4,094,311,194	9.33	3,744,990,771	106.54	1,813,231,725.00
Deferred Tax Asset	0		-		1,116,525.00
	<u>4,125,013,061</u>	14.34	<u>3,775,700,299</u>	23.47	<u>1,825,702,102.00</u>
<b>Current assets</b>					
Trade & Other Receivables	695,637,667	28.00	543,453,245	35.13	402,171,650.00
Cash & Cash Equivalents	21,049,041	(87.33)	166,069,273	67.90	98,909,912.00
Other Assets	2,708,333	(19.95)	3,383,333	5.45	3,208,333.00
	<u>719,395,041</u>	0.91	<u>712,905,851</u>	41.37	<u>504,289,895.00</u>
<b>TOTAL ASSETS</b>	<u><b>4,844,408,102</b></u>	<b>7.93</b>	<u><b>4,488,606,150</b></u>	<b>92.64</b>	<u><b>2,329,991,997.00</b></u>
<b>Equity and liabilities</b>					
Share Capital	1,000,000	-	1,000,000		1,000,000
Fair Value Reserve	2,358,602,729	0.37	2,349,840,061		503,249,994.00
Retained earnings	854,337,045		773,462,192		754,385,771
<b>Total equity</b>	<u><b>3,212,939,774</b></u>	<b>2.87</b>	<u><b>3,123,302,253</b></u>	<b>148.35</b>	<u><b>1,257,635,765.00</b></u>
<b>Non-current liabilities</b>					
Deferred Tax Liabilities	635,553	244.64	184,412		-
<b>Total non-current liabilities</b>	<u><b>635,553</b></u>	<b>244.64</b>	<u><b>184,412</b></u>		<u><b>-</b></u>
<b>Current liabilities</b>					
Payables, Provisions & Accruals	1,029,789,496	24.45	827,460,860	43.60	576,212,135.00
Deposit for Shares	258,392,951	52.01	169,988,634	-	169,988,634.00
Current Tax Liabilities	44,709,928	(10.01)	49,681,402	(24.56)	65,852,691.00
Other Liabilities	296,940,400	(6.32)	316,988,588	22.25	259,302,771.00
<b>Total Current Liabilities</b>	<u><b>1,629,832,775</b></u>	<b>19.48</b>	<u><b>1,364,119,484</b></u>	<b>27.33</b>	<u><b>1,071,356,231.00</b></u>
<b>Total Liabilities</b>	<u><b>1,630,468,328</b></u>	<b>19.51</b>	<u><b>1,364,303,896</b></u>	<b>27.34</b>	<u><b>1,071,356,231.00</b></u>
<b>Total equity and liabilities</b>	<u><b>4,843,408,102</b></u>	<b>7.93</b>	<u><b>4,487,606,149</b></u>	<b>92.68</b>	<u><b>2,328,991,996.00</b></u>
<b>Statement of Comprehensive Income</b>					
Revenue	1,265,390,512	4.22	1,214,176,709	50.86	804,811,538.00
Direct Cost	(612,660,465)	21.04	(506,163,897)	138.60	(212,136,234.00)
<b>Gross Profit</b>	<u><b>652,730,047</b></u>	<b>(7.81)</b>	<u><b>708,012,812</b></u>	<b>19.46</b>	<u><b>592,675,304.00</b></u>
<b>Profit before tax</b>	123,502,916	(17.10)	148,969,879	1.65	146,551,637.00
Income tax expenses	(42,628,063)	(19.33)	(52,843,457)	2.76	(51,426,642.00)
<b>Profit after tax</b>	<u><b>80,874,853</b></u>	<b>(15.87)</b>	<u><b>96,126,422</b></u>	<b>1.05</b>	<u><b>95,124,995.00</b></u>

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**Signed:**   
**Name:** Oladele Adeoye  
**Designation:** Chief Rating Officer  
**Date:** 3rd October, 2023

For and on behalf of:  
**DataPro Limited**  
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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.