



DataPro



CORPORATE RATING REPORT

NOVA MERCHANT BANK LIMITED

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August, 2022

NOVA MERCHANT BANK LIMITED

Long-Term Rating:

A⁺

Short Term Rating: A1

Previous Rating: A⁺

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date issued: 8 Aug., 2022

Valid Till: 8 Aug., 2023

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

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EXECUTIVE SUMMARY

	2021 ₦'000	2020 ₦'000	2019 ₦'000	2018* ₦'000	2017 ₦'000
Gross Earnings	16,882,624	13,258,694	5,818,978	2,755,469	1,224,514
Profit Before Tax	1,664,258	3,425,301	1,516,885	960,591	420,240
Shareholders' Funds	23,512,642	22,765,344	19,559,811	17,611,431	16,510,576
Deposit Liabilities	116,889,467	89,611,830	40,512,882	6,066,686	
Loans & Advances	90,382,235	49,971,622	29,285,504	2,427,818	23,163
Total Assets	242,580,814	182,259,871	63,805,299	24,986,139	17,991,750

Rating Explanation

The Short-Term Rating of **A1** indicates *Good Credit Quality* and satisfactory capacity for timely payment of financial commitments.

The Long-Term Rating of **A⁺** indicates *Low Risk*. It shows very good Financial Strength, Operating Performance and Business Profile when compared to the standards established by *DataPro*. This bank, in our opinion, has a very strong ability to meet its ongoing obligation.

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 Bank's Audited and Management Accounts.

The risk factors were assessed using the Bank'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:

- Strong Capital Adequacy Ratio
- Good Liquidity
- Very Good Asset Quality

Weaknesses:

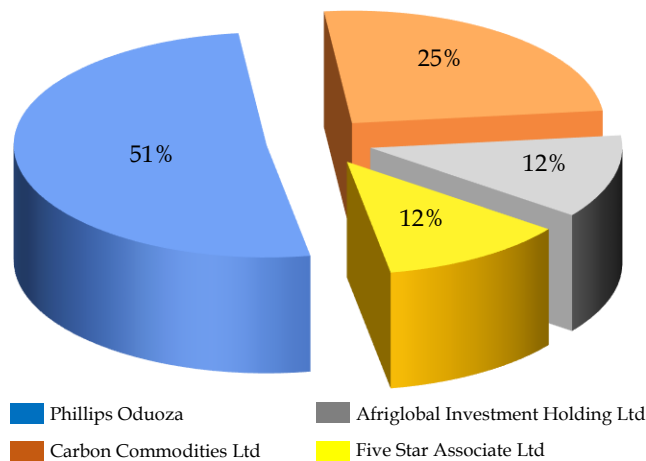
- Relative Concentration Risk
- High Cost of Fund

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BACKGROUND

NOVA Merchant Bank Limited (“*The Bank*”) was incorporated on 17 May 2017. The Bank obtained its merchant banking license on 13 December 2017. It focuses on wholesale and investment banking.

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Nova Merchant Bank

The Bank renders Corporate Banking, Money Market activities including trading and holding of Marketable Securities services to customers. The Bank carries out its operations from its head office in Lagos with 88 total staff members.

The most significant shareholder of the Bank is *Phillips Oduoza*. He holds 50.494% of the entire shareholdings. The balance of the shareholdings is distributed among three (3) other shareholders.

KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Deposit Labs ₦'000	Loan & Advances ₦'000	Total Assets ₦'000
2021	16,882,624	1,664,258	23,512,642	116,889,467	90,382,235	242,580,814
2020	13,258,694	3,425,301	22,765,344	89,611,830	49,971,622	182,259,871
2019	5,818,978	1,516,885	19,559,811	40,512,882	29,285,504	63,805,299
2018	2,755,469	960,591	17,611,431	6,066,686	2,427,818	24,986,139
2017	1,224,514	420,240	16,510,576		23,163	17,991,750

Source: Nova Merchant Bank

NOVA Merchant Bank recorded significant growth in most of its Key Financial indicators during the year. The Bank benefitted from strong Deposit mobilization which improved its Loans and Advances and its Total Assets. Customer Deposits grew by 30% from ₦89.6b (Yr. 20) to ₦116b (Yr. 21) while Loans and Advances grew by 81% from ₦49.9b (Yr. 20) to ₦90.3b (Yr. 21). This led to an improvement in the Bank's Gross Earnings by 27% from ₦13.2b (Yr. 20) to ₦16.8b (Yr. 21).

However, the high cost of fund resulted to increase in Interest Expenses. Therefore, Profit Before Tax declined from ₦3.4b (Yr. 20) to ₦1.6b (Yr. 21)

DIRECTORS PROFILE

The following served on the Board during the year 2021; *Phillips Oduoza - Chairman, Nath Ude - Chief Executive Officer/Managing Director, Shams Butt, Chief Malachy Nwaiwu, Funke Okoya, Emmanuel Onokpasa, Funmi Oyetunji, Gbemisola Laditan and Chinedu Uzoho*

The profile of the bank directors is as stated:

1. **Name:** Phillips Oduoza
Position: Chairman
Education:
 - B. Sc. in Civil Engineering
 - MBA in Finance, University of Lagos
 - Advanced Management Programme, Harvard Business School
 - Chartered Institute of Bankers (FCIB).**Experience (Years.):** 31 years
Year of Appointment: 2017

2. **Name:** Nath Ude
Position: Chief Executive Officer/Managing Director
Education:
 - B. Sc in Finance University of Nigeria Nsukka
 - MBA – Bayero University, Kano
 - MBA - University of Bangor**Experience (Years.):** 30 years
Year of Appointment: 2020

3. **Name:** Shams Butt
Position: Non-Executive Director
Education:
 - Bachelor of Business Administration - George Washington University, Washington DC
 - MBA - George Washington University, Washington DC**Experience (Years.):** 26years
Year of Appointment: 2017

4. **Name:** Chief Malachy Nwaiwu
Position: Independent Director
Education:
 - B. Sc. Agric Economics, University of Ibadan
 - MBA in Management and Finance, University of Lagos
 - B.L, University of Abuja
 - Nigerian Institute of Management and the Association of Management and Administration (AMA) USA**Experience (Years.):** 36 years
Year of Appointment: 2017

5. **Name:** Funke Okoya
Position: Executive Director
Education:
 - B. Sc, Business Administration, University of Lagos
 - MBA, The Business School Netherlands
 - Advanced Corporate Finance Programme at INSEAD Business School**Experience (Years.):** 20 years
Year of Appointment: 2020

6. **Name:** Emmanuel Onokpasa (FCA)
Position: Executive Director
Education:
 - B. Sc in Accounting, University of Benin
 - General Management Programme, Harvard Business School
 - Senior Management Programme, Lagos Business School**Experience (Years.):** 31 years
Year of Appointment: 2021

7. **Name:** Chinedu Uzoho
Position: Non-Executive Director
Education:
 - B.Sc – University of Lagos
 - MBA
 - INSEAD Business School**Experience (Years.):** 40 years
Year of Appointment: 2021

8. **Name:** Gbemisola Laditan (FCA)
Position: Independent Non-Executive Director
Education:
 - HND Accounting, The Federal Polytechnic Ado-Ekiti
 - MBA, Obafemi Awolowo University**Experience (Years.):** 30 years
Year of Appointment: 2021

9. **Name:** Funmi Oyetunji (FCA, FCCA)
Position: Independent Non-Executive Director
Education:
 - B.Sc Accounting, University of Nigeria Nsukka
 - Effective Boards, Harvard Business School
 - Risk Management in Banks and Other Corporation & Value Creation or Owners, INSEAD Business School**Experience (Years.):** 40 years
Year of Appointment: 2021

THE BANKING SECTOR

Nigeria is the leading economy in Africa. It has a population of nearly 200 million people. The Country's Gross Domestic Product (GDP) declined between Q4 2021 and Q1 2022 from 3.98% to 3.11%. However, The Q1 2022 growth rate was higher than the 0.51% growth rate recorded in Q1 2021 by 2.60% points. The Financial Sector of the Economy contributed 3.8% to the GDP. The Sector grew at a rate of 32.29% which was greater than the rate of Q1 2021 at 30.14%.

The Nigerian Banking industry plays a key role in the economic growth of the country and is therefore one of the most heavily regulated sectors in Nigeria. The Sector consists of 23 Commercial Banks, 6 Merchant Banks, 876 Microfinance Banks and 2 Specialized Banks licensed to provide Non-Interest Banking services to Corporate Entities and Individuals. The Banking sector has undergone two phases of Regulatory driven reforms generally in 2004 and 2009.

The Oil benchmark for the year 2022 budget is \$62 per barrel and 1.88 million barrel per day. This compared well with the current selling price of Oil which is above the benchmark (\$88 as at 5th of August, 2022 according to [businessinsider.com](https://www.businessinsider.com)).

In an effort to attain soundness in the banking industry and manage liquidity effectively, the CBN introduced in 2006 a new framework for monetary policy implementation, using the short-term interest rate known as Monetary Policy Rate (MPR) as its benchmark. The MPR serves as an indicative rate for transactions in the Interbank Money Market as well as Money Market Rates.

The CBN after the Monetary Policy Committee meeting on May 25th, decided to raise the Monetary Policy for the first time since October 2020 from 11.5% to 13.5%. In a bid to further curtail inflation, the CBN increased the MPR to 14% in June. This could have the effect of limiting borrowing from Financial Institutions due to the high costs and lead borrowers to find alternative sources of finance.

The CBN has maintained its periodic interventions in the Foreign Exchange Market to boost liquidity and enhance access to Foreign Exchange, unbridled demand and ensure stable Exchange Rates. The CBN has been managing its Foreign Exchange Reserves tightly because of lower Oil receipts. The CBN lowered its official Exchange Rate twice; in March by about 15% and by August 2020 by about 5%. Currently, the official Exchange Rate to the dollar as at August 8, 2022 is ₦410.8 while the exchange rate at the parallel market stood at ₦635.

Currently, Inflation Rate as at the month of June 2022 is 18.6% which is higher than the previous month figure of 17.71%. General improvements in the economy will largely support continuous growth in the Banking Sector. The critical success factor for the operators is the ability to creatively enhance service delivery in order to retain customer loyalty.

FINANCIAL PERFORMANCE

• CAPITAL ADEQUACY

Item \ Year	2021 ₦'000	2020 ₦'000
Shareholders' Funds	23,512,642	22,765,344
Total Assets	242,580,814	182,259,871
Property & Equipment	1,365,500	931,272
Loans & Advances	90,382,235	49,971,622
Equity/Total Assets (%)	9.63	12.49
Equity/Loan & Adv. (%)	26.01	45.56
Fixed Assets/Equity (%)	5.81	4.09

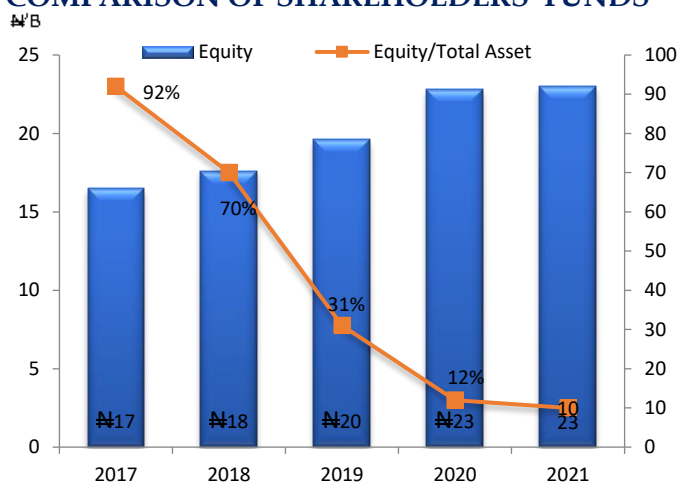
Source: Nova Merchant Bank Audited Accounts

COMPONENT OF TOTAL ASSETS

Item \ Year	2021 ₦'000	%	2020 ₦'000	%
Liquid Assets	75,531,636	31	94,888,406	52
Net Loans & Advances	90,382,235	37	49,971,622	27
Property & Equipment	1,365,086	1	931,272	1
Other Assets	75,301,857	31	36,468,571	20
TOTAL ASSETS	242,580,814	100	182,259,871	100

Source: Nova Merchant Bank Audited Accounts

COMPARISON OF SHAREHOLDERS' FUNDS



Source: Nova Merchant Bank

The Bank's Share Capital remained ₦16b (Yr. 21) in 2021. However, the Bank's Equity grew marginally in 2021 by 3% from ₦22.7b (Yr. 20) to ₦23.5b (Yr. 21).

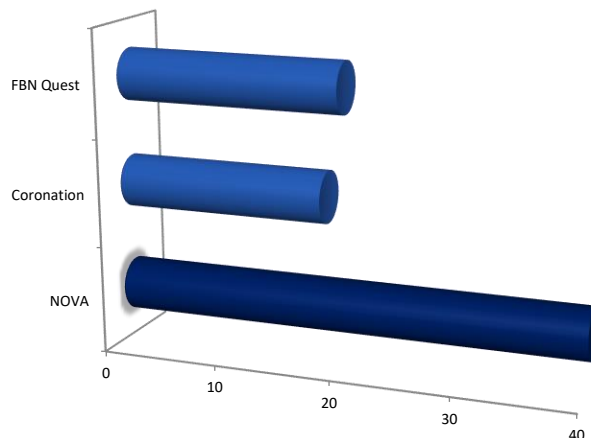
Overall, the Bank's Assets grew by 34% from ₦182b (Yr. 20) to ₦242b (Yr. 21). This was largely driven by the increased Loans and Advances, Pledged Assets and Balance with banks. Loans and Advances rose by 81% from ₦49b (Yr. 20) to ₦90b (Yr. 21).

The growth in Pledged Assets were the most significant during the year, surging upwards by 125% from ₦22b (Yr. 20) to ₦50b (Yr. 21). Pledged Assets consisted of Nigerian Treasury Bills and Bonds.

The Bank's Liquid Assets declined during the year from ₦94.8b (Yr. 20) to ₦75b (Yr. 21). Liquid Assets made up 31% of the Bank's Total Assets during the year.

The Bank's Assets' exposure to risk rose during the year under review. Net Loans & Advances as a proportion of Total Assets grew from 27% (Yr. 20) to 37% (Yr. 21). This was due to the rise in Loans and Advances outpacing that of Total Assets.

CAPITAL ADEQUACY PEER REVIEW (2021)



Source: DataPro Limited

Equity as a proportion of Total Assets declined in 2021. It went down from 12% (Yr. 19) to 9% (Yr. 20).

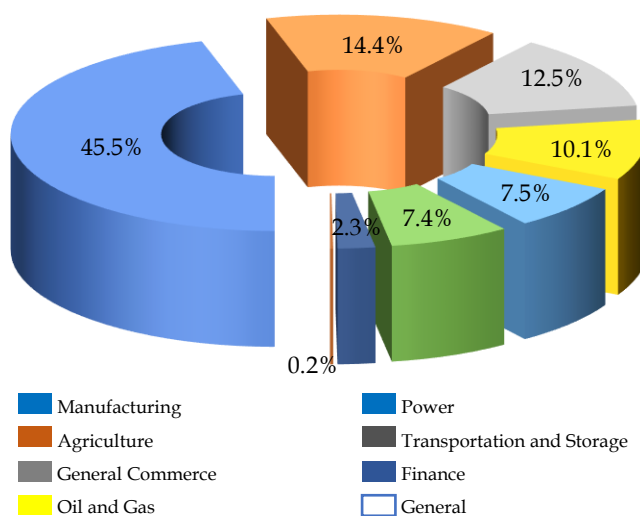
Capital Adequacy was 29% in the year 2021. This is well above the regulatory benchmark of 10% for Merchant Banks and some of its peers within the sector.

ASSET QUALITY

Item \ Year	2021 ₦'000	2020 ₦'000
Gross loans & Advances	90,721,103	49,971,622
Classified Loan	338,868	-
Provisions	41,461	98,375
Classified Loan Provision/Classified Loans (%)	12%	0
Classified Loan / Equity (%)	0.18	0.43
Classified loans/Gross loans (%)	0.37%	0.00%

The Bank gave Loans to customer's operating in Nigeria only. During the year 2021, the Bank invested a significant portion of its Loans and Advances in the Manufacturing Sector. This sector of the economy accounted for 46% of the Bank's Loans. It grew significantly from ₦16.5b (Yr. 20) to ₦40b (Yr. 21). Other significant exposures included the Agriculture, Oil and Gas and General Commerce Sectors. These sectors combined accounted for 37% of the Loan portfolio. Aside these, no other sector got up to 10%.

DISTRIBUTION OF LOANS BY SECTORS (2021)



Source: Nova Merchant Bank

NOVA Merchant Bank maintained high asset quality. However, it recorded delinquent Loans during the year under review. Despite this, Classified Loans made up less than 1% of the Bank's Loans portfolio. Provision for Classified Loans declined by 58% in the year 2021. It went down from ₦98b (Yr. 20) to ₦41b (Yr. 21).

₦41b (Yr. 21).

• LIQUIDITY

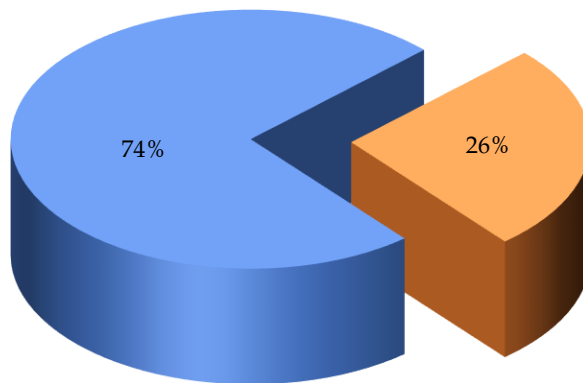
Item \ Year	2021 ₦'000	2020 ₦'000
Loan & Advances/Total Assets (%)	37.01	27.42
Liquid Assets/Total Assets (%)	30.93	52.06
Liquid Assets/Total Deposits (%)	64.62	105.89
Loans & Advances/Total Deposits (%)	77.32	55.76

Source: Nova Merchant Bank Audited Accounts

during the year. Term Deposits rose from ₦65.5b (Yr. 20) to ₦86.4b (Yr. 21). However, Demand Deposits also grew from ₦24b (Yr. 20) to ₦30b (Yr. 21).

The Bank continued the steady growth of its Deposit Liabilities during the year under review. Deposit Liabilities rose from ₦89.6b (Yr. 20) to ₦116.8b (Yr. 21). This was a growth rate of 30%. The growth was largely due to increased Term Deposits

ANALYSIS OF DEPOSIT BASED ON TYPE



■ Term Deposit
■ Demand Deposit

Source: Nova Merchant Bank

Due to the nature of the business of Merchant Banks, Term Deposits constituted the largest portion of deposits during the year. It constituted 74% of the overall deposits in the year 2021.

ANALYSIS OF DEPOSIT BASED ON TYPE

Item \ Year	2021 ₦'000	%
Less than 3 months	108,909,369	93
12 months	7,960,097	7
Gross Total	116,889,466	100

Source: Nova Merchant Bank Audited Accounts

The Bank's Deposits were majorly in Short Term as at the year ended 31st December 2021. A Total sum of ₦108.9b (Yr. 21) was set to mature within a 3-month period. This constituted 93% of the Bank's Total Deposits. All the Bank's deposits were to mature within a 12-month period.

ANALYSIS OF LOANS AND ADVANCES BASED ON MATURITY

Item \ Year	2021 ₦'000	%
Less than 3 months	46,682,907	51
12 months	26,572,121	29
Over 1 year	17,168,568	20
Gross Total	90,423,696	100

Source: Nova Merchant Bank Audited Accounts

The maturity of the Bank's Total Loans & Advances was more diversified. However, 51% of its Loans were set to mature in a 3-month period. This amounted to ₦46b (Yr. 21). The component of Loans and Advances falling due in 12months amounted to

80%. The remaining 20% will mature after a period of 1 year.

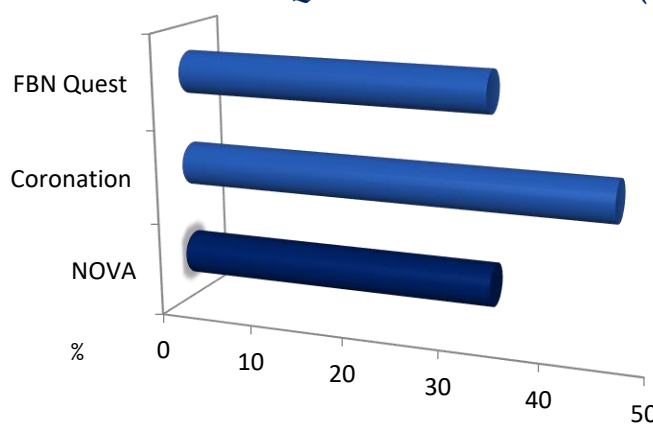
LIQUIDITY GAP ANALYSIS

Year	2021 Loans & Advances ₦'000	2021 Deposit Liabilities ₦'000	Net Liquidity Gap ₦'000
Liquid Assets	75,531,636	-	75,531,636
Less than 3 months	46,682,907	108,909,369	13,305,174
12 Months	26,572,121	7,960,097	31,917,198
Over 1 Year	17,168,568	0	49,085,766

Despite the short-term maturity profile of the Bank's Deposit Liabilities, the Liquid Assets as well as Short Term Loans were adequate to provide necessary cushion. The Bank also maintained a Statutory Liquidity ratio of 33.7%.

Source: Nova Merchant Bank Audited Accounts

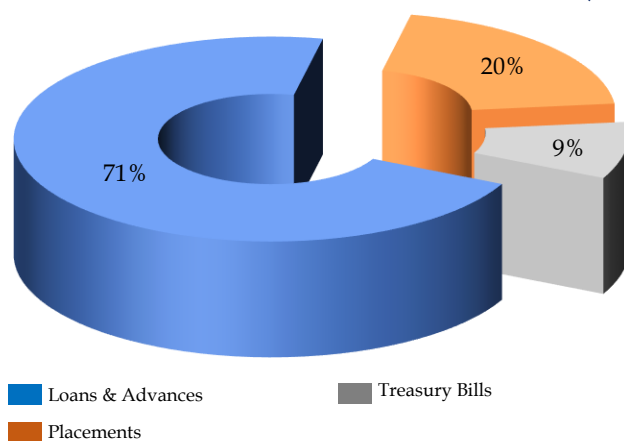
STATUTORY LIQUIDITY PEER REVIEW (2021)



Source: DataPro Limited

• PROFITABILITY

DISTRIBUTION OF INTEREST INCOME (2021)

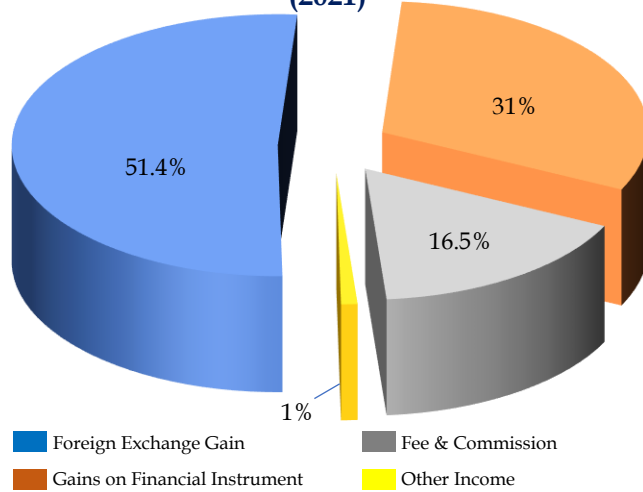


The Interest Income of the Bank grew during the year 2021. It went up by 25% from ₦9.6b (Yr. 20) to ₦12b (Yr. 21). The growth in Interest Income can be attributed to the significant earnings from Loans and Advances to customers. This contributed 71% of the Gross Interest Income and grew from ₦4.2b (Yr. 20) to ₦8b (Yr. 21). The other sources were; Treasury Bills, Bonds and Placements.

Source: Nova Merchant Bank

Interest Expenses rose at a faster rate than Interest income, growing by 66% from ₦7.1b (Yr. 20) to ₦11.8b (Yr. 21).

DISTRIBUTION OF NON-INTEREST INCOME (2021)



Source: Nova Merchant Bank

This increase was as a result of a rise in the interest incurred on Deposits from Customers. Consequently, Net Interest Margin declined from 27% (Yr. 20) to less than 1% in 2021.

The Bank grew its non-Interest income in the year under review. It went up by 32% from ₦3.6b (Yr.20) to ₦4.8b (Yr.21). This included: Fee & Income Commission, Net Gain from Foreign Exchange as well as Financial Instrument.

The Bank’s Operating Expenses also grew during the year under review. It grew by 29% from ₦2.5b (Yr. 20) to ₦3.3b (Yr. 21). This was due to increases across the major components of the Bank’s expenditure.

The Revenue growth of the Bank was constrained by the significant rise in cost of funds. Despite this, the Bank generated Pre-Tax Profit of ₦1.6b (Yr. 21).

GOVERNANCE, RISK AND COMPLIANCE

The Bank has a Board comprising of a Non-Executive Chairman, five (5) Non-Executive Directors and two (2) Executive Directors.

The activities of the Bank are directed by its various Board Committees. The Committees are: Board Risk Management and Audit, Board Finance and General-Purpose, Board Nomination & Governance and the Board Credit and Investment Committee.

The activities of the committees are detailed in the Annual Financial Report.

RISK FACTORS

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

- REGULATORY RISK**

Regulatory Risk is the risk that a Bank may cease to operate due to its inability to meet regulatory requirements of its primary regulator (*Central Bank of Nigeria*).

The major requirement for the Bank is to maintain a *Capital Adequacy Ratio (CAR)* of 10%.

Based on our review, *Nova Merchant Bank* maintained *CAR* of 29% as at 31 December, 2021.

- **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, *Nova Merchant Bank* is significantly exposed to the Manufacturing sector. Loans to this sector accounted for 45% of the Bank's Loans and Advances

We therefore consider that adverse changes in the highlighted sector may have negative impact on the Bank's earnings.

- **LIQUIDITY RISK**

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

Based on our review, *Nova Merchant Bank* maintained a Loan to Deposit ratio of 73% and Liquidity Ratio of 33.7% as at 31st December 2021.

CONCLUSION

The Rating of the Bank is supported by its Strong Capitalization, Good Liquidity and Very Good Asset Quality.


Consequently, we assigned a Rating of "A+".

FINANCES

Financial Position as at

	Dec, 2021		Dec, 2020		Dec, 2019
	₦'000	Δ%	₦'000	Δ%	₦'000
Loans & advances to customers	90,382,235	80.87	49,971,622	70.64	29,285,504
Investment securities	19,424,091	(63.23)	52,822,843	289.86	13,549,172
Investment in subsidiaries	431,167	3.90	415,000	176.67	150,000
Derivative financial assets	3,149,319	(14.89)	3,700,410		1,460,523
Pledge assets	50,016,537	126.61	22,071,575	783.79	2,497,380
Property and equipment	1,363,500	46.41	931,272	(14.76)	1,092,576
Right-of-use asset	249,054	(6.00)	264,940	(5.67)	280,871
Intangible assets	544,976	(18.95)	672,375	(13.47)	777,071
Other assets	20,468,893	394.01	4,143,416	74.67	2,372,154
Deferred tax assets	443,497	(0.00)	443,498	0.00	443,497
TOTAL	242,580,814	33.10	182,259,871		63,805,299
LIABILITIES					
Due to banks	26,813,409	23.48	21,713,953	#DIV/0!	
Due to customers	116,889,467	30.44	89,611,830	121.19	40,512,940
Derivative financial liabilities	3,072,162	(16.53)	3,680,548	154.43	1,446,598
Lease liability	111,651		96,184		82,825
Current tax liabilities	80646	132.61	34,670	127.14	15,264
Other liabilities	61,739,140	81.46	34,023,634	1,455.11	2,187,861
Debt securities issued	10,361,697	0.27	10,333,708		
Total Liabilities	219,068,172	37.35	159,494,527	260.48	44,245,488
Equity					
Share capital	16,000,000	-	16,000,000	-	16,000,000
Statutory reserve	2,486,205	23.63	2,010,946	102.37	993,683
Retained earnings	2,899,625	(14.84)	3,404,787	87.88	1,812,178
Fair value reserve	25,291	(59.33)	62,188	(74.88)	247,533
Regulatory risk reserve	2,101,521	63.23	1,287,423	154.22	506,417
Total equity attributable to owners of the Parent	23,512,642	3.28	22,765,344	16.39	19,559,811
Non-controlling interest	-				
Total Equity	23,512,642	3.28	22,765,344	16.39	19,559,811
Total liabilities and equity	242,580,814	33.10	182,259,871	185.65	63,805,299

	Dec, 2021		Dec, 2020		Dec, 2019
	₦'000	Δ%	₦'000	Δ%	₦'000
Interest expenses	(11,885,626)	65.51	(7,181,076)	206.46	(2,343,268)
Net Interest Income	168,708	(93.04)	2,424,605	10.91	2,186,124
Impairment charge for credit losses	7,104	(109.77)	(72,696)	(5.30)	(76,766)
Fee and commission income	798,732	149.39	320,272	19.92	267,072
Net gains on financial instrument held for trading	1,496,753	(49.42)	2,959,026	286.74	765,117
Net foreign exchange gain	2,483,112	571.81	369,614	50.18	246,116
Other Income	42,589	626.53	5,862	(48.04)	11,281
Operating expenses	(3,332,741)	29.11	(2,581,382)	37.30	(1,880,059)
Profit before tax	1,664,257	(51.41)	3,425,301	111.85	1,616,886
Income tax	(80,062)	132.58	(34,424)	(125.72)	133,831
Profit for the year	1,584,195	(53.28)	3,390,877	105.42	1,650,717
Net changes in fair value of financial assets FVOCI	(36,897)	(80.09)	(185,345)	(162.27)	297,664
Other comprehensive loss, net of related tax effects	(36,897)	(80.09)	(185,345)	(162.27)	297,664
Total comprehensive income for the period	1,547,299	(51.73)	3,205,532	64.52	1,948,361
Profit for the period attributable to:					
Owners of Parent	1,605,508		3,483,555		1,645,708
Non-controlling interest	66		1,692		-
Profit for the period	1,605,574		3,485,247		1,645,708
Total comprehensive income attributable to:					
Owners of Parent	1,568,611		3,298,210		1,943,371
Non-controlling interest	66		1,692		-
Profit for the period	1,568,677		3,299,902		1,943,371

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 8 August, 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 banks which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These banks, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	<i>(Excellent)</i> Assigned to banks which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These banks, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	<i>(Very Good)</i> Assigned to banks which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These banks, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	<i>(Fair)</i> Assigned to banks which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . 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.

Non-Investment Grade

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