



DataPro



CORPORATE RATING REPORT

NOVA MERCHANT BANK LIMITED

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June, 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: 4 July, 2023

Valid Till: 3 July, 2024

Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

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EXECUTIVE SUMMARY

	2022 ₦'000	2021 ₦'000	2020 ₦'000	2019 ₦'000	2018 ₦'000
Gross Earnings	22,964,900	16,882,624	13,258,694	5,818,978	2,755,469
Profit Before Tax	3,459,328	1,664,258	3,425,301	1,516,885	960,591
Shareholders' Funds	26,739,871	23,512,642	22,765,344	19,559,811	17,611,431
Deposit Liabilities	151,972,464	116,889,467	89,611,830	40,512,882	6,066,686
Loans & Advances	97,363,297	90,382,235	49,971,622	29,285,504	2,427,818
Total Assets	279,872,559	244,217,684	182,259,871	63,805,299	24,986,139

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:

Positive Rating Factors:

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

Negative Rating Factors:

- Relative Concentration Risk
- High Cost of Fund

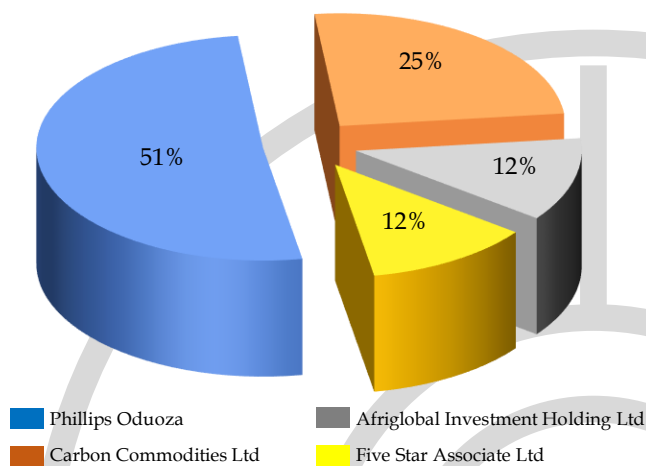
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BACKGROUND

NOVA Merchant Bank Limited ("The Bank") was incorporated on 17 May 2017 to carry on the business of merchant banking. The Bank commenced operations in February, 2018.

The principal activity of the Bank is the provision of Banking Services to customers. These include: Corporate Banking, Money Market activities including trading and

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Nova Merchant Bank

Holding Ltd.

holding of Marketable Securities such as Treasury Bills and Government Bonds. The Bank carries out its operations from its Head office in Victoria Island, Lagos with a staff strength of 91.

As at 31st December 2022, the single largest shareholder of the Bank was **Phillips Oduoza**. He held 50.494% of the entire Shareholdings as at that date. Other significant Shareholders were: **Carbon Commodities Ltd., Five Star Associate Ltd** and **Afriglobal**

KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Deposit Liabs ₦'000	Loan & Advances ₦'000	Total Assets ₦'000
2022	22,964,900	3,459,328	26,739,871	151,972,464	97,363,297	279,872,559
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

Source: Nova Merchant Bank

NOVA Merchant Bank recorded significant growth in most of its Key Financial Indicators. This was largely due to the ability to grow its Deposit Liabilities and increase Loan disbursement during the year under review. The Bank's Deposits went up by 30%. Consequently, Loans and Advances grew by 8% while Total Assets rose by 15%.

The positive growth in its Key Indicators extended to its Revenue and Profit Before Tax as at the year ended 2022 which grew by 36% and 108% respectively.

DIRECTORS PROFILE

The following served on the Board during the year 2022; *Mr. Phillips Oduoza - Chairman; Mr. Nath Ude - Chief Executive Officer/Managing Director; Mr. Shams Butt; Chief Malachy Nwaiwu; Mrs. Funke Okoya; Mr. Emmanuel Onokpasa; Mrs. Funmi Oyetunji; Mrs. Gbemisola Laditan and Mr. Chinedu Uzoho*

The profile of the Bank Directors is as stated:

1. **Name:** Mr. 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.):** 32 years
Year of Appointment: 2017
2. **Name:** Mr. 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.):** 31 years
Year of Appointment: 2020
3. **Name:** Mr. Shams Butt
Position: Non-Executive Director
Education:
 - Bachelor of Business Administration - George Washington University, Washington DC
 - MBA - George Washington University, Washington DC**Experience (Years.):** 27years
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.):** 37 years
Year of Appointment: 2017

5. **Name:** Mrs. 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.):** 21 years
Year of Appointment: 2020
6. **Name:** Mr. 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.):** 32 years
Year of Appointment: 2021
7. **Name:** Mr. Chinedu Uzoho
Position: Non-Executive Director
Education:
 - B.Sc – University of Lagos
 - MBA
 - INSEAD Business School**Experience (Years.):** 41 years
Year of Appointment: 2021
8. **Name:** Mrs. Gbemisola Laditan (FCA)
Position: Independent Non-Executive Director
Education:
 - HND Accounting, The Federal Polytechnic Ado-Ekiti
 - MBA, Obafemi Awolowo University**Experience (Years.):** 31 years
Year of Appointment: 2021
9. **Name:** Mrs. Funmi Oyetunji (FCA, FCCA)
Position: Independent Non-Executive Director
Education:
 - B.Sc - University of Nigeria Nsukka
 - Harvard Business School
 - Risk Management in Banks and Other Corporation & Value Creation for Owners, INSEAD Business School**Experience (Years.):** 41 years
Year of Appointment: 2021

SECTOR REVIEW

Nigeria is the leading economy in Africa. It has a population in excess of 200 million people. The Country's Gross Domestic Product grew by 3.52% (in real terms in the fourth quarter of 2022 (Q4 2022)). The growth rate of the Financial Sector in real terms in 2022 was 16.36%. The contribution to real GDP totaled 3.95%. This was higher than the contribution of 3.66% recorded in the fourth quarter of 2021 as well as 3.49% recorded in Q3 2022.

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 2023 budget is \$70 per barrel and 1.69 million barrel per day. This compared well with the current selling price of Oil which is above the benchmark (\$74.97 as at 10th of June, 2023 according to oilprice.com).

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. Currently, the official Exchange Rate to the dollar as at June 6th 2023 is ₦462.90 while the exchange rate at the parallel market stood at ₦748.

In a bid to curtail inflation, the CBN increased the MPR from 18% to 18.5% in May. Currently, Inflation Rate as at the month of April 2023 is 22.22%.

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

Year Item	2022 ₦'000	2021 ₦'000
Shareholders' Funds	26,739,871	23,512,642
Total Assets	279,872,559	244,217,684
Property & Equipment	1,450,686	1,365,086
Loans & Advances	97,363,297	90,382,235
Equity/Total Assets (%)	9.55	9.63
Equity/Loan & Adv. (%)	27.46	26.01
Fixed Assets/Equity (%)	5.43	5.81

The Retained Earnings of the Bank went up in the year 2022. This was due to improve profitability which enhanced Profit Retention. This grew from ₦2.8b (Yr. 21) to ₦5.1b (Yr. 22). Consequently, Equity went up by 14% from ₦23.5b (Yr. 21) to ₦26.7b (Yr. 22).

Total Assets of the Bank grew by 15% from ₦244.2b (Yr. 21) to ₦279.8b (Yr. 22).

Source: Nova Merchant Bank Audited Accounts

COMPONENT OF TOTAL ASSETS

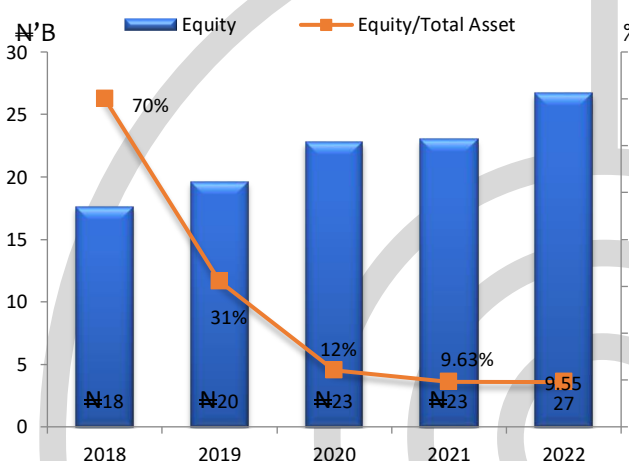
Year Item	2022 ₦'000	%	2021 ₦'000	%
Liquid Assets	94,455,505	34	75,531,636	31
Net Loans & Advances	97,363,297	35	90,382,235	37
Property & Equipment	1,450,686	1	1,365,086	1
Other Assets	86,603,051	31	75,301,857	31
TOTAL ASSETS	279,872,559	100	242,580,814	100

Source: Nova Merchant Bank Audited Accounts

This was largely driven by the increased Liquid Assets as well as Loans and Advances. Liquid Assets rose by 25% from ₦75b (Yr. 21) to ₦94b (Yr. 22) while Loans and Advances grew by 8% from ₦90.8b (Yr. 21) to ₦97.3b (Yr. 22). These two components made up 69% of Total Assets during the year 2022.

The Bank's Asset's exposure to risk went down during the year under review. Net

COMPARISON OF SHAREHOLDERS' FUNDS



Source: Nova Merchant Bank

Loans & Advances as a proportion of Total Assets declined from 37% (Yr. 21) to 35% (Yr. 22). This was due to the rise in Liquid Assets during the year 2022.

The Bank achieved equal rate of growth for both Equity and Total Assets. Consequently, Equity as a proportion of Total Assets remained relatively same at 10% in the years 2021 and 2022.

However, the Bank's Capital Adequacy Ratio declined from 29% (Yr. 21) to 23% (Yr. 22). This was due to the rise in Risk Weighted Assets. However, the Bank is well above the regulatory benchmark of 10% for Merchant Banks.

• ASSET QUALITY

Year Item	2022 ₦'000	2021 ₦'000
Gross Loans & Advances	97,512,286	90,721,103
Classified Loan	148,989	338,868
Provisions	35,361	41,461
Classified Loan Provision/Classified Loans (%)	24	12
Classified Loan / Equity (%)	0.13	0.18
Classified loans/Gross loans (%)	0.15	0.37

Source: Nova Merchant Bank Audited Accounts

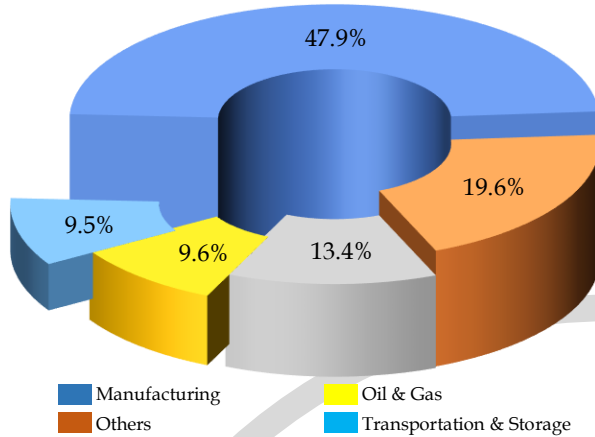
Gross Loans and Advances grew marginally by 8% from ₦90.7b (Yr.21) to ₦97.5b (Yr.22). The Loans were given to customers within Nigeria.

The Bank continued to disburse a significant portion of its Loans and Advances in the Manufacturing Sector. Loans to this sector amounted to ₦46b and accounted for 48% of the Bank's

total exposure in the year 2022 as against 45% in 2021. The General Commerce sector

contribution was also significant at 13%. Aside these, no other sector got over 10% of the Bank's Loans.

DISTRIBUTION OF LOANS BY SECTOR (2022)



Source: Nova Merchant Bank

The Classified Portion of the Bank's Loans and Advances went down significantly during the year 2022. This reduced from ₦338m (Yr. 21) to ₦148m (Yr. 22). This represented a decline rate of 56%. The Impaired portion of the Bank's Loan waned to an insignificant level of less than 1%.

The Bank's Provisions for Classified Loans also went down in 2022. It reduced by 15% from ₦41m (Yr. 21) to ₦35m (Yr. 22). However, the coverage of Classified Loans by

Provisions went up from 12% (Yr. 21) to 24% (Yr. 22).

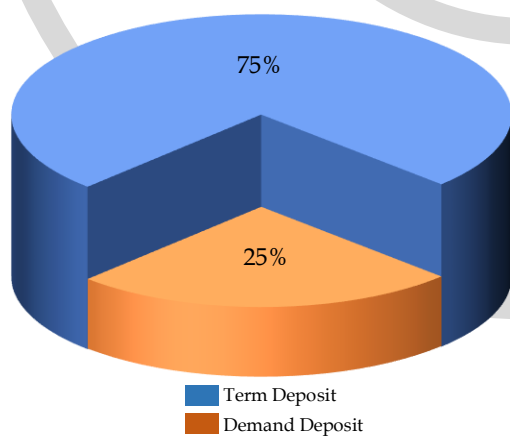
• LIQUIDITY

Year	2022	2021
Item	₦'000	₦'000
Loan & Advances/Total Assets (%)	34.79	37.01
Liquid Assets/Total Assets (%)	33.75	43.45
Liquid Assets/Total Deposits (%)	37.31	90.79
Loans & Advances/Total Deposits (%)	38.46	77.32

Source: Nova Merchant Bank Audited Accounts

The Deposit Liabilities of the Bank rose by 30% from ₦116.8b (Yr. 21) to ₦152b (Yr. 22). The growth was driven by increased Term Deposits during the year. Term Deposits rose from ₦86.4b (Yr. 21) to ₦114b (Yr. 22). Similarly, Demand Deposits grew from ₦30.5b (Yr. 21) to ₦37.1b (Yr. 22).

ANALYSIS OF DEPOSIT BASED ON TYPE



Source: Nova Merchant Bank

Due to the nature of the Banks Business, Term Deposits accounted for the largest portion of deposits. It constituted 75% of the total obligations to Customers in the year 2022.

The Maturity profile of the Bank's Deposits was largely short term. All the Bank's deposits were to mature within a 12-month period. However, Deposits fallen due within a 3-month period

ANALYSIS OF DEPOSIT BASED ON MATURITY

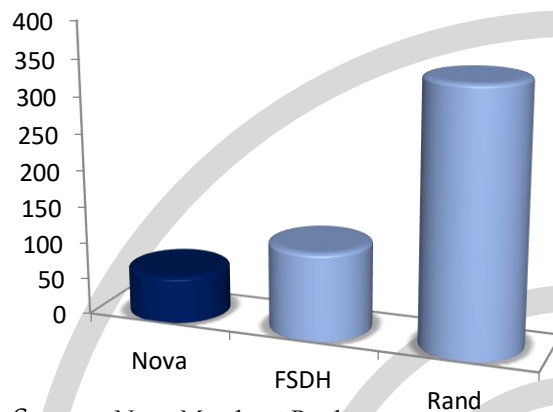
Year Item	2022 ₦'000	%
Less than 3 months	131,125,716	86
12 months	22,016,195	14
Gross Total	151,972,464	100

Source: Nova Merchant Bank Audited Accounts

accounted for 86% of Total Deposits. This amounted to ₦131.1b (Yr. 22) in absolute term.

The Bank deployed 64% of its Depositors Fund to Loans and Advances in the year 2022. This was significantly less than 77% attained in the year 2022. The performance was also far less than the proportion attained by similar operators in the year under review.

PEER COMPARISON: LOAN TO DEPOSIT RATIO (2022)



Source: Nova Merchant Bank

The maturity of the Bank's Total Loans & Advances was more diversified. Loans due within the next 12 months accounted for 78% of Total Loans. This amounted to ₦76.9b (Yr. 22). The remaining portion was due after a year. This amounted to ₦21.2b (Yr. 22).

ANALYSIS OF LOANS AND ADVANCES BASED ON MATURITY

Year Item	2022 ₦'000	%
Less than 3 months	10,935,265	11
12 months	65,202,563	67
Over 1 year	21,260,829	22
Gross Total	97,363,297	100

Source: Nova Merchant Bank Audited Accounts

The Bank's Liquid Assets was to ₦94.4b (Yr. 22). It provided adequate cushion for the mismatch between the Deposit Liabilities as well as Loans and Advances within a 12month timeframe. This resulted in liquidity surplus of ₦17.5b in the year 2022. The value grew bigger to ₦38.7b over a year timeline. The Bank maintained a Liquidity ratio of 33.7%.

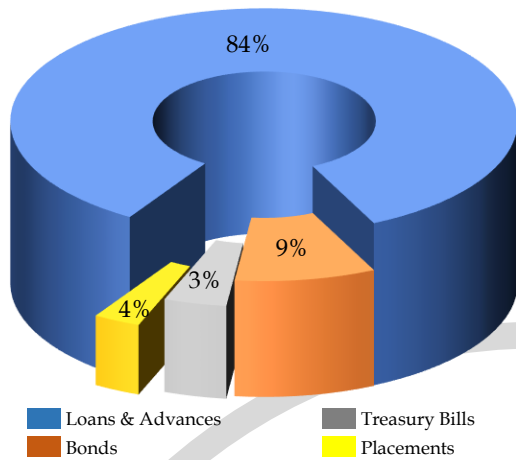
LIQUIDITY GAP ANALYSIS

Year	2022 Loans & Advances ₦'000	2022 Deposit Liabilities ₦'000	Net Liquidity Gap ₦'000
Liquid Assets	94,455,525	-	94,455,525
Less than 3 months	10,935,265	131,125,716	(25,734,926)
12 Months	65,202,563	22,016,195	17,451,442
Over 1 Year	21,260,829	0	38,712,271

Source: Nova Merchant Bank Audited Accounts

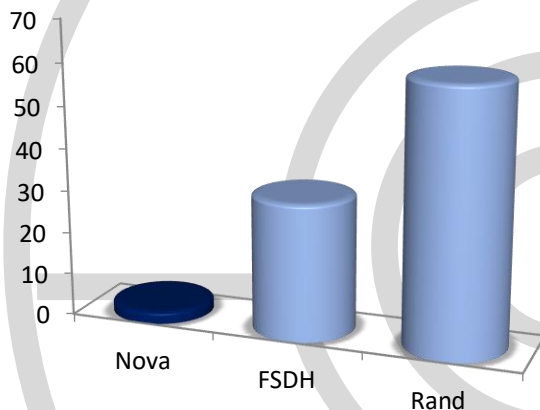
• PROFITABILITY

DISTRIBUTION OF INTEREST INCOME (2022)



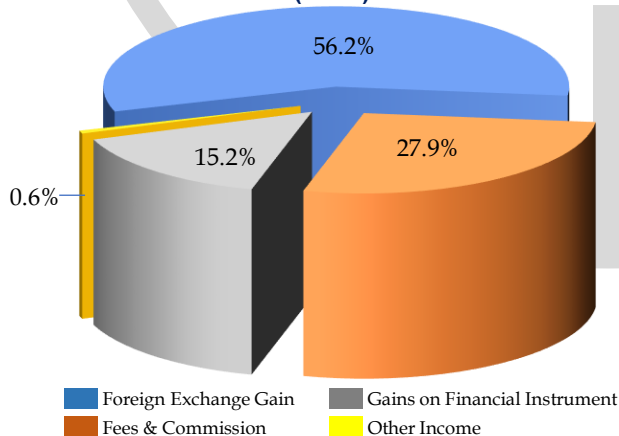
Source: Nova Merchant Bank

PEER COMPARISON: NET INTEREST MARGIN (2022)



Source: Nova Merchant Bank

DISTRIBUTION OF NON-INTEREST INCOME (2022)



Source: Nova Merchant Bank

The Bank's Gross Earnings grew by 36% in 2022 from ₦16.8b (Yr. 21) to ₦22.9b (Yr. 22). This was largely driven by increased Interest Income. Interest earned on Loans and Advances grew from ₦8b (Yr. 21) to ₦13.5b (Yr. 22). This contributed 84% of Gross Interest Income. Aside Loans and Bonds, Interest Earnings from other sources declined in the year 2022.

Similarly, Interest Expenses grew in 2022. It went up by 31% from ₦11.8b (Yr. 21) to ₦15.5b (Yr. 22). While all the components of Interest Expenses grew during the year, the rise in Interest Expenses of Customers Deposits was the most significant in 2022. This was largely due to the dominance of Term Deposits in the book of the Bank.

Net Interest Income increased significantly by over 300% from ₦168.7m (Yr. 21) to ₦702.1m (Yr. 22). This led to marginal growth in Net Interest Margin which improved from 1% (Yr. 21) to 3% (Yr. 22). Despite the growth, it fell significantly below the margin recorded by similar operators within the industry during the year under review.

The Bank grew its Non-Interest Income by 39% from ₦4.8b (Yr. 21) to ₦6.7b (Yr. 22). This comprised of Fees & Income Commission, Net Foreign Exchange Gain, Gain on Financial Instrument and Other Income. Net Foreign Exchange Gain was a key driver for growth in

2022. This component grew from ₦2.4b (Yr. 21) to ₦3.7b (Yr. 22).

The Bank's Operating Expenses also grew during the year under review. It went up by 14% from ₦3.3b (Yr. 21) to ₦3.8b (Yr. 22). This was due to growth recorded in the majority of its components during the year under review.

The growth in Net Interest as well as increased Revenue from Fees and Commission as well as Foreign Exchange Gain helped to grow the Bank's Profit during the year by 108% from ₦1.6b (Yr. 21) to ₦3.4b (Yr. 22). Consequently, the Bank's Profitability Indices improved during the year.

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 as demanded by the *Central Bank of Nigeria (CBN)* Code of Corporate Governance.

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 Committees.

The activities of the Committees are detailed in the Annual Reports.

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 23% as at 31 December, 2022.

- **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. This sector accounted for 48% 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 64% and Liquidity Ratio of 34% as at 31st December 2022.

CONCLUSION

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


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

FINANCES

Financial Position as at

	Dec, 2022 N'000	Δ%	Dec, 2021 N'000	Δ%	Dec, 2020 N'000
ASSETS					
Balances with banks	79,877,938	42.37	56,107,545	19.83	46,822,920
Loans to banks and other financial institution	-	-	-	-	-
Loans & advances to customers	97,363,297	7.72	90,382,235	80.87	49,971,622
Investment securities	14,577,567	(24.95)	19,424,091	(63.23)	52,822,843
Investment in subsidiaries	431,167	-	431,167	3.90	415,000
Derivative financial assets	9,214,855	192.60	3,149,319	(14.89)	3,700,410
Pledge assets	44,055,112	(11.92)	50,016,537	126.61	22,071,575
Property and equipment	1,450,686	6.39	1,363,500	46.41	931,272
Right-of-use asset	233,167	(6.38)	249,054	(6.00)	264,940
Intangible assets	907,539	66.53	544,976	(18.95)	672,375
Other assets	31,317,735	53.00	20,468,893	394.01	4,143,416
Deferred tax assets	443,497	-	443,497	(0.00)	443,498
TOTAL	279,872,560	15.37	242,580,814	33.10	182,259,871
LIABILITIES					
Due to banks	26,993,262	0.67	26,813,409	23.48	21,713,953
Due to customers	151,972,464	30.01	116,889,467	30.44	89,611,830
Derivative financial liabilities	9,160,449	198.18	3,072,162	(16.53)	3,680,548
Lease liability	129,607	-	111,651	-	96,184
Current tax liabilities	262,804	225.87	80,646	132.61	34,670
Other liabilities	54,235,631	(12.15)	61,739,140	81.46	34,023,634
Debt securities issued	10,378,471	0.16	10,361,697	0.27	10,333,708
Total Liabilities	253,132,688	15.55	219,068,172	37.35	159,494,527
Equity					
Share capital	16,000,000	-	16,000,000	-	16,000,000
Statutory reserve	3,450,355	38.78	2,486,205	23.63	2,010,946
Retained earnings	5,149,310	77.59	2,899,625	(14.84)	3,404,787
Fair value reserve	38,684	52.96	25,291	(59.33)	62,188
Regulatory risk reserve	2,101,521	-	2,101,521	63.23	1,287,423
Total equity attributable to owners of the Parent	26,739,870	13.73	23,512,642	3.28	22,765,344
Non-controlling interest	-	-	-	-	-
Total Equity	26,739,870	13.73	23,512,642	3.28	22,765,344
Total liabilities and equity	279,872,560	15.37	242,580,814	33.10	182,259,871

	Dec, 2022 N'000	Δ%	Dec, 2021 N'000	Δ%	Dec, 2020 N'000
Interest Income	16,267,808	34.95	12,054,334	25.51	9,603,920
Interest expenses	(15,565,650)	30.96	(11,885,626)	65.51	(7,181,076)
Net Interest Income	702,158	316.20	168,708	(93.04)	2,424,605
Impairment charge for credit losses	(139,345)	(2,061.50)	7,104	(109.77)	(72,696)
Fee and commission income	1,871,274	134.28	798,732	149.39	320,272
Net gains on financial instrument held for trading	1,015,864	(32.13)	1,496,753	(49.42)	2,959,026
Net foreign exchange gain	3,766,558	51.69	2,483,112	571.81	369,614
Other Income	43,397	1.90	42,589	626.53	5,862
Operating expenses	(3,800,577)	14.04	(3,332,741)	29.11	(2,581,382)
Profit before tax	3,459,329	107.86	1,664,257	(51.41)	3,425,301
Income tax	(245,493)	206.63	(80,062)	132.58	(34,424)
Profit for the year	3,213,836	102.87	1,584,195	(53.28)	3,390,877
Net changes in fair value of financial assets FVOCI	13,393	(136.30)	(36,897)	(80.09)	(185,345)
Other comprehensive loss, net of related tax effects	13,393	(136.30)	(36,897)	(80.09)	(185,345)
Total comprehensive income for the period	3,227,229	108.57	1,547,299	(51.73)	3,205,532
Profit for the period attributable to:					
Owners of Parent	3,098,325		1,605,508		3,483,555
Non-controlling interest	(1,774)		66		1,692
Profit for the period	3,096,551		1,605,574		3,485,247
Total comprehensive income attributable to:					
Owners of Parent	3,111,719		1,568,611		3,298,210
Non-controlling interest	(1,774)		66		1,692
Profit for the period	3,109,945		1,568,677		3,299,902

Signed: 
Name: **Oladele Adeoye**
Designation: Chief Rating Officer
Date: 12 June, 2023

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.