



DataPro



CORPORATE RATING REPORT

FSDH MERCHANT BANK LIMITED

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December, 2023

FSDH MERCHANT BANK LIMITED

Long-Term Rating:

A

Short Term Rating: A2

Rating Outlook: Stable

Trend: Up

Currency: Naira

Date Issued: 21 Dec., 2023

Valid Till: 20 Dec., 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	24,447,486	13,786,960	16,313,734	20,822,341	18,525,590
Pre-tax-Profit	4,052,967	1,007,013	3,645,064	5,182,829	5,186,445
Equity	25,053,713	26,848,101	30,814,128	26,769,962	29,335,557
Deposit Liabilities	98,251,471	71,794,882	80,213,989	56,340,436	46,719,361
Net Loans & Advances	117,211,421	76,626,902	38,072,402	45,496,340	40,536,858
Total Assets	257,029,335	188,713,003	159,448,730	155,994,069	119,637,906

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 **A** indicates *Low Risk*. It shows very good Financial Strength, Operating Performance and Business Profile when compared to the standard established by **DataPro**. This Bank, in our opinion, has strong ability to meet its ongoing obligations.

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:

- Good Earnings Portfolio
- Experienced Management Team
- Good Liquidity Profile
- Strong Risk Management Framework

Negative Rating Factor:

- Concentration Risk

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BACKGROUND

FSDH Merchant Bank Limited (*"the Bank"*) was incorporated on the 23rd day of June 1992 under the name **First Securities Discount House Limited**. It commenced operations on the 1st of July 1992 and was granted license to carry on discount house business on 10 February 1993. Subsequently, it was granted approval to convert to a merchant bank on 22nd of November 2012. Following this conversion, the Bank officially changed its name to **FSDH Merchant Bank Limited** on 31 December 2012 and commenced banking and financial services on the 15th day of January, 2013.

The Bank is principally involved in the provision of transactional products and structuring of finance. This is in addition to money market activities including trading and holding of marketable securities such as Treasury Bills, Government Bonds, Commercial Bills and other Eligible Instruments.

The business activities of the Bank are structured in the following areas: Corporate Banking, Global Markets and Prestige Banking, Value Chain, Business Banking as well as Correspondent Banking. Additionally, it is supported by the activities of the following Strategic Resources Functions: Risk Management, Compliance, Internal Audit, Internal Control, Financial Control and Information Technology among others.

FSDH Merchant Bank Limited has 100% controlling interest in **FSDH Funding SPV Plc**, a Special Purpose entity incorporated in Nigeria. The SPV was set up to issue bonds to the public in order to provide funding to the Bank.

The Bank is a subsidiary of **FSDH Holding Company Limited**, a non-operating legal entity domiciled in Nigeria and regulated by the **Central Bank of Nigeria (CBN)**. Other related companies include **FSDH Asset Management Limited** and **FSDH Capital Limited**.

The clientele base of the Bank consists of individuals and corporates which are served via a workforce of 172 employees. It operates through its Head office located in Marina, Lagos. It also has branches located in Abuja and Port Harcourt.

KEY FINANCIAL INDICATOR

Item Year	Gross Earning ₦'000	PBT ₦'000	Equity ₦'000	Deposit Liabs ₦'000	Loan & Advances ₦'000	Total Assets ₦'000
2022	24,447,486	4,052,967	25,053,713	98,251,471	117,211,421	257,029,335
2021	13,786,960	1,007,013	26,848,101	71,794,882	76,626,902	188,713,003
2020	16,313,734	3,645,064	30,814,128	80,213,989	38,072,402	159,448,730
2019	20,822,341	5,182,829	26,769,962	56,340,436	45,496,340	155,994,069
2018	18,525,590	5,186,445	29,335,557	46,719,361	40,536,858	119,637,906

Source: FSDH Merchant Bank Audited Account.

The Bank leveraged on funding obtained from commercial institutions, debt issuances and depositors during the year 2022. The Commercial Paper issued during the year amounted to a face value of ₦20.47b. This is complemented by Borrowings from various Financial Institutions to the tune of ₦50.8b. The Bank was also able to grow Customer Deposit Liabilities by 37% in the year 2022.

The Bank was able to channel the Fund into its operation increasing Net Loans and Advances by 53%. This supported Gross Earnings and Pre-Tax Profit growth by 77% and 302% respectively during the year under review. However, appropriation for Expected Credit Loss on Financial Assets dragged Equity by 7%.

DIRECTORS' PROFILE

The Directors of the Company are; *Mr. Femi Agbaje – Chairman; Mrs. Bukola Smith – Managing Director; Mr. Taiwo Otit; Ms. Stella-Marie Omogbai; Mr. Patrice Backer; Mr. Godwin Ize-Iyamu; Mr. Musa Ali Baba; Mr. Kelechi Okoro and Prof. Isabella Elizabeth Okagbue.*

Details of the Directors' profile is as follows:

1. **Name:** Mr. Femi Agbaje
Position: Chairman
Profession: Chartered Accountant
Years of Experience: Over 35 years
Education:
 - B.Sc. – University of Ife, Ile-Ife
 - Fellow - Institute of Chartered Accountants of Nigeria
 - Fellow –Chartered Association of Certified Accountants**Experience**
 - Arthur Young Oshindero & Moret
 - Peat Marwick Casselton Elliot & Co.
 - Nigerian American Merchant Bank Limited
 - Midas Bank Plc
 - Notore Chemical Industries Plc
2. **Name:** Mrs. Bukola Smith
Position: Managing Director
Profession: Banker
Years of Experience: Over 30 years
Education:
 - B.Sc. – University of Lagos
 - Associate – Certified Institute of Pensions (Nigeria)
 - Fellow – Institute of Chartered Accountants of Nigeria
 - MBA – University of Manchester, UK**Experience**
 - FSB International Bank
 - FCMB Trustees Limited
 - CSL Stockbrokers Limited
 - First City Monument Bank Ltd
 - FSDH Merchant Bank Limited

3. **Name:** Mr. Taiwo Otit

Position: Executive Director

Profession: Technology and Banking Executive

Years of Experience Over 25 years

Education:

 - B.Sc. – Carleton University Canada
 - M.Sc. – the Loughborough University of Technology England

Experience

 - Citibank Nigeria Limited
 - First Bank of Nigeria
 - Mainstreet Bank
 - Fidelity Bank
 - IBM West Africa
 - Central Securities Clearing Systems Plc (CSCS)
 - FSDH Merchant Bank Limited
4. **Name:** Ms. Stella-Marie Omogbai

Position: Executive Director

Profession: Banker

Years of Experience Over 27 years

Education:

 - LLB – University of Benin
 - Nigerian Law School
 - MBA – University of Wales (Holborn College), UK
 - Harvard Business School (USA)
 - London Business School (UK)
 - IE Business School (Madrid, Spain)

Experience

 - Bank PHB/Keystone Bank
 - Ecobank
 - United Bank for Africa Plc (UBA)
 - Lead Merchant Bank
 - Access Bank
 - Sterling Bank/Magnum Trust Bank
5. **Name:** Mr. Patrice Backer

Position: Non-Executive Director

Profession: Business Man

Education:

 - B.Sc. – Harvard College
 - MBA – Wharton School of Business
 - MA – University of Pennsylvania Lauder Institute

Experience

 - JP Morgan
 - Promo Capital
 - AFIG Funds
6. **Name:** Mr. Godwin Ize-Iyamu

Position: Independent Non-Executive Director

Profession: Banking Professional

Years of Experience Over 30 years

Experience

- Citibank Nigeria
- United Bank for Africa Plc (UBA)
- FSDH Merchant Bank Limited

7. **Name:** Mr. Musa Ali Baba
Position: Independent Non-Executive Director
Profession: Technology and Finance Strategist
Years of Experience: Over 25 years
Education:

Experience

- B.Sc. – University of Wales
- MBA – London Business School
- Stern School of Business
- First Securities Discount House
- Teasy International (TeasyPay)
- Newe Partners
- Microsoft and Oracle Corporations

8. **Name:** Mr. Kelechi Okoro
Position: Non – Executive Director
Profession: Finance Professional
Education:

Experience

- B.Sc. – University of Ibadan
- MBA – Lagos Business School
- ARM Investment Managers
- The International Finance Corporation (IFC)
- AFIG Funds

9. **Name:** Prof. Isabella Elizabeth Okagbue
Position: Non-Executive Director
Profession: Lawyer
Education:

Experience

- LLB – University of Nigeria, Nsukka
- Harvard Law School
- Honorary Fellow – the Nigerian Institute of Advanced Legal Studies
- Nigerian Institute of Advanced Legal Studies
- United Nations in Somalia
- United Bank for Africa Plc
- Metis Capital Partners Ltd.
- Emerging Markets Telecommunications Ltd (Etisalat)
- FSDH Merchant Bank Limited

SECTOR REVIEW

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

Nigeria is the leading economy in Africa with a population in excess of 200 million. In the second quarter of 2023, Nigeria's GDP grew by 2.51% (year-on-year) in real terms. This growth rate is lower than the 3.54% recorded in the second quarter of 2022. According to National Bureau of Statistics (NBS), the decline is attributed to the challenging economic conditions being experienced.

In real terms, the Country's GDP grew by 2.54% in the third quarter of 2023. This is 0.29% higher than the growth rate recorded in Q3 of 2022 and 0.03% more than Q2 2023. The performance was driven mainly by the Services Sector, which recorded a growth of 3.99% and contributed 52.70% to the aggregate GDP.

Growth in the Finance Sector in real term totaled 28.21%, higher by 15.52% points from the rate recorded in the 2022 third quarter and higher by 1.37% points from the rate recorded in the second quarter of 2023.

The contribution of the Sector to real GDP totaled 4.36%, higher than the contribution of 3.49% recorded in the third quarter of 2022 by 0.87% points, and lower than 5.26% recorded in Q2 2023 by 0.91% points.

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 (\$79.22 as at 20th of December, 2023 according to oil price.com). However, Nigeria is battling with the challenge of foreign currency scarcity arising from lower Oil receipt and limited export capacity of the Country.

In order to achieve a Unified Foreign Exchange regime, the CBN has collapsed the multiple exchange rate windows. This is in addition to allowing the free float of the Naira against the US dollars. The value of the Naira to the Dollar at the CBN official is N907.65/\$1 as at December 19, 2023, while the parallel market value was N1,300/\$1.

The Monetary Policy Committee (MPC) of the CBN at its fourth meeting for the year raised the Monetary Policy Rate (MPR) further by 25bps from 18.50% to 18.75% in July, 2023. This was done to manage inflation which remains on a steady increase. Headline Inflation rose to 28.20% in November, from 27.33% recorded in the previous month. The rise in MPR could have the effect of limiting borrowing from Financial Institutions due to the high costs and lead borrowers to find alternative sources of finance.

Therefore, deep understanding of the macro-economic trends and ability to creatively take advantage of market opportunities remain the critical success factors for operators.

CAPITAL ADEQUACY

The Shareholder's Funds unimpaired by losses declined to ₦25b in the year 2022 from ₦26.8b recorded in the prior year. This reflected a 7% reduction in the Bank's Capital.

Item	Year	2022 ₦'000	2021 ₦'000
Equity		25,053,713	26,848,101
Total Assets		257,029,335	188,713,003
Property and Equipment		773,177	714,901
Net Loans and Advances		117,211,421	76,626,902
Equity/Total Assets (%)		10	14
Equity/Loan & Adv. (%)		21	35
Property & Equipmt. /Equity (%)		3	3

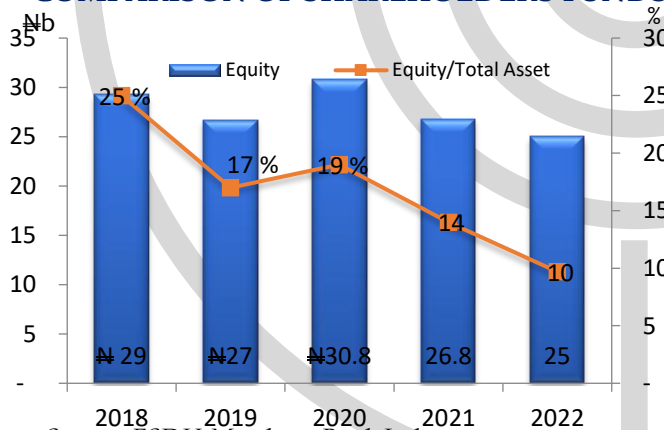
Source: FSDH Merchant Bank Audited Account

COMPONENT OF TOTAL ASSETS

Item	Year	2022 ₦'000	%	2021 ₦'000	%
Cash & Cash Equivalent		43,193,956	16.8	44,199,479	23.4
Investment Securities		54,970,827	21.4	38,327,639	20.3
Loans and Advances		117,211,421	45.6	76,626,902	40.6
Other Assets		40,879,954	15.9	28,844,082	15.3
Property, Plant & Equip		773,177	0.3	714,901	0.4

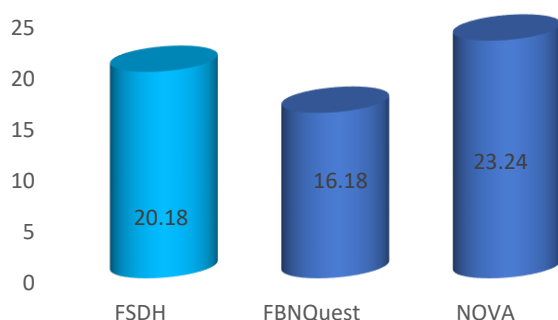
Source: FSDH Merchant Bank Audited Account

COMPARISON OF SHAREHOLDERS FUNDS



Source: FSDH Merchant Bank Ltd

PEER COMPARISON OF CAPITAL ADEQUACY RATIO (2022)



This was due to the significant rise in provision for Expected Value Loss in Financial Assets which grew from ₦1.3b (Yr. 21) to ₦4.4b (Yr. 22).

Total Assets accelerated by 36% from ₦188.7b (Yr. 21) to ₦257b (Yr. 22). The major driver of this growth was Loans and Advances to Customers which grew by 53%. Additionally, Net Loans and Advances as a proportion of Total Assets was 46% (Yr. 22) as against 41% (Yr. 21) signifying increase in the risk outlook of the Bank.

As a direct consequence of the rise in Loans and Advances, the coverage provided by Equity dwindled. Therefore, the proportion of Equity to Loans and Advances shrank from 35% (Yr. 21) to 21% (Yr. 22).

There was a reduction in Risk weighted Assets in the year 2022, from ₦139.9b (Yr. 21) to ₦121.2b (Yr. 22). This was due to the Bank's conscious effort in growing the risk asset in a risk adjusted manner with consideration for capital. Subsequently, the Capital Adequacy of the Bank stood at 20.18% in the financial year as against 20.05% (Yr. 21). This is above the benchmark of 10% set by **Central Bank of Nigeria (CBN)**. The Bank compared well with its peers during the year under review.

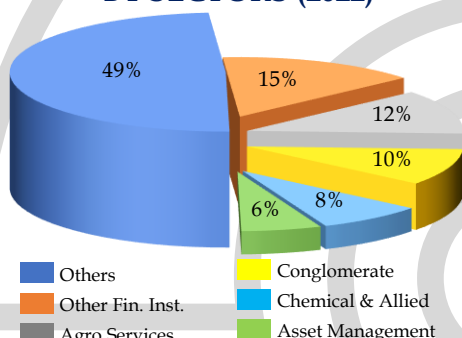
ASSET QUALITY

Item	Year	2022 ₦'000	2021 ₦'000
Gross Loan & Advances		118,563,952	79,044,717
Classified Loan		1,997,983	3,717,349
Provisions		1,352,531	2,417,816
Classified Loans Prov./Classified Loans (%)		68	65
Classified Loans/Equity (%)		8	14
Classified Loans/Gross Loans (%)		2	5

Source: FSDH Merchant Bank Audited Accounts

The Gross Loans and Advances of the Bank amounted to ₦118.6b in the year 2022. This implied a 50% growth compared with the previous year value. The Bank advanced credit to 20 sectors. The Loans are largely concentrated in Agro services, Manufacturing and Financial Institutions.

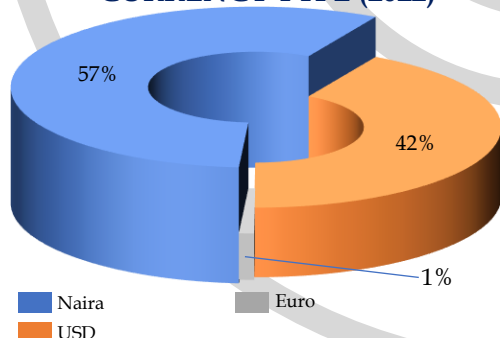
DISTRIBUTION OF LOANS AND ADVANCES BY SECTORS (2022)



Source: FSDH Merchant Bank Ltd

The Bank advanced Loans in Local and Foreign Currencies in the financial year. Exposure in Local Currency dominated Loans and Advances during the year 2022. Local Currency Loans as a proportion of Net Loans and Advances was 57% (Yr. 22) and 61% (Yr. 21).

LOANS AND ADVANCES BASED ON CURRENCY TYPE (2022)

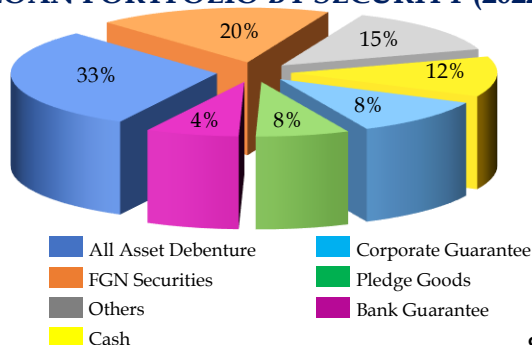


Source: FSDH Merchant Bank Ltd

The Bank secured most of its Loans with Asset Debenture and FGN Securities in the year 2022. These two security enhancements contributed 53% of the Bank's Collateral.

The Bank also had its Loans secured with Bank Guarantee, Cash, Pledged Goods, Property and Corporate Guarantee in the period under review.

LOAN PORTFOLIO BY SECURITY (2022)



Source: FSDH Merchant Bank Ltd

The Classified Loans declined by 46% moving from ₦3.7b to ₦1.9 in the years 2021 and 2022 respectively. This enhanced the Asset quality of the Bank as impaired portion of its exposure declined from 5% (Yr.21) to 2% (Yr.22). However, Provision made by the Bank for Classified Loans was enhanced from 65% (Yr. 21) to 68% (Yr. 22).

LIQUIDITY

Year	2022	2021
Item		
Loan & Advances/Total Assets (%)	46	41
Liquid Assets/Total Assets (%)	12	12
Liquid Assets/Total Deposits (%)	32	31

Source: FSDH Merchant Bank Audited Accounts

Deposit Liabilities due to Customers increased significantly in the year 2022 compared with previous year of operation. It rose from ₦71.7b (Yr. 21) to ₦98.2b (Yr. 22), representing a 38% growth. These were Demand and Term Deposits made by Customers to the Bank.

ANALYSIS OF DEPOSITS BASED ON TYPE

Items	2022 ₦'000	%	2021 ₦'000	%
Demand Deposit	32,589,197	33	26,761,193	37
Term Deposit	65,662,274	67	34,805,823	48
Client Investment Accounts	-		10,227,866	15
TOTAL	98,251,471	100	71,794,882	100

Source: FSDH Merchant Bank Audited Accounts

Term Deposit accounted for the major portion of the Bank's Deposits during the financial year. It grew from ₦34.8b in the year 2021 to ₦65.6b in the year 2022.

ANALYSIS OF DEPOSITS BASED ON MATURITY

Months	2022 ₦'000	%
No Contractual Agreement	32,725,862	33
Up to 1 month	8,991,211	9
1 – 3 months	1,889,716	2
3 – 6 months	4,808,842	5
6 – 12 months	13,675,725	14
1 – 5 years	36,160,111	37
Gross Total	98,251,471	100

Source: FSDH Merchant Bank Audited Accounts

The Bank's Deposits were largely held in Naira. This accounted for 68% of the Deposits made by customers to the Bank.

The maturity profile of the Bank's Deposit was largely long term in nature. The amount maturing within a year amounted to ₦29.3b (Yr. 22) and translated to 30%. However, Long term Deposit represented 37% of Total Deposits as at the year ended 31st December, 2022. Deposits with no Contractual Agreement accounted for 33% of Total Deposits in the Financial year.

ANALYSIS OF LOANS AND ADVANCES BASED ON MATURITY

Months	2022 ₦'000	%
Up to 1 month	6,174,866	5
1 – 3 months	18,247,987	16
3 – 6 months	21,558,853	18
6 – 12 months	12,815,579	11
1 – 5 years	4,008,638	4
Above 5 years	54,405,496	46
Gross Total	117,211,421	100

Source: FSDH Merchant Bank Audited Accounts

The proportion of short-term Loans exceeded the long-term facilities granted in the year under review.

LIQUIDITY GAP ANALYSIS

Year	2022 Loans & Advances ₦'000	2022 Deposit Liabilities ₦'000	Net Liquidity Gap ₦'000
Liquid Assets	31,811,396	-	31,811,396
No Contractual Agreement		32,725,862	(914,466)
Up to 1 month	6,174,866	8,991,211	(3,730,811)
1 – 3 months	18,247,987	1,889,716	12,627,460
3 – 6 months	21,558,853	4,808,842	29,377,471
6 – 12 months	12,815,579	13,675,725	328,517,325
1 – 5 years	4,008,638	36,160,111	(3,634,148)
Above 5 years	54,405,496	-	50,771,348

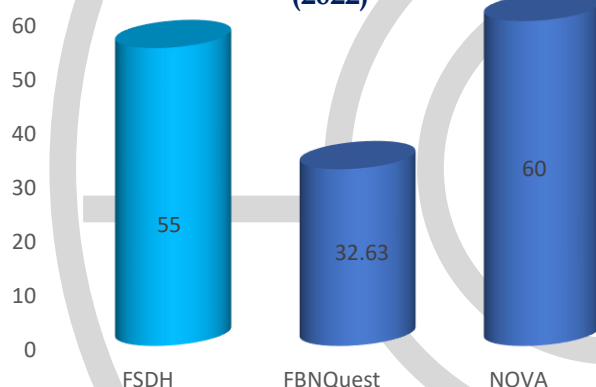
Source: FSDH Merchant Bank Audited Accounts

Derivative Assets held for Risk Management.

The Loans falling due within 3 months was about 21% while those maturing within 3 to 12 months amounted to 29%.

The Total Liquid Asset maintained by the bank was ₦31.8b as at December 31, 2022. This comprised of Cash & Cash Equivalent, Balances with CBN and other Banks. Financial Instruments held at Fair Value through Profit or Loss, Trading Assets and

PEER COMPARISON: LIQUIDITY RATIO (2022)



Source: DataPro Limited

The Liquid Assets provided the needed cushion for the Liquidity gaps between the Bank's Deposits Liabilities and the Loan. This translated to a Liquidity Surplus of ₦50.7b in the financial year.

As at the year ended 2022, the Bank maintained a Loan to Deposit ratio of 88% compared with 82% (Yr. 21). This is above the statutory minimum requirement of 65%.

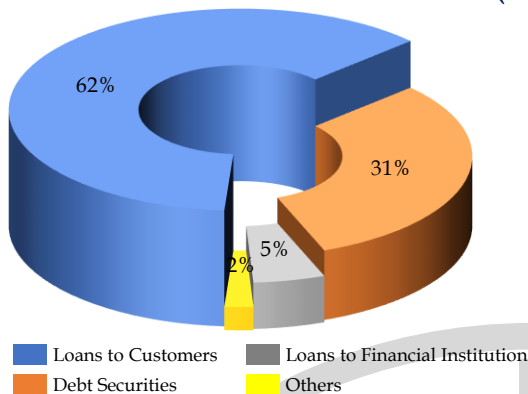
The Bank's Statutory Liquidity Ratio declined from 74% (Yr. 21) to 55% (Yr. 22). However, this is above the minimum regulatory requirement of 20% for Merchant Banks.

PROFITABILITY

In the year ended 2022, the Bank derived a Gross Earnings of ₦24.4b from its operations. This was significantly above the previous year earnings of ₦13.7b. Revenue of the Bank were categorized as Interest Income and Non-Interest Income.

Interest Income comprised of earnings on Debt Securities, Trading Assets, Loans and Advances to Financial Institutions as well as Customers. Earnings on Customers' Loans dominated the Interest Income of the Bank. It contributed 62% in the year 2022.

COMPOSITION OF INTEREST INCOME (2022)



Source: FSDH Merchant Bank Ltd

Non-Interest Income included Fees and Commission as well as Net gains on Financial Assets. The Trading Gains on Financial Assets such as Bonds, Treasury Bills, Foreign Exchange and Derivatives enhanced profitability during the year 2022. Through this source, the Bank added additional income of ₦3b to its Non-Interest Earnings. Consequently, Total Non-Interest Income grew from ₦2.7b (Yr. 21) to ₦5.7b (Yr. 22).

Net Interest Income amounted to ₦5.9b (Yr. 22) as against ₦3.5b (Yr. 21). Interest Expenses scaled up by 69% in the year under review. However, the proportion of Interest Expenses to Interest Income remained 68% in the years 2021 and 2022.

Other lines of expenditure included Impairment Charge for Credit Loss, Staff Cost and other Operating Expenses. These summed up to ₦5.2b and ₦7.6b in the years 2021 and 2022 respectively.

The growth in Revenue and the Non-Interest components of Earnings enhanced profitability during the year under review. Consequently, the Bank recorded a Profit Before Tax (PBT) of ₦4b. This translated to a Net Profit Margin of 17% (Yr.22) better than 7% (Yr.21).

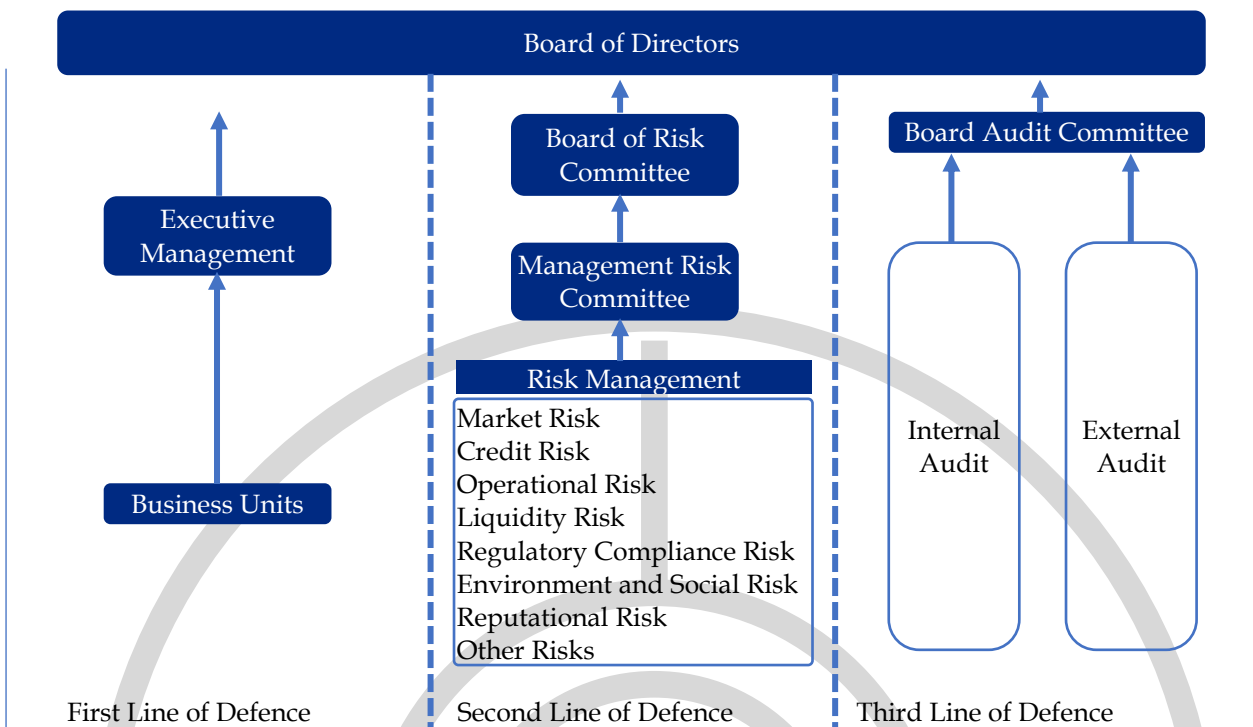
CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Bank were directed by its Board of Directors. As at the time of this report the Board comprised of three (3) Executive Directors and six (6) Non-Executive Directors.

As part of its Risk Management, the Bank recognizes the following: Market, Credit, Operational, Liquidity, Regulatory Compliance, Environment and Social as well as Reputational Risks. Others are: Concentration, Interest Rate, Legal and Strategic Risks.

The Risk Management Framework of the Bank is designed based on three lines of defence model. The first line of defence consist of business units and line functions with primary responsibility for risk management. The second line of defence involves risk oversight, while the third line is concerned with assurance functions. The Risk Governance structure is as presented.

RISK GOVERNANCE STRUCTURE



Source: FSDH Merchant Bank Ltd

The Bank has documented its Risk Management Framework. The latest edition was approved by the Board in October 2023. The Risk management function is managed by the Chief Risk Officer who reports to the Board Risk Committee.

RISK FACTORS

Based on our review, the Bank demonstrated understanding of the risks to its operations. Document reviewed by us also indicated how the Bank addressed and mitigated the identified risks. Our review of the risks is as follows:

• 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 of 10%. In the course of our review, we observed that the Bank maintained a CAR of 20.18% (Yr. 22).

• FOREIGN CURRENCY RISK

Foreign Currency Risk is the risk arising from adverse movements in Exchange Rates. Based on our review, we observed that the foreign currency element of the Bank to total deposit was 32%.

Consequently, the Bank may be affected in the event of adverse movement in Exchange Rates. However, our review revealed that the Bank maintained some of its assets in foreign currencies.

CONCENTRATION RISK

This is the risk of loss to income or erosion asset quality arising from significant exposure to an obligor or sector of the economy.

Based on our review, the Bank is significantly exposed to the Manufacturing, Financial and Agricultural sectors. Therefore, adverse events in these sectors may impair profitability. However, the Bank is currently reducing its exposure in the highlighted sectors to ensure they are within acceptable limit. This measure is also extended to its foreign currency exposures. Additionally, some of its biggest exposures are cash-backed.


CONCLUSION

The Rating of the Bank is supported by its Good Earnings Portfolio, Good Liquidity Profile and Experienced Management Team

Consequently, we assigned a Rating of "A"

FINANCES

	Dec, 2022		Dec, 2021		Dec, 2020
	₦'000	Δ%	₦'000	Δ%	₦'000
Gross Earnings	24,447,486	77.32	13,786,960	(15.49)	16,313,734
Interest and similar expenses	(12,758,298)	68.70	(7,562,722)	10.98	(6,814,365)
Operating income	11,689,188	87.80	6,224,238	(34.48)	9,499,369
Profit before tax	4,052,967	302.47	1,007,013	(72.37)	3,645,064
Tax	(492,752)	309.70	(120,272)	(67.25)	(367,229)
Profit after tax	3,560,215	301.49	886,741	(72.95)	3,277,835
ASSETS					
Cash and balances with central bank	43,193,956	(2.27)	44,199,479	(11.50)	49,945,000
Placements to banks and other financial institutions	4,304,210	(44.70)	7,783,220	94.42	4,003,401
Financial instruments held for trading	206,866	(65.53)	600,142	(81.35)	3,217,781
Trading Assets	10,208,003				
Derivative assets held for risk management	460,730	(43.94)	821,873	244.33	238,691
Loans & advances to customers	117,211,421	52.96	76,626,902	101.27	38,072,402
Investment securities	54,970,827	43.42	38,327,639	(9.97)	42,573,216
Pledged assets	6,212,356	(51.30)	12,757,565	(22.92)	16,551,088
Right of use assets	86,953	22.95	70,721	0.14	70,621
Investment in subsidiaries	-				
Current income tax asset	-		123,029	5.95	116,119
Property and equipment	773,177	8.15	714,901	22.09	585,534
Intangible assets	208,244	(24.31)	275,118	(35.11)	423,953
Deferred tax assets	223,795	(11.43)	2,526,515	(2.80)	2,599,335
Other assets	16,954,897	336.32	3,885,898	269.53	1,051,589
Total assets	257,029,335	36.20	188,713,002	18.35	159,448,730
	257,029,335	36.20	188,713,002	18.35	159,448,730
LIABILITIES					
Trading Liabilities	16,008,428	187.07	5,576,479		
Due to Banks	30,187,518	15.45	26,147,903	33.26	19,621,072
Due to customer	98,251,471	36.85	71,794,882	(10.50)	80,213,989
Derivatives liabilities held for risk management	587,602	(26.18)	796,046	248.29	228,557
Current income tax liability	35,285				
Lease liabilities	62,759	(6.06)	66,810	72.03	38,836
Debt securities issued	32,111,270		29,148,871	26.46	23,050,499
Other Borrowed funds	33,868,380		17,298,216		
Other liabilities	20,737,252	88.52	10,999,772	102.39	5,435,072
Provision	125,657	249.81	35,922	(22.88)	46,577
	231,975,622	43.31	161,864,901	25.83	128,634,602
NET ASSETS	25,053,713	(6.68)	26,848,101	(12.87)	30,814,128
SHAREHOLDERS FUNDS					
Share capital	2,138,623	16.65	1,833,417	-	1,833,417
Share premium	234,381	(56.56)	539,587	-	539,587
Retained earnings	15,123,273	(1.48)	15,350,818	(12.06)	17,455,379
Statutory reserve	7,992,272	7.16	7,458,240	1.82	7,325,229
Fair value reserve	(4,451,528)	226.12	-136,493	(149.30)	2,768,729
AGSMEIS reserve	1,114,137	19.02	936,126	4.97	891,789
Credit reserve	2,902,555	38.55	209,490		
	25,053,713	(6.68)	26,848,101	(12.87)	30,814,130

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 21st December, 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.