

# LAGOS STATE GOVERNMENT OF NIGERIA

₦14.8 Billion Series III: 5-Year Fixed Rate Green Bond Due 2030 under  
the ₦1 Trillion Debt and Hybrid Instruments Issuance Programme

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## 2025 Municipal Green Bond Rating Report

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 **Agusto&Co.**

*Research, Credit Ratings, Credit Risk Management*

# Lagos State Government of Nigeria

## ₦14.8 Billion Series III: 5-Year Fixed Rate Green Bond Due 2030 under the ₦1 Trillion Debt and Hybrid Instruments Issuance Programme

### Issue Rating:

# Aa

*High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner.*

**Issue Date:** 19 January 2026  
**Expiry Date:** 20 November 2026

*The Issue rating is subject to annual renewals on the anniversary of the Bond*

**Lagos State Rating: Aa-**  
**Expiry Date: 30 September 2025**

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### RATING RATIONALE

Agusto & Co. hereby assigns an indicative "Aa" rating to the Lagos State Government's ("Lagos State", "Lagos", "LASG", "the Issuer" or "the State") ₦14.8 Billion Series III: 5-Year Fixed Rate Green Bond Due 2030 ("Series III", "the Issue" or "the Green Bond") under its ₦1 Trillion Debt and Hybrid Instruments Issuance Programme ("DAHI" or "the Programme"). The assigned rating reflects our assessment of Lagos State's strong capacity to service the Series III Bond obligations (coupon and principal) jointly from the Consolidated Debt Service Account (CDSA) to be funded monthly from internally generated revenue (IGR) remittances and the issuance of an Irrevocable Standing Payment Order (ISPO) to be approved by the Federal Ministry of Finance.

The rating is further reinforced by LASG's strong fiscal health, driven by steady cash flows (with IGR making up an average of 71% of total receipts over the past three years) and supplemented by statutory allocations. The assigned rating is also supported by the State's track record of meeting local-currency obligations and maintaining disciplined spending. We also take cognisance of the Green Bond Certification obtained under the Climate Bonds Standard Certification Scheme in April 2025, affirming the Issue's conformity with the International Capital Market Association's (ICMA) Green Bond Principles (GBP) and alignment with the objectives of the Paris Agreement on climate change. Nevertheless, the rating is constrained by the State's growing debt burden, especially its unhedged foreign-currency exposures, which has increased vulnerability to exchange-rate volatility. These risks are, however, tempered by LASG's modest debt-service-to-revenue ratio, owing to the concessional terms and extended maturities of a substantial portion of its debt portfolio.

On 20 November 2025, the Lagos State Government issued to ₦14.8 Billion Series III: 5-Year Fixed Rate Green Bond Due 2030 under the DAHI to finance identified green projects in the State. The Series III Bond attracts a fixed coupon rate of 16% payable semi-annually over the five-year tenor. The principal will be subject to a 24-month moratorium from the Issue Date, after which it will be amortised on a semi-annual basis over the remaining three years.

The Series III Green Bond obligations will be jointly serviced from monthly deductions from the Lagos State CDSA as well as the issuance of an ISPO (to be) approved by the Federal Ministry of Finance authorising monthly deductions from the State's share of statutory

*Lagos State Government's up to ₦14.8 Billion Series III: 5-year Fixed Rate Green Bond Due 2030*

**TRANSACTION PARTIES**

**Issuer:**

*Lagos State Government*

**Lead Issuing House:**

*Chapel Hill Denham Advisory Limited*

**Joint Issuing Houses:**

*SFS Capital Nigeria Limited  
Kedari Capital Limited  
NSL Capital Partners Limited  
Stanbic IBTC Capital Limited  
United Capital Plc*

**Bond Trustees:**

*Apel Capital & Trust Limited  
ARM Trustees Limited  
Cedrus Trustees Limited  
FBNQuest Trustees Limited  
Sterling Asset Management and Trustees Limited  
STL Trustees Limited  
UTL Trust Management Services Limited*

**Solicitors to the Issuer:**

*G. Elias & Co  
Africa Law Practice NG & Company  
Olaniwun Ajayi LP*

**Solicitors to the Issue:**

*Banwo & Ighodalo  
Sofunde Osakwe Ogundipe & Belgore Law*

**Registrars:**

*Meristem Registrars & Probate Services Limited*

**Reporting Accountant:**

*Ernst & Young*

**Stockbrokers:**

*Bancorp Securities Limited  
Lead Securities and Investment Limited  
MBC Securities Limited  
Nigerian Stockbrokers Limited  
Readings Investment Limited  
Sigma Securities Limited*

**Receiving Banks:**

*Access Bank Plc  
First Bank of Nigeria Limited  
First City Monument Bank Limited  
Polaris Bank Limited*

**KEY TRANSACTION STRUCTURE**

**Bond Tenor:**

*5 years, with semi-annual payment of coupon and half-yearly Repayment of principal after a moratorium of 2 years.*

**Green Bond Status:**

*Senior, direct, unsecured, senior and unconditional obligation of the Issuer.*

allocation into a designated sinking fund account (SFA) to be managed by the Joint Trustees for the benefit of the Bondholders. In line with the Trust Deed, the sum of ₦10.9 million will be transferred monthly from the CDSA into the SFA in the first 24 months of issuing the Green Bond, and thereafter ₦345.9 million monthly over the remaining 36 months. In addition, a monthly ISPO of ₦200 million will be deducted from the State's share of statutory allocation for 60 months into the SFA to meet the Bond obligations as and when due.

Lagos State has maintained an IGR-to-revenue ratio of over 60% over the last three years (2022: 75%, 2023: 73% and 2024: 67%). Based on LASG's broad tax base and the institutionalised revenue collection framework of the Lagos Internal Revenue Service, we expect its IGR performance to remain strong over the tenor of the Issue. Furthermore, the State's diversified economy, characterised by a significant presence of large corporations, multinationals and small to medium-sized enterprises, provides a consistent stream of taxable income through PAYE remittances and consumption-related levies, thereby supporting sustained revenue growth. As at the end of 2024, the State's annual debt service to revenue ratio stood at 11% (2023: 15%) and is projected to remain below the 40% threshold permitted under the Investment and Securities Act (2025) throughout the Green Bond tenor. Furthermore, Lagos State intends to deploy the net proceeds from the Bond exclusively for verifiable, climate-aligned projects. In our opinion, the Lagos State Government has complied with all the requirements of the Investment and Securities Act (2025).

Given that Lagos State has pledged to repay the Green Bond obligations jointly from CDSA and ISPO, we have estimated that the cumulative amount to be set aside from the monthly contributions into the SFA (excluding investment income and bond-related expenses) over the five year tenor will amount to ₦24.7 billion. This amount will be sufficient to cover the total Green Bond obligations of ₦24 billion, resulting in a SFA adequacy ratio of 1.03 times. Overall, we believe that the Issuer has adequate capacity to meet the Series III Bond obligations as and when due as long as the monthly CDSA through IGR remittances and ISPO deductions remain legally binding.

Based on the above, we attach a **stable** outlook to Lagos State's ₦14.8 Billion Series III 5-Year Fixed Rate Green Bond Due 2030.

***This Series III Bond Rating Report should be read in conjunction with Agusto & Co's 2024 Rating Review Report for Lagos State Government***

**Use of Bond Proceeds:**

The net proceeds will be used to finance the development and construction of certified green infrastructure projects in the State.

**Source of Repayment:**

Consolidated Debt Service Account (CDSA) and Irrevocable Standing Payment Order (ISPO). The sum of ₦10,891,427.59 will be transferred monthly from the CDSA for the first 24 months and thereafter the sum shall be increased to ₦345,921,795.14 monthly over the remaining tenor of the Bond. Also, the sum of ₦200,000,000 will be deducted as monthly ISPO from the State's share of statutory allocation for 60 months from the Bond issue date.

**Listing:**

FMDQ Securities Exchange Limited and/or The Nigerian Exchange Limited.

**Figure 1: Credit Strengths and Challenges**

**Credit Strengths**

- The Bond will be backed by an Irrevocable Standing Payment Order (ISPO) to be approved by the Federal Ministry of Finance
- Certification by the Climate Bonds Standard Board on behalf of the Climate Bonds Initiative (CBI)
- Strong internally generated revenue
- Commercial hub of Nigeria
- High level of independence from centrally collected revenues
- Stable and peaceful political environment
- Sustained commitment to infrastructure development
- Good track record of accessing long term funds for infrastructure projects from the domestic capital market

**Credit Challenges**

- Vulnerability to global crude oil prices and disruption to domestic crude oil production volumes, which can negatively impact the State's share of centrally distributed revenue
- Overstretched infrastructure due to high population density
- Increasing debt profile and exposure to foreign exchange risks
- Rising inflation and impact on Issuer's financial flexibility

## OVERVIEW OF THE GREEN BOND FINANCING STRUCTURE

Lagos State Government ("Lagos State", "Lagos", "LASG", "the Issuer" or "the State") was created on 27 May 1967 through the States Creation and Transitional Provisions Decree No. 14 of 1967, which restructured Nigeria's federation into 12 states. Covering approximately 3,577 square kilometers, Lagos is the smallest State in Nigeria by landmass, with wetlands accounting for 22% of its area. The State is bounded in the North and East by Ogun State, in the West by the Republic of Benin and stretches over 180 kilometres along the Guinea Coast of the Bight of Benin on the Atlantic Ocean. Lagos State comprises five administrative divisions (including Ikorodu, Badagry, Ikeja, Lagos Island and Epe). These five divisions are divided into 20 Local Government Areas (LGAs) and 37 Local Council Development Areas (LCDAs).

As Nigeria's commercial nerve centre, Lagos contributes significantly to the national Gross Domestic Product (approximately 20% in 2024) and hosts a large share of the country's economic activities. However, the State's rapid urbanisation, large and growing population (estimated at over 27 million in 2024 with an annual growth rate of 3.2%) and coastal topography heighten its vulnerability to climate change risks such as flooding, sea-level rise and extreme weather events. In response, the Lagos State Government has adopted a climate-resilient development agenda articulated in the Lagos Climate Action Plan, which integrates policy, legal, institutional and financial frameworks to strengthen its adaptive capacity. This approach includes embedding climate considerations into development planning, enhancing regulatory mechanisms, and mobilising green finance for climate-resilient infrastructure. As part of this strategy, the State intends to access the domestic capital market through debt issuances to fund priority infrastructure projects aligned with its climate resilience and sustainability goals.

On 20 November 2025, the Lagos State Government raised approximately ₦14.8 billion through a Series III Green Bond to finance climate-related and environmentally sustainable projects. These include initiatives in renewable and sustainable energy, natural resource conservation, sustainable water management, climate change adaptation, energy efficiency, sustainable land use, smart agriculture, biodiversity preservation and sustainable waste management. The Green Bond and its associated projects will undergo a pre-issuance verification by Agusto & Co., as an Independent Verifier, to obtain a Green Bond Certification under the Climate Bond Standards Certification Scheme.

To ensure timely servicing of the Green Bond obligations, the Lagos State Government has secured requisite approvals from the State's Executive Council and House of Assembly. Agusto & Co. notes that this marks the first time Lagos State will be accessing the debt capital market to finance green infrastructure projects aligned with the International Capital Market Association's (ICMA) Green Bond Principles and the Paris Agreement. In addition, the Green Bond will be repaid through monthly contributions from the Lagos State Government's Consolidated Debt Service Account (funded from its internally generated revenue), as well as an Irrevocable Standing Payment Order (ISPO) to be approved by the Federal Ministry of Finance, authorising monthly deductions from the State's share of centrally collected revenue (statutory allocation). Specifically, the sum of ₦10,891,427.59 will be transferred monthly from the CDSA within the first 24 months and thereafter the sum shall be increased to ₦345,921,795.14 monthly over the remaining tenor of the Green Bond. In addition, the State will institute an ISPO on its share of statutory allocation (SA) authorising a monthly deduction of ₦200 million over five years, subject to the approval of the Federal Ministry of Finance.

As at 30 June 2025, the Lagos State Government had the following schedule of bonds in Issue as noted in the table below:

**Table 1: Status of Lagos State's Bonds in Issue as at 30 June 2025**

S/N	Description
1	₦38.7 billion 10-Year 17.25% due 2027 (Series II Tranche II)
2	₦5.34 billion 9 <sup>7</sup> / <sub>12</sub> Year 15.85% due 2027 (Series II Tranche IV)
3	₦100 billion 10-Year 12.25% Fixed Rate Bond Due 2030 (Series III)
4	₦137.3 billion 10-Year 13% Fixed Rate Bond Due 2031 (Series IV)
5	₦115 billion 10-Year 15.25% Fixed Rate Bond Due 2033 (Series I)
6	₦19.8 billion 7-Year 14.675% Fixed Rate Bond Due 2030 (Series II Sukuk)

In addition to the Green Bond, LASG raised an additional ₦230 billion Conventional Bond in the third quarter of 2025 to finance physical and social infrastructure projects in the State.

## REVIEW OF ISSUER'S FINANCIAL CONDITION

The Issuer's fiscal performance in 2024 reflected the effects of the lingering macroeconomic headwinds and deliberate policy responses aimed at sustaining economic stability. During the financial year ended 31 December 2024 (FYE 2024), the State reported a 91% increase in total revenue (excluding grants) to ₦2.3 trillion. This notable revenue growth was largely attributed to the rise in internally generated revenue (IGR), along with increased receipts from VAT and other statutory transfers from the Federal Government. IGR maintained its central role, accounting for approximately 67% of the total revenue in 2024, while VAT and other statutory allocations contributed 19% and 14%, respectively. Considering the ongoing implementation of the THEMES+<sup>1</sup> agenda, which prioritises infrastructure development and economic diversification, coupled with the rising federal transfers buoyed by improved oil earnings and an expanding tax base due to population growth and accelerating urbanisation, we anticipate an increase in LASG's total revenue in the near term.

The aftermath of the 2023 nationwide reforms (particularly the removal of fuel subsidies and the unification of exchange rates) continued to drive inflationary pressures across transport, food and imported items. Nonetheless, Lagos State's economy remained resilient, underpinned by sustained interventions in infrastructure, food supply and social welfare. Initiatives such as the "Ounje Eko" discounted food markets, subsidised transportation schemes and continued investment in road and rail infrastructure helped moderate cost-of-living pressures while bolstering overall economic activity.

In FYE 2024, Lagos State's total expenditure rose to ₦2.1 trillion (2023: 1.7 trillion), driven by elevated personnel and overhead costs due to inflation-induced cost pressures, as well as increased transfers to parastatals, higher capital outlays and significant net foreign exchange losses reported on external loans due to Naira devaluation. However, the State's personnel and overhead cost-to-revenue ratios moderated to 11% and 18%, respectively (2023: 15% and 23%) on the back of the superior revenue growth. Furthermore, we recognise that LASG's capital expenditure-to-total spending ratio of 15% was in line with our benchmark of at least 10%. Notwithstanding the persistent inflationary pressures, we expect Lagos State to maintain its cost to income ratios within acceptable thresholds (20% for personnel and 30% for overheads), given its strong internal revenue-generating capacity.

As at 31 December 2024, the State's total identified assets rose to ₦4.9 trillion (2023: ₦3.6 trillion), comprising 90% non-current assets and 10% current assets, reflecting additions to property, plant and equipment, investments

<sup>1</sup> The THEMES programme, which covers Traffic Management & Transportation, Health & Environment, Education & Technology, Making Lagos a 21st century Economy, Entertainment & Tourism, and Security & Governance, is the policy thrust of the current administration that guides the State's economic blueprint which is geared towards making Lagos, Africa's model megacity and economic and financial hub.

in joint ventures<sup>2</sup>, valuation gains from equity investments and foreign currency holdings<sup>3</sup>, and higher cash balances across Ministries, Departments and Agencies (MDAs). During the same year, the State's total liabilities increased by 28% to ₦2.9 trillion, largely due to the impact of Naira depreciation on its external debt stock and fresh drawdowns to finance infrastructure and social programmes. As at FYE 2024, Lagos State's total borrowings (comprising bond issues, internal and external debts) represented 96% of total liabilities, while other payables and finance lease obligations constituted 3% and 1%, respectively.

While the State's rising exposure to unhedged foreign currency debt heightens its vulnerability to exchange rate depreciation, we note Lagos State's strong and sustainable IGR performance (which accounted for over 70% of total revenue over the last three years), established access to liquidity lines from various domestic banks and good credit history. Therefore, we expect LASG to continue to honour its financial obligations in a timely manner.

## TRANSACTION STRUCTURE

### GREEN BOND STRUCTURE

In November 2025, Lagos State issued ₦14.8 billion Series III 5-year Fixed Rate Green Bond Due 2030 ("Series III Bond", "Green Bond" or "the Issue") under the State's ₦1 Trillion Debt and Hybrid Instruments Issuance Programme. The Series III Bond attracts a 16% fixed coupon rate, payable semi-annually on 20 May and 20 November over the five-year tenor. Principal repayments will commence after the expiration of a two-year moratorium and will be made half-yearly over the remaining tenor of the Series III Bond.

The proceeds of the Series III Bond will be primarily used to finance 52 priority projects across six strategic ministries, departments and agencies (MDAs) in the State. As shown in the table below, the Lagos Metropolitan Area Transport Authority (39.5%) and the Ministry of Energy and Mineral Resources (34.6%) are the largest beneficiaries. A detailed list of the projects under each MDA is provided in Appendix I.

**Table 2: Utilisation of Series III Green Bond Proceeds Summary**

S/N	Ministries, Departments and Agencies	Project Category	Amount to be funded from Bond Proceeds (₦ ')	% of Bond Proceeds
1	Lagos Metropolitan Area Transport Authority (LAMATA)	Renewable Energy	5,858,691,580.97	39.5%
2	Ministry of Energy & Mineral Resources	Renewable Energy	5,126,556,036.38	34.6%
3	Office of Drainage & Water Resources	Climate change adaptation and sustainability	1,742,901,907.15	11.8%
4	Ministry of Agriculture	Environmentally sustainable management of living natural resources and land use	1,288,511,866.70	8.7%
5	Special Committee on Rehabilitation of Public Schools (SCRPS)	Renewable Energy	428,928,466.44	2.9%
6	Lagos State Parks and Gardens Agency	Renewable Energy	29,734,889.23	0.2%
7	Issue Cost		339,675,253.13	2.3%
	<b>Total</b>		<b>14,815,000,000.00</b>	<b>100.0%</b>

Source: Lagos State Government's up to ₦14.8 billion Series III Fixed Rate Green Bond Pricing Supplement

<sup>2</sup> This relates to Lagos State's investments in joint ventures with Midstream and Downstream Gas Infrastructure Fund (₦18 billion), CIG Motors (₦9.2 billion) and Dula Agro-Services Limited (₦1.4 billion).

<sup>3</sup> This represents LASG's investments in Quoted Securities (Julius Berger Nigeria Plc and Lasaco Assurance Plc) and Foreign Currency Investments in various companies (Nigeria Sovereign Investment Authority, El-Sewedy Electric Co., Lekki Free Zone Development Co. (Class B and C) and Lekki Port LFTZ Enterprise as at 31 December 2024.

*Lagos State Government's up to ₦14.8 Billion Series III: 5-year Fixed Rate Green Bond Due 2030*

The Series III Green Bond was offered for subscription to Qualified Institutional Investors (QII) and High Net Worth Individuals (HNIs), as defined in the Rules and Regulations of the Securities and Exchange Commission (as amended). The Issue was listed on the FMDQ Securities Exchange Limited and/or The Nigerian Exchange Limited. The Series III Green Bond constitutes direct, unsecured, senior and unconditional obligations of the Issuer and shall rank pari-passu among themselves and equally with its other existing obligations. The Series III Green Bond does not have an early redemption option.

The Bond obligations will be jointly serviced from the Consolidated Debt Service Account (CDSA) of the Lagos State Government, as well as the issuance of an Irrevocable Standing Payment Order (ISPO) to be approved by the Federal Ministry of Finance authorising monthly deductions from the State's share of statutory allocation. As stipulated in the Series III Bond Trust Deed, a Sinking Fund Account (SFA) will be established (not later than five business days from the Issue Date) and managed by a team of seven Joint Trustees. The SFA shall be funded by appropriate monthly contributions from the CDSA and ISPO per the terms and conditions of the Series III Bond issuance. Agusto & Co. notes that the amounts to be set aside in the SFA will be utilised primarily for the redemption of principal and coupon payments as noted in the Green Bond amortisation schedule.

**Table 3: Green Bond Amortisation Schedule**

Semi-annual periods	Semi Annual Payment (₦' million)	Coupon Payment* (₦' million)	Principal Repayment (₦' million)	Principal Obligation Outstanding (₦' million)
0	-	-	-	14,815
1	1,185	1,185	-	14,815
2	1,185	1,185	-	14,815
3	1,185	1,185	-	14,815
4	1,185	1,185	-	14,815
5	3,205	1,185	2,020	12,795
6	3,205	1,024	2,181	10,614
7	3,205	849	2,356	8,259
8	3,205	661	2,544	5,715
9	3,205	457	2,748	2,967
10	3,205	237	2,967	-
<b>Total</b>	<b>23,969</b>	<b>9,154</b>	<b>14,815</b>	

\*coupon at 16%

### GREEN BOND CERTIFICATION

Agusto & Co., licensed by the Climate Bond Standards as a Green Bond Approved Verifier, has completed the Pre-Issuance Verification of the Lagos State Government's ₦14.8 billion Green Bond. The verification exercise involved a comprehensive review of the Lagos State Green Bond Framework, as well as an assessment of eligibility criteria, project selection process, use and management of the Green Bond proceeds and the selected eligible green assets/projects in line with the Climate Bonds Initiative (CBI) standards and the ICMA Green Bond Principles. Following this process, the Climate Bonds Standards Board issued a Green Bond Certificate on 29 April 2025, formally certifying the Issue as a Green Bond.

### LAGOS STATE HOUSE OF ASSEMBLY RESOLUTION

The Lagos State House of Assembly (LSHA) at its session held on 4 October 2022 approved the establishment of a ₦1 trillion Debt and Hybrid Instruments Issuance Programme (the DAHI Issuance Programme) for the issuance of various instruments (Conventional, Sukuk, Green or otherwise) either by way of a public offering, bookbuild, private

placement or other methods in compliance with applicable laws and regulations. Furthermore, LSHA authorised the State Executive Council to request an ISPO as deemed appropriate to secure the repayment of the obligations under the DAHI Issuance Programme. The House resolution was contained in a letter with reference number: *LSHA/LM/C/50/VOL.III/288* dated 21 August 2025 and signed by the Clerk of the House – Mr. O.B. Onafeko.

### **LAGOS STATE EXECUTIVE COUNCIL RESOLUTION**

The Lagos State Executive Council ("EXCO") held a meeting on 15 June 2022 and approved the establishment of a ₦1 trillion Debt and Hybrid Instruments Issuance Programme (the DAHI Issuance Programme) for the issuance of various instruments (Conventional, Sukuk, Green or otherwise) either by way of a public offering, bookbuild, private placement or other methods in compliance with applicable laws and regulations. On 10 February 2025, the EXCO approved the issuance of the Series III Green Bond and Series IV Bond under the DAHI Issuance Programme. The Series III and IV Bonds are to be issued either by way of a public offering, bookbuild, private placement or other methods as may be determined by the Honourable Commissioner of Finance and approved by the regulatory authorities. The EXCO resolution empowered the Governor, the Honourable Commissioner of Finance and the Honourable Commissioner Justice/Attorney General of the State to approve and execute all documents on behalf of the State. The EXCO resolution was signed by the Governor (Mr Babajide Olusola Sanwo-Olu) and the Attorney General (Mr Lawal Pedro SAN).

Furthermore, by a letter dated 1 October 2025, the Federal Ministry of Finance approved an Irrevocable Standing Payment Order (ISPO) to secure the repayment of the Series III and Series IV Bond issuances. The approval provides for monthly deductions of ₦200 million for 60 months for the Series III Bond and ₦1.8 billion for 120 months for the Series IV Bond, to be effected alongside remittances from the State's Consolidated Debt Service Account (CDSA). The approval letter, referenced F.12322/Vol.1/T<sup>1</sup>/247, was signed by the Director (Home Finance) of the Federal Ministry of Finance, Mr. Ali Mohammed, PhD.

### **JOINT SOLICITORS' OPINION**

According to the Joint Solicitors' opinion (issued by Banwo & Ighodalo, Duale Ovia & Alex Adedipe, Idowu Sofola & Co. and The New Practice) on material claims dated 19 June 2025, Lagos State, through its ministries and agencies, is involved in 325 contracts above the materiality threshold of ₦150 million. Furthermore, the cumulative outstanding obligations under these contracts are estimated at ₦811.7 billion. The Joint Solicitors have affirmed that these contractual obligations do not compromise the validity of the pledge or the application of funds towards meeting the State's payment obligations under the Green Bond.

Based on the Joint Solicitors' review, LASG is involved in 67 pending litigations within the materiality threshold of ₦150 million, with total claims against the State at approximately ₦456.1 billion. The Joint Solicitors are of the opinion that no material litigation or judgement is pending against the State that may adversely affect Lagos State's ability to perform its duties under the Bond Programme. In our view, the legal opinion from the Joint Solicitors to the Issue represents a satisfactory opinion on the material claims and litigation of the Lagos State Government's Series III and IV issuances.

### **DETAILS OF INDEBTEDNESS**

As at 30 June 2025 (H1'2025), Lagos State's total debt stock (excluding contractor arrears and judgment debts) stood at ₦2.8 trillion. As at the same date, external borrowing accounted for 70% of the State's total debt, while internal loans from commercial banks and the outstanding balance of bonds in Issue represented 17% and 13% respectively.

Looking forward, Agosto & Co. estimates LASG's total debt to GDP ratio at 4.5% and projects that its debt service obligations (including interest and principal repayments on domestic and external borrowings and new issues) as a percentage of revenue will rise modestly to 14% by FYE 2025 (2024: 11%) to reflect the rise in aggregate debt levels. However, this remains within LASG's internal 30% Debt Sustainability Ratio and the 40% debt service to revenue threshold prescribed for municipals under the Investments and Securities Act (2025).

## FORECAST

Lagos State's total revenue for the 2025 financial year is projected at approximately ₦2.8 trillion, supported by sustained growth in internally generated revenue. This expectation is underpinned by the State's diversified economic structure, which benefits from substantial contributions by multinational corporations, large enterprises, and SMEs via employees' PAYE and consumption levies, alongside continuous improvements in tax administration and collection efficiency by the Lagos Internal Revenue Service (LIRS). Statutory allocations are also expected to rise, bolstered by enhanced oil revenues, exchange rate gains and increased VAT accruals at the federal level. These projections are predicated on the assumption that the existing revenue-sharing framework will remain unchanged and that no significant fiscal or monetary policy shifts will adversely impact the State's monthly inflows. However, our forecast will be subject to annual reviews in line with the changing macroeconomic conditions.

Given that the Issuer has pledged to repay the Green Bond obligations jointly from monthly CDSA remittances and ISPO deductions, we estimate that the cumulative amount to be set aside in the SFA (excluding investment income) over the five-year tenor of the Bond will amount to ₦24.7 billion. This amount will be adequate to cover the total Green Bond obligations of circa ₦24 billion, resulting in a SFA adequacy ratio of 1.03 times, which we consider satisfactory. Furthermore, we estimate that the total monthly deductions for all existing bonds in Issue (including the Series III and IV issues) will represent about 3.2% of the projected monthly IGR receipts in 2025, which is low in our opinion.

**Table 4: Series III Bond Sinking Fund Adequacy Schedule**

Description	₦' Millions
CDSA - IGR Contributions (60 months)	12,714.58
ISPO Deductions (60 months)	12,000.00
<b>Total Receipts</b>	<b>24,714.58</b>
Total coupon payments	9,154.07
Total principal repayments	14,815.00
<b>Total Bond Obligations</b>	<b>23,969.07</b>
<b>SFA Adequacy ratio (times)</b>	<b>1.03 times</b>

## OUTLOOK

Lagos State's Green Bond initiative reflects its strategic commitment to sustainable development in the face of mounting environmental and urban challenges. With rapid population growth, increased urbanisation and rising greenhouse gas (GHG) emissions, the State has experienced considerable pressure on its infrastructure and ecological assets. In response, Lagos has embraced a proactive climate policy, exemplified by its membership of the C40 Cities Climate Leadership Group and the formulation of a comprehensive Climate Action Plan (CAP), which aligns with the Paris Agreement and aims to achieve carbon neutrality by 2050.

The ₦14.8 billion Series III Green Bond, under the State's ₦1 Trillion Debt and Hybrid Instruments Issuance Programme, will provide financing for a range of climate-aligned projects that contribute to mitigation, adaptation,

*Lagos State Government's up to ₦14.8 Billion Series III: 5-year Fixed Rate Green Bond Due 2030*

and environmental sustainability goals. These include investments in natural resource conservation, pollution prevention and control, renewable energy, biodiversity conservation, and other related infrastructure and operational expenditures consistent with the CBI standards and ICMA Green Bond principles. The Green Bond coupon will be payable semi-annually over the five-year tenor of the Bond, while the principal will be redeemed biannually over the tenor of the Bond, following a two-year moratorium.

LASG has committed to servicing the Bond obligations jointly from its CDSA (55%) and Federal ISPO (45%). Based on our estimates, the cumulative amount to be set aside by way of CDSA and ISPO contributions into the SFA (excluding investment income) over the five-year tenor of the Green Bond (totalling ₦24.7 billion) will be sufficient to cover the principal and coupon obligations amounting to ₦24 billion, resulting in an SFA adequacy of 1.03 times.

Looking ahead, we expect the State's strong IGR and share of centrally collected revenue to be sustained based on its large and diverse tax base, strategic economic positioning, diverse revenue streams, high VAT contribution and growing national economic output. Provided the CDSA and ISPO remittances remain legally binding over the tenor of the Issue, we expect the Lagos State Government to honour the coupon and principal payment obligations on the Series III Green Bond as and when due.

Based on the above, we hereby attach a **stable** outlook to the Lagos State Government's ₦14.8 billion Series III 5-year Fixed Rate Green Bond Due 2030.

***This Series III Bond Rating Report should be read in conjunction with Agusto & Co's 2024 Rating Review Report for Lagos State Government***

## FINANCIAL SUMMARY

REVENUE & SPENDING	IPSAS 2021		IPSAS 2022		IPSAS 2023		IPSAS 2024	
	₦'MNS	%	₦'MNS	%	₦'MNS	%	₦'MNS	%
<b>REVENUE</b>								
<b>TAX REVENUE</b>								
PERSONAL INCOME TAX	312,020.4	41%	374,537.4	41%	487,285.8	40%	725,235.5	31%
SHARE OF VAT COLLECTED CENTRALLY	139,104.6	18%	161,762.6	18%	222,449.7	18%	450,169.7	19%
SHARE OF OTHER REVENUES COLLECTED CENTRALLY (STAT. ALLOCATION)	54,729.7	7%	71,338.4	8%	107,243.3	9%	319,285.0	14%
OTHER CAPITAL RECEIPTS	-		-		-		-	
OTHER TAXES	114,878.5	9%	131,495.1	6%	192,130.8	8%	312,345.3	13%
	<b>620,733.1</b>	<b>75%</b>	<b>739,133.5</b>	<b>71%</b>	<b>1,009,109.5</b>	<b>76%</b>	<b>1,807,035.5</b>	<b>78%</b>
<b>NON-TAX REVENUE</b>								
ASSET SALES & OTHER STATE CAPITAL RECEIPTS	19,214.6	3%	31,418.7	3%	29,980.3	2%	253,310.4	11%
INVESTMENT INCOME	3,694.9	0%	7,573.2	1%	6,342.3	1%	18,197.6	1%
OTHERS - LEVIES, FINES & FEES	123,297.0	16%	145,672.9	16%	166,942.7	14%	237,054.2	10%
	<b>146,206.5</b>	<b>19%</b>	<b>184,664.7</b>	<b>20%</b>	<b>203,265.3</b>	<b>17%</b>	<b>508,562.1</b>	<b>22%</b>
						0.31		0.91
<b>TOTAL REVENUE</b>	<b>766,939.6</b>	<b>94%</b>	<b>923,798.2</b>	<b>91%</b>	<b>1,212,374.8</b>	<b>92%</b>	<b>2,315,597.6</b>	<b>100%</b>
<i>OF WHICH INTERNALLY GENERATED REVENUE (IGR) IS</i>	573,105.3	75%	690,697.2	75%	882,681.9	73%	1,546,142.9	67%
<b>GRANTS</b>	3,890.1		5,361.3		12,254.9		3,952.0	
<b>TOTAL REVENUE &amp; GRANTS</b>	<b>770,829.7</b>		<b>929,159.5</b>		<b>1,224,629.8</b>		<b>2,319,549.6</b>	
<b>SPENDING</b>								
<b>TRANSFERS (INCLUDING PENSION COSTS)</b>	89,726.6	11%	90,302.4	10%	88,961.1	5%	116,812.1	5%
INTEREST PAYMENTS	73,683.6	9%	114,854.6	13%	127,638.1	8%	167,176.3	8%
MDA SPENDING	520,054.5	62%	548,917.0	60%	772,761.1	46%	997,604.6	46%
<b>TOTAL CORE SPENDING</b>	<b>683,464.6</b>	<b>81%</b>	<b>754,073.9</b>	<b>83%</b>	<b>989,360.3</b>	<b>59%</b>	<b>1,281,593.1</b>	<b>60%</b>
OTHER NON-OPERATING EXPENSES (DEPRECIATION, NET GAIN/LOSS ON FX TRANS., NET GAIN/LOSS ON ASSET DISPOSAL)	157,422.9	19%	157,259.4	17%	695,861.7	41%	869,712.5	0.4
<b>TOTAL SPENDING</b>	<b>840,887.5</b>	<b>100%</b>	<b>911,333.3</b>	<b>100%</b>	<b>1,685,222.0</b>	<b>100%</b>	<b>2,151,305.6</b>	<b>100%</b>
<i>MDA SPENDING IS MADE UP OF</i>								
<b>PERSONNEL COSTS</b>	133,497.1	16%	145,022.0	16%	178,318.9	11%	249,428.5	12%
<b>PURCHASE OF GOODS &amp; SERVICES</b>	172,517.0	21%	173,350.4	19%	280,165.7	17%	424,251.5	20%
<b>CAPITAL EXPENDITURE</b>	214,040.4	25%	230,544.6	25%	314,276.5	19%	323,924.7	15%
<b>TOTAL MDA SPENDING</b>	<b>520,054.5</b>	<b>62%</b>	<b>548,917.0</b>	<b>60%</b>	<b>772,761.1</b>	<b>46%</b>	<b>997,604.6</b>	<b>46%</b>
<b>BUDGET BALANCE</b>	(70,057.8)		17,826.2		(460,592.2)		168,244.0	
<b>BUDGET BALANCE AS % OF GDP</b>	-0.26%		0.06%		-1.07%		0.31%	
<b>FOREIGN LOANS- NEW BORROWINGS</b>	-		19,235.8		6,480.0		166,103.2	
<b>REPAYMENT DURING THE YEAR</b>	18,342.4		19,682.0		32,630.4		74,440.7	
<b>FOREIGN LOAN BALANCE</b>	<b>557,073.9</b>		<b>577,116.2</b>		<b>1,128,996.2</b>		<b>1,961,782.3</b>	
<b>DOMESTIC- NEW LOANS</b>	280,604.6		298,787.8		372,003.6		50,000.0	
<b>LOAN DUE (REPAID) WITHIN THE YEAR</b>	143,963.8		166,761.1		150,772.7		178,099.7	
<b>DOMESTIC LOAN BALANCE</b>	<b>605,275.8</b>		<b>755,381.5</b>		<b>974,220.3</b>		<b>842,465.7</b>	
<b>TOTAL LOAN BALANCE</b>	<b>1,162,349.6</b>		<b>1,332,497.8</b>		<b>2,103,216.5</b>		<b>2,804,247.9</b>	

### KEY RATIOS

2021

2022

2023

2024

*Lagos State Government's up to ₦14.8 Billion Series III: 5-year Fixed Rate Green Bond Due 2030*

<b>REVENUE</b>				
IGR AS % OF GDP	2%	2%	2%	3%
TAX REVENUE AS % OF GDP	2%	2%	2%	3%
TOTAL REVENUE AS % OF GDP	3%	3%	3%	4%
IGR AS % OF TOTAL REVENUE & GRANTS	74%	74%	72%	67%
TAX REVENUE AS % OF IGR	54%	54%	55%	47%
<b>SPENDING</b>				
SPENDING AS % OF GDP	2%	2%	2%	2%
NON-DISCRETIONARY SPENDING* AS % OF TAX REVENUE	48%	47%	39%	30%
CAPITAL EXPENDITURE AS % OF TOTAL SPENDING	25%	25%	19%	15%
PAYROLL AS % OF REVENUE	17%	16%	15%	11%
OTHER OVERHEADS AS A % OF REVENUE	22%	19%	23%	18%
BUDGET BALANCE/REVENUE	-9%	2%	-38%	7%
<b>LEVERAGE</b>				
BUDGET BALANCE (₦' MNS)	(70,057.8)	17,826.2	(460,592.2)	168,244.0
DEBT AS % OF NOMINAL GDP	4%	4%	5%	5%
INTEREST PAYMENTS AS % OF TOTAL REVENUE	10%	12%	11%	7%
PRINCIPAL DUE AS % OF REVENUE	23%	23%	25%	16%
<b>FINANCIAL FLEXIBILITY</b>				
DISCRETIONARY REVENUE** AS % OF TOTAL REVENUE	61%	62%	67%	77%
NET DEBT AS % OF FREE CASH FLOW ***	224%	214%	227%	131%
SHARE OF SAVINGS IN "EXCESS CRUDE ACCOUNT" (₦' MNS)				
NON-DISCRETIONARY SPENDING AS % OF TOTAL SPENDING	35%	38%	23%	25%
OUTSTANDING DEBT/REVENUE	152%	144%	173%	121%
DISCRETIONARY CASH FLOW DIVIDED BY INTEREST PAYMENT	6.4	5.0	6.4	10.7
* NON-DISCRETIONARY SPENDING IS MADE UP OF STATUTORY TRANSFERS, INTEREST PAYMENTS AND PERSONNEL COSTS				
** DISCRETIONARY REVENUE IS TOTAL REVENUE MINUS NON-DISCRETIONARY SPENDING				
*** FREE CASH FLOW IS DEFINED AS REVENUE MINUS NON-DISCRETIONARY SPENDING				

## APPENDIX (DETAILED GREEN PROJECTS)

S/N	Project Description	Allocation from Net Bond Proceeds (NGN)
<b>Ministry of Energy &amp; Mineral Resources</b>		
1	Solar PV Rooftop Solution as an alternative power supply - Pilot: Office of the Deputy Governor and the Ministry of Energy & Mineral Resources	49,558,148.72
2	Solar PV Rooftop Solution as an alternative power supply - Alausa Campus Phase 1	208,144,224.62
3	Procurement and Installation of Solar Power Equipment for Agbowo Maternity and Child Centre	58,311,591.66
4	Procurement and Installation of Solar Power Equipment for Ketu General Hospital	58,311,591.66
5	Procurement and Installation of Solar Power Equipment for Isolo General Hospital	58,311,591.66
6	Provision of solar power system solution to additional 100 schools in disadvantaged rural, riverine and peri-urban areas of the State - Lagos Solar Project Phase 2	3,469,070,410.36
7	Replacement of battery bank back-up system on the Y2014 Lagos Solar Project - provision of Solar power system solutions to 175 Secondary Schools & 11 Primary Health Centres (PHCs) in rural, riverine and peri-urban areas of the State	1,224,848,477.70
		<b>5,126,556,036.38</b>
<b>Lagos State Parks and Gardens Agency</b>		
8	Continuous tree planting exercises at various locations within the State	9,911,629.74
9	Creation of an Urban Forest Park within the State	14,867,444.62
10	Planting of trees at newly constructed/rehabilitated roads	4,955,814.87
		<b>29,734,889.23</b>
<b>Special Committee on Rehabilitation of Public Schools (SCRPS)</b>		
11	Solar street lighting for Tolu Complex - 161 units	80,197,536.11
12	2023 Solar grids for modular constructions for the remaining five districts	348,730,930.33
		<b>428,928,466.44</b>
<b>Ministry of Environment &amp; Water Resources (Office of Drainage Services)</b>		
13	Construction of Adeponle/ Baba Sala Street/ System 5 Channel Collector Drain, Ajeromi Ifelodun LGA	56,140,594.49
14	Construction of Collector Drain to Deflood Ebenezer Street and its Adjoining streets to Alaka Apena Channel, Ajeromi, Ifelodun LGA	31,323,228.41
15	Construction of Collector Drain to Deflood Nwamah/Eziagwu and its community to Baale Okoya Channel, Ajeromi Ifelodun	26,878,512.19
16	Construction of Saka Emiabata Collector Drain, Amuwo Odofin	65,310,541.21
17	Construction of CBN Estate collector drain, Amuwo Odofin	75,241,156.58
18	Construction of Gafaru Collector Drain, Ijegan	124,243,375.30
19	Construction of Aiyedun Badmus Olanrewaju collector drain Alimosho Phase II	102,473,685.40
20	Construction of Nurudeen Adesoye collector drain off Akeem Odumosu street, Ashipa Ayobo	28,207,579.19
21	Construction of Akinpetide Collector Drain, Abaranje Road	34,059,702.80
22	Completion of Construction of Baruwa Collector drain, Ifako Ijaiye	74,382,632.09
23	Construction of Collector Drain at Oke - Afa, Okokomaiko, Iba LCDA	54,084,380.99
24	Construction of Drain at Tunbosun Oluwaseyi street, Ishashi Ojo	42,958,547.08
25	Construction of Layi Oyekanmi to Adeoyo collector drain, Mushin	8,364,849.28
26	Construction of Poro Boge Collector Drain	65,595,982.94
27	Erosion Control at Yewa Street, Igbogbo, Ikorodu	57,625,395.01
28	Construction of Oremeru Collector Drain, Igbogbo, Ikorodu	15,179,021.29

*Lagos State Government's up to ₦14.8 Billion Series III: 5-year Fixed Rate Green Bond Due 2030*

29	Construction of Okegbegun/Babs Sherif Collector	75,281,558.86
30	Linning of Kokoro Abu channel Phase II, Ikorodu LGA	137,686,915.46
31	Linning of Olushola Ashaye/ Oriola Winco Channel, Ketu-Alapere, Kosofe	34,741,860.73
32	Construction of Atiba/Oki Lane/ Mende Villa Collector Drain, Mende, Kosofe	92,131,041.23
33	Construction of Oluwajoba/ Ayo/ Aina Obe Streets Collector Drain, Ketu Alapere	63,385,973.61
34	Construction of Collector drain at Ajao estate, Anthony Kosofe	21,543,796.89
35	Construction of Drain at Isheri North Residential Scheme, Kosofe	28,535,838.45
36	Erosion Control in Ogudu Residential scheme, Ogudu, Kosofe LGA	11,046,800.22
37	Construction of WhiteSand Collector, Lekki, Eti-Osa	96,012,930.98
38	Completion of Seaside-Mega Estate Collector Drain	172,283,814.38
39	Construction of Osapa Nicon Collector Drain, Lekki	40,745,983.17
40	Construction and dredging of Abraham Adesanya System 63 drainage channel, Phase II	82,221,331.01
41	Construction of Binukonu Collector Drain, Surulere	25,214,877.93
		<b>1,742,901,907.15</b>
<b>Ministry of Agriculture</b>		
42	Production of 200,000 coconut seedlings @N500 per seedling	99,116,297.44
43	Production of 500,000 coconut seedlings @N500 per seedling	247,790,743.60
44	Production of 800,000 coconut seedlings @N500 per seedling	396,465,189.75
45	Production of 500,000 coconut seedlings @N500 per seedling	247,790,743.60
46	Implementation Activities (Study, surveys etc.)	49,558,148.72
47	Strengthening of LASCODA (upgrading of nurseries)	247,790,743.60
		<b>1,288,511,866.70</b>
<b>Lagos Metropolitan Area Transport Authority (LAMATA)</b>		
48	LAMATA Place Solar Plant	1,985,596,786.59
49	Abule Egba Bus Terminal Solar Power	1,673,776,914.85
50	Ajah Bus Terminal	1,673,776,914.85
51	Ikeja Terminal Solar power	401,421,004.63
52	Ojota Terminal Solar power	124,119,960.06
		<b>5,858,691,580.97</b>

## RATING DEFINITIONS

Aaa	Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner.
Aa	High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner.
A	Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.
Bbb	Satisfactory quality with moderate credit risk; adequate capacity to pay returns and principal on local currency debt in a timely manner.
Bb	Below average quality with moderate to high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
B	Weak quality with high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
C	Very weak capacity to pay returns and principal. Debt instrument with very high credit risk.
D	In default.

### Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect a comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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