

# LAGOS STATE GOVERNMENT OF NIGERIA

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## 2025 Municipal Rating Review Report

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# Lagos State Government of Nigeria

Long-Term Rating:

**Aa-**

*A municipal with very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.*

Short-Term Rating:

**A1+**

**Outlook:** Stable

**Issue Date:** 3 November 2025

**Expiry Date:** 30 September 2026

**Previous Rating:** Aa-

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## RATING RATIONALE

Agusto & Co. hereby affirms the "Aa-" (long-term) and "A1+" (short-term) ratings assigned to the Lagos State Government ("Lagos State", "Lagos", "the State" or "LASG"). The ratings reflect Lagos State's good and sustainable internally generated revenue (IGR), bolstered by its broad and diversified economy, expanding tax base and improving tax administration and collection system. The ratings also consider the State's increasing share of Value Added Tax (VAT) receipts and statutory allocations from the Federation Account Allocation Committee (FAAC), reflecting its status as Nigeria's primary commercial and economic centre. The assigned ratings are further supported by LASG's acceptable expenditure structure, characterised by sustained capital investments in infrastructure and social services, alongside effective control of recurrent costs. In addition, the ratings are upheld by the State's strong capacity to meet financial obligations promptly, underpinned by its good cash-generating profile and sustained access to funding lines from the domestic capital market and financial institutions. However, the ratings are constrained by LASG's increasing public debt and exposure to unhedged foreign currency loans, which elevate susceptibility to exchange rate shocks. Nonetheless, we recognise that most of these external loans are concessionary, with long maturities, low interest rates and extended moratoriums, which collectively help moderate the State's annual debt service requirements.

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Lagos State, also referred to as the "Centre of Excellence", was established on 27 May 1967. The State was formerly Nigeria's administrative capital until 12 December 1991. Located in the southwest region and covering 3,577 square kilometres, Lagos represents only 0.4% of Nigeria's land mass. As Nigeria's economic nucleus and commercial hub, the State contributes over 20% of the nation's Gross Domestic Product (GDP). Due to its limited land area, economic activities in Lagos are predominantly service-oriented. Consequently, the services sector—dominated by trade, telecommunications, transport, financial institutions, information and technology—made up approximately 91.6% of Lagos State's GDP in 2024, while the industrial and agricultural sectors accounted for 7.9% and 0.5%, respectively<sup>1</sup>.

In the financial year ended 31 December 2024 (FY 2024), Lagos State's total revenue (excluding grants) grew by 91% to ₦2.3 trillion, mainly driven by higher IGR and the rise in the State's share of value-added tax (VAT) receipts and other centrally collected revenue (statutory allocation). Consistent with prior years, IGR remained the State's primary income source, contributing over 67% of total revenue, while VAT and statutory allocations accounted for 19% and 14%, respectively. IGR increased by 75% to ₦1.5 trillion, supported by improved collections from PAYE, withholding tax, direct assessments, and higher earnings from licences, fines and fees. Statutory allocations

<sup>1</sup> Lagos Economic Development Update (LEDU) 2025

increased by 198% to ₦319.3 billion, reflecting higher oil export proceeds and exchange rate gains, while VAT receipts more than doubled to ₦450.2 billion (2023: ₦222.4 billion), underscoring Lagos State's status as Nigeria's commercial hub. Looking forward, we anticipate that LASG's revenue will maintain its upward trend in the near term, supported by higher statutory allocations from increased crude oil output and weak Naira (despite the relative exchange rate stability), as well as rising IGR from an expanding tax base, rapid urbanisation and improved tax administration. The State's ongoing infrastructure investments under the THEMES+<sup>2</sup> agenda are expected to stimulate economic activity and strengthen non-tax revenues. In our opinion, LASG's overall revenue profile is good and sustainable.

In FY 2024, the State's total expenditure, comprising non-operating (63%) and operating expenses (37%), rose to ₦2.2 trillion (2023: ₦1.7 trillion). The increase was driven by higher net exchange losses on foreign borrowings amid sharp naira depreciation, sustained capital investments in infrastructure, higher personnel costs following the implementation of the new minimum wage and inflation-induced growth in overhead expenses. Despite the elevated spending, Lagos State reported a net surplus of ₦168.2 billion in FY 2024, a marked improvement from the ₦460.6 billion deficit recorded in the prior year. While we note the relative stability of the exchange rate in 2025, we believe the State's growing exposure to unhedged foreign debt could constrain its fiscal flexibility in the event of renewed currency volatility through higher debt servicing costs and valuation losses. However, we recognise that LASG's key cost indicators—interest payment, personnel, and overhead-to-revenue ratios of 7%, 11% and 18% respectively in FY 2024—remain within our benchmarks for subnationals. In our view, LASG's overall expenditure profile is acceptable.

As at FY 2024, Lagos State's total public debt rose by 28% to ₦2.9 trillion, comprising 70% external and 30% domestic obligations. The increase in the debt stock primarily reflected the revaluation impact of the sharp naira depreciation on outstanding foreign borrowings, as well as additional loan drawdowns during the year. Despite the higher debt level, the State's debt service-to-revenue ratio stood at 11% in FY 2024, way below the 40% prudential limit prescribed for subnational governments under the Investments and Securities Act (2025). Furthermore, Lagos State's net debt-to-free cash flow ratio of 131% was better than our expectation, highlighting a satisfactory debt position underpinned by its solid and sustainable cash-generating capacity.

Lagos State intends to raise ₦214.8 billion through two bond issuances (the Series III Green Bond and Series IV Conventional Bond) in the last quarter of 2025 to finance physical and social infrastructure projects. Consequently, we expect an uptick in the State's capital spending in the near term. We also anticipate higher debt service obligations as LASG pursues additional debt financing to support its capital projects, alongside further pressure on general overheads due to persistent inflation. Nonetheless, we expect the interest expense and overhead-to-revenue ratios to remain within our acceptable thresholds of 20% and 30%, respectively, supported by the State's strong revenue-generating capacity.

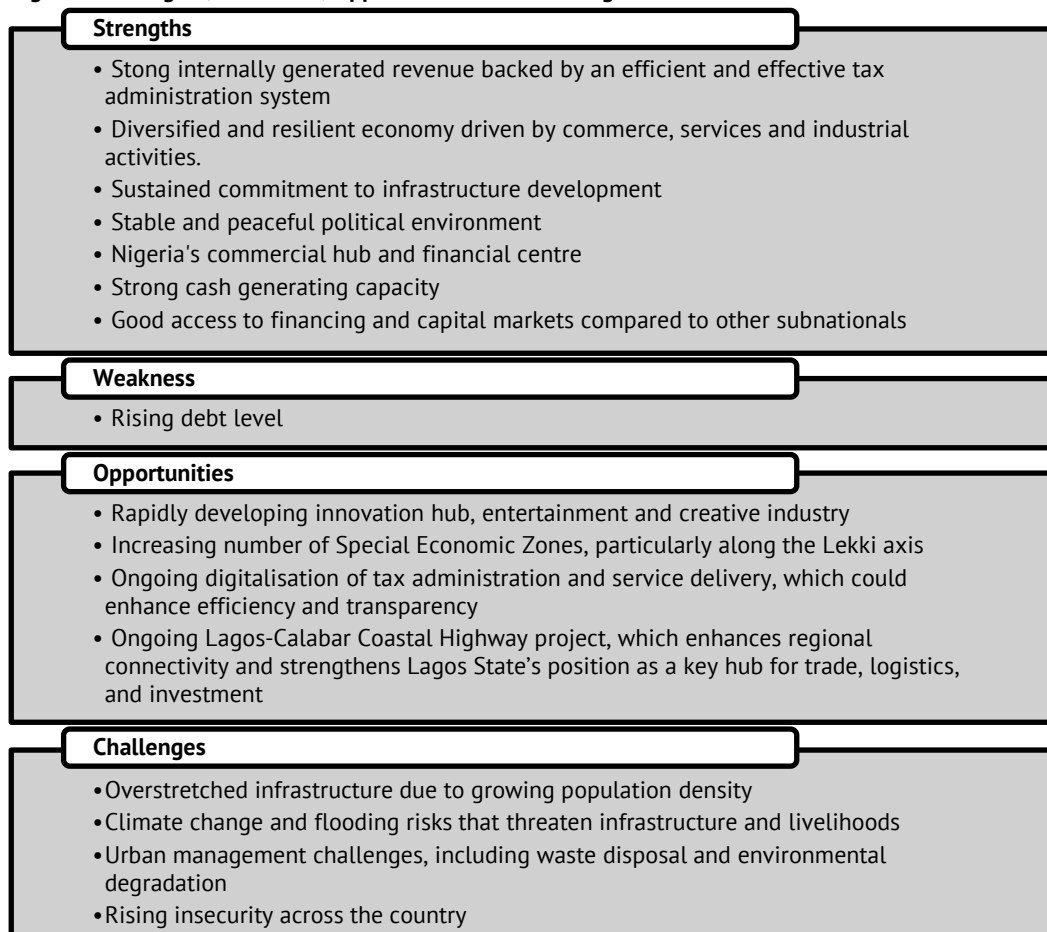
Overall, we expect Lagos State to sustain its strong fiscal and economic performance in the near

<sup>2</sup> The "THEMES+" strategy covers the following areas: Traffic Management and Transportation; Health and Environment; Education and Technology; Making Lagos a 21st-century economy; Entertainment and Tourism; and Security and Governance; as well as Social Inclusion, Gender Equality and Youth.

term, supported by its robust and sustainable internally generated revenue base, diversified economy, and continued efficiency in tax administration. The State's planned capital investments in key sectors such as transportation, housing and energy, coupled with the Federal Government's ongoing Lagos-Calabar Coastal Highway project, are also expected to stimulate economic activity, enhance productivity, attract investment inflows and further reinforce Lagos State's position as Nigeria's foremost subnational economy.

Based on the above, we attach a **stable** outlook to the ratings of the Lagos State Government of Nigeria.

**Figure 1: Strengths, Weakness, Opportunities and Challenges**



## PROFILE OF THE LAGOS STATE GOVERNMENT

Lagos State, also known as the Centre of Excellence, was established on 27 May 1967 under the States (Creation and Transitional Provisions) Decree No. 14 of 1967, which restructured Nigeria into 12 states. Lagos served as Nigeria's administrative capital from 11 April 1968 until 12 December 1991, when the seat of government was moved to Abuja. Geographically, the State is situated in Nigeria's southwest region, covering an area of 3,577 square kilometres (km), which represents 0.4% of Nigeria's total land mass. Lagos 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.

**Figure 2: Map of Lagos State**

Source: Lagos State Government



The State's territorial expanse encompasses five administrative divisions, including Ikorodu, Badagry, Ikeja, Lagos Island and Epe, collectively referred to as IBILE. Lagos State has 20 Local Governments and 37 Local Council Development Areas, with Ikeja as its capital city. Lagos experiences two main seasons: dry (November to March) and wet (April to October). Due to its biannual rainfall pattern, the State's vegetation is dominated by freshwater and mangrove swamp forests. Approximately 22% of Lagos State's territory is covered by water, including prominent bodies such as the Lagos and Lekki Lagoons and the Yewa, Ogun, Oshun and Kweme Rivers, all contributing to the State's diverse ecosystem.

Despite being Nigeria's smallest State by land area, Lagos has the largest population, estimated at over 27 million as of the end of 2024<sup>3</sup>. With the rising rural-to-urban migration and increasing urbanisation rate in the country, combined with its status as Nigeria's economic hub, the State's population is projected to exceed 35 million by 2050. Lagos is inhabited by indigenous ethnic groups such as the Aworis, Egun, Binis and Eko. However, Lagos has seen the proliferation of various ethnic groupings from Nigeria and West Africa, reflecting its multicultural environment.

### ECONOMIC PROFILE

Lagos is one of the world's largest and fastest-growing cities, which provides its economy with a dynamic workforce and huge consumer market. As Nigeria's economic focal point and commercial nerve centre, Lagos contributes circa 20% of the country's Gross Domestic Product (GDP) in 2024<sup>4</sup>. According to the Lagos Bureau of

<sup>3</sup> Lagos Bureau of Statistics, Ministry of Economic Planning and Budget

<sup>4</sup> Lagos Economic Development Update (LEDU) 2025

Statistics, the State's GDP stood at ₦55.7 trillion as at 31 December 2024 and is projected to reach approximately ₦66.5 trillion by 2025 year-end<sup>5</sup>, underpinned by increased public investment in transport, energy and social infrastructure and continued recovery in key sectors including services, agriculture, construction and trade.

Given its limited land area, economic activities in Lagos are primarily service-oriented, with less emphasis on agriculture and industry. Consequently, the services sector—dominated by trade, telecommunications, transport, financial institutions, information and technology—comprised approximately 91.6% of the State's GDP in 2024, while the industrial and agricultural sectors accounted for 7.9% and 0.5%, respectively<sup>6</sup>.

Lagos has two airports (international and domestic), both located in Ikeja. The State also hosts Nigeria's primary port complex, divided into three sections: Lagos Port, Apapa Port and Tin Can Port, each serving distinct purposes. In addition, the Lekki Deep Seaport, designated as a Customs Port and Approved Wharf by the Federal Government, adds to the State's maritime infrastructure. Given its strategic location on the southwestern coast of Nigeria, Lagos serves as a critical hub for commerce, shipping and logistics, with its ports handling most of Nigeria's maritime trade.

In recent years, Lagos State has intensified efforts to enhance its business environment through the digitisation of government services, streamlining of licensing and permit processes, and improved regulatory transparency. The State also offers targeted tax incentives and infrastructure support within designated enterprise zones such as the Lekki Free Trade Zone (LFTZ) and Eko Atlantic City to attract foreign direct investment (FDI) and boost industrial competitiveness. However, despite recent infrastructure developments, Lagos continues to contend with severe road congestion, inadequate power supply and inefficient waste management systems. Rapid urbanisation and rising housing demand have also contributed to elevated living costs, making Lagos one of Nigeria's most expensive cities.

To mitigate these challenges and promote inclusive, sustainable economic growth, the Lagos State Government's medium-term strategy is anchored on the "THEMES+" programme. This framework, aligned with the Lagos State Development Plan (LSDP) 2052, aims to position Lagos as Africa's model megacity and a globally competitive economic hub. The "THEMES+" strategy prioritises Traffic Management and Transportation, Health and Environment, Education and Technology, Making Lagos a 21st Century Economy, Entertainment and Tourism, and Security and Governance, with additional focus on Social Inclusion, Gender Equality, and Youth Empowerment as cross-cutting enablers of sustainable development.

## POLITICAL STRUCTURE

The Lagos State Government consists of three arms: Executive, Legislature and Judiciary. These arms are empowered by the 1999 Constitution of the Federal Republic of Nigeria to function both independently and collaboratively to ensure the overall development of the State and the welfare of its citizens.

**The Executive** arm of the State Government is responsible for the daily administration and is led by the Executive Governor, **Mr Babajide Olusola Sanwo-Olu**, who is assisted by the Deputy Governor, Dr Kadri Obafemi Hamzat and the State Executive Council.

**The Governor, Mr Babajide Olusola Sanwo-Olu** holds a Bachelor's degree in Surveying and Geo-Informatics and a

<sup>5</sup> Lagos Economic Development Update (LEDU) 2025

<sup>6</sup> Lagos Economic Development Update (LEDU) 2025

Master of Business Administration (MBA) both from the University of Lagos. Mr Sanwo-Olu is also an alumnus of the Harvard Kennedy School of Government, London Business School and the Lagos Business School. In addition, he is a member of the Nigerian Institute of Directors (IoD), Chartered Institute of Personnel Management (CIPM) and a Fellow of the Nigeria Institute of Training and Development (NITAD).

In 2003, he was appointed a Special Adviser to the Deputy Governor on Corporate Matters and later became a Special Adviser to the Executive Governor on Corporate Matters in 2004. Later, he was appointed acting Commissioner for Economic Planning & Budget from 2004 to 2005 and became the substantive Commissioner for Commerce and Industry in 2007. Mr Sanwo-Olu was appointed the Chief Executive Officer of the Lagos State Property Development Corporation in 2016. On 29 May 2019, he was sworn in as the elected Governor of Lagos State under the All Progressives Congress (APC) political party for the first term of four years. He won the Lagos State gubernatorial elections held on 11 March 2023 and was sworn in for a second term of four years commencing from 29 May 2023.

**Table 1: Members of the Executive Council of Lagos State Government**

Executive Council Members	Responsibility/Portfolio
Dr Kadri Obafemi Hamzat	Deputy Governor
Barr (Mrs) Abimbola Salu-Hundeyin	Secretary to State Government
Mr Olabode Shuaheeb Agoro	Head of Service
Mr Tayo-Akinmade Ayinde	Chief of Staff
Mr Lawal Pedro, SAN	Attorney General/Commissioner, Justice
Ms Abisola Olusanya	Commissioner, Agriculture
Mr Jamiu Alli-Balogun	Commissioner, Basic and Secondary Education
Mrs Folashade Ambrose-Medem	Commissioner, Commerce, Cooperatives, Trade and Investment
Mr Mosopefoluwa George	Commissioner, Economic Planning and Budget
Mr Tokunbo Wahab	Commissioner, Environment and Water Resources
Mr Afolabi Ayantayo	Commissioner, Establishment and Training
Mr Abayomi Samson Oluyomi	Commissioner, Finance
Prof Akinola Abayomi	Commissioner, Health
Hon Olanrewaju Ibrahim Layode	Commissioner, Home Affairs
Mr Moruf Akinderu-Fatai	Commissioner, Housing
Mr Gbenga Omotosho	Commissioner, Information and Strategy
Mr Tunbosun Alake	Commissioner, Innovation, Science and Technology
Mr Bolaji Kayode Robert	Commissioner, Local Government, Chieftaincy Affairs and Rural Development
Dr Olumide Abiodun Oluyinka	Commissioner, Physical Planning and Urban Development
Mr Gbenga Oyerinde	Commissioner, Special Duties and Intergovernmental Relations
Mr Tolani Sule	Commissioner, Tertiary Education
Mrs Toke Benson-Awoyinka	Commissioner, Tourism, Arts and Culture
Mr Oluwaseun Osiyemi	Commissioner, Transportation
Hon Yacoob Ekundayo Alebiosu	Commissioner, Waterfront Infrastructure Development
Mr Akinyemi Ajigbotafe	Commissioner, Wealth Creation and Employment
Hon (Mrs) Cecilia Bolaji Dada	Commissioner, Women Affairs and Poverty Alleviation
Mr Mobolaji Abubakre Ogunlende	Commissioner, Youth and Social Development
Mr. Sam Egube	Deputy Chief of Staff
Dr Oluwarotimi Omotola Fashola	Special Adviser, Agriculture
Mr Idris Aregbe	Special Adviser, Arts and Culture
Mr Bola Olumegbon-Lawal	Special Adviser, Central Business District
Mr Abiola Okanlawon Olowu	Special Adviser, Energy and Mineral Resources

Executive Council Members	Responsibility/Portfolio
Dr Olajide Abiodun Babatunde	Special Adviser, eGIS and Urban Development
Mr Olakunle Rotimi Akodu	Special Adviser, Environment
Mrs Olukemi Ogunyemi	Special Adviser, Health
Mrs Barakat Odunuga-Bakare	Special Adviser, Housing
Dr (Mrs) Oyeyemi Ayoola	Special Adviser, Internal Audit
Dr Abiodun Tajudeen Afolabi	Special Adviser, Political, Legislative and Civic Engagement
Mr Nurudeen Yekini Agbaje	Special Adviser, Rural Development
Dr Oreoluwa Finnih	Special Adviser, Sustainable Development Goals
Mr Abdul-Kabir Ogungbo	Special Adviser, Taxation and Revenue
Hon. Sola Giwa	Special Adviser, Transportation
Engr. Adekunle Olayinka	Special Adviser, Works
Engr. Olufemi Olubunmi Daramola	Special Adviser, Office of Infrastructure

Source: LASG 2024 Financial Statements

**The Legislative** arm of the State Government is empowered by the 1999 constitution (as amended) to make laws. **Rt. Hon. Mudashiru Ajayi Obasa** leads the 10<sup>th</sup> Lagos State House of Assembly (LSHA), serving his third term as the Speaker. All 40 members of the LSHA were elected for a four-year term, expiring on 29 May 2027. The LSHA is dominated by members of the All Progressives Congress (APC), who account for about 95% of the seats, while the remaining members represent the Labour Party (LP).

**The Judiciary** is the arm of government responsible for the general administration of justice in Lagos State, empowered by the constitution and laws. The Lagos State judiciary consists of the State High Courts, Magistrate Courts and Customary Courts, with 59 Judges and 153 Magistrates. The High Court of Lagos is the highest court in the State, with **Hon. Justice Kazeem Olanrewaju Alogba** as the Chief Judge. The High Court system includes the Criminal Division, Lands Division, Family and Probate Division, Commercial (Fast Track) Division, General Civil Division, Special Offences Courts and Sexual Offences Courts.

Although the internal leadership crisis at the Lagos State House of Assembly in the first quarter of 2025 (in which the Speaker was impeached and later reinstated) revealed underlying tensions, the State's political environment has remained largely stable over the past two decades. This stability is underpinned by the continued cooperation among the three tiers of government, which has fostered a conducive environment for businesses and households to thrive.

## FINANCIAL CONDITION

### ANALYSTS' COMMENTS

Lagos State Government ("Lagos State", "Lagos", "the State" or "LASG") prepared its Financial Statements for the year ended 31 December 2024 (the ninth in the series) in line with the International Public Sector Accounting Standards (IPSASs) Accrual-Based Accounting. We have also analysed the six months ended 30 June 2025 (unaudited) Budget Performance Report for the State.

## FINANCIAL PERFORMANCE

### REVENUE PROFILE

The Lagos State Government ("Lagos State", "Lagos", "the State" or "LASG") generates revenue from taxes on personal income, fines, licenses, fees and levies on business activities, as well as income on equity and non-equity investments. These collectively form the State's internally generated revenue (IGR). In addition, Lagos State receives a monthly share of income from the Federation Account and value added tax (VAT) pool, as well as grants from development institutions and the Federal Government of Nigeria (FGN).

In line with the International Public Sector Accounting Standards (IPSAS), LASG classifies revenue into non-exchange and exchange transactions. As per IPSAS 23, revenue from non-exchange transactions includes personal income tax (Pay-As-You-Earn - PAYE), direct assessment, levies, fees, fines, as well as a share of centrally collected revenue (statutory allocation and value-added tax). Revenue from exchange transactions, as outlined in IPSAS 9, includes capital receipts, investment income, interest income and income from other services.

In 2024, the Lagos State Government implemented several strategic policy measures to strengthen economic recovery and protect household welfare amid high inflation. These included targeted social welfare programmes such as the "Ounje Eko" discounted food markets and transport fare reductions, which helped cushion the impact of rising living costs. The State also sustained investments in infrastructure and energy, commissioning the Red Line Rail, advancing the Blue Line expansion, and accelerating key road rehabilitation projects to improve mobility and support commerce. Additional initiatives encompassed tax administration reforms, enhancements in digital governance systems, and the launch of climate resilience and renewable energy projects under the "Cleaner Lagos" agenda. Collectively, these measures supported economic activity and revenue generation while moderating the lingering effects of the 2023 federal reforms, particularly the removal of fuel subsidies and the unification of exchange rates.

Consequently, Lagos State's total revenue (excluding grants) rose by 91% to ₦2.3 trillion in the financial year ended 31 December 2024 (FY 2024). This growth was primarily driven by higher internally generated revenue (IGR), a sharp rise in VAT receipts and increased statutory allocations from the Federation Account Allocation Committee (FAAC). The State's IGR grew by 75% to ₦1.5 trillion, supported by improved PAYE collections, withholding tax and direct assessments, alongside higher income from licences, fines and fees. In addition, VAT receipts increased by 102% to ₦450.2 billion (the highest in the country), underscoring Lagos State's status as Nigeria's commercial hub. Other statutory allocations rose by 198% to ₦319.3 billion, reflecting the higher naira value of crude oil export proceeds and exchange gains following significant local currency depreciation.

IGR remains the backbone of the State's revenue profile, accounting for approximately 67% of the total income generated in FY 2024. VAT receipts constituted 19% of LASG revenue in FY 2024, while the remaining 14% were contributions from other statutory allocations. Given LASG's broad tax base, the institutionalised revenue collection framework of the Lagos Internal Revenue Service (LIRS) and its diversified economy (with a significant

presence of large corporations, multinationals and small to medium-sized enterprises that support PAYE and consumption levy collections), we expect IGR to remain the dominant source of income in the near term. In our view, Lagos State's revenue profile is stable and sustainable, as it is less reliant on transfers from the FAAC, which are susceptible to disruptions in domestic crude oil production and fluctuations in global hydrocarbon prices and demand.

In the unaudited six months ended 30 June 2025 (H1'2025), Lagos State reported total revenue (excluding grants) of ₦1.3 trillion<sup>7</sup>, which represented 40% of the full-year 2025 budget.

Internally generated revenue accounted for 71% of the State's revenue in H1'2025, while VAT receipts and other statutory allocations constituted 21% and 8%, respectively. Historically, Lagos records higher revenue inflows in the second half of the year, supported by intensified tax enforcement, increased economic activity, and year-end remittances from corporate and individual taxpayers. Overall, we estimate that Lagos State will achieve between 82% and 90% of its 2025 ₦3.4 trillion budget, consistent with historical performance trends.

Brent crude prices remain below expectations, averaging \$62 per barrel as at 22 October 2025, due to a widening supply-demand imbalance. However, we expect that the combination of a weaker naira (despite relative exchange rate stability) and the Federal Government's plan to raise crude oil output to 1.8 million barrels per day by December 2025 will support higher hydrocarbon export proceeds and statutory allocations to the State. Given Lagos State's sustained commitment to infrastructure development under the THEMES+ programme, which is expected to stimulate business activity, and its expanding tax base driven by rapid urbanisation, we anticipate growth in internally generated revenue from taxes, fines, levies and fees in the near term. With rising commercial activity and continued improvements in national tax administration and compliance, we also expect an increase in the State's share of VAT receipts. Overall, we project that Lagos State's total revenue will reach ₦2.8 trillion by the end of 2025, with IGR accounting for 72%, while VAT and statutory allocation are expected to contribute 20% and 8%, respectively.

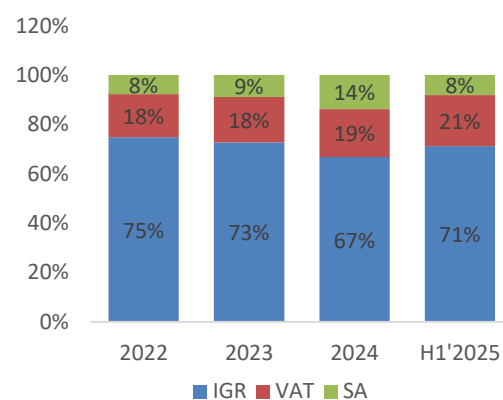
In our view, Lagos State's overall revenue profile is very good and sustainable.

## EXPENDITURE PROFILE

In the financial year ended 31 December 2024, Lagos State's total expenses rose to ₦2.2 trillion (2023: ₦1.7 trillion), comprising non-operating (63%) and operating expenses (37%). In line with the IPSAS, non-operating expenses comprise capital expenditure, public debt charges, depreciation on non-current assets and net loss on foreign exchange transactions, while operating expenses include salaries, wages and employee benefits, transfers and subventions to parastatals and general administrative expenses (overhead).

During the FY 2024, the State's total operating expenses grew by 44% to ₦790.5 billion, primarily due to higher overhead expenses, personnel costs, transfers and subventions to parastatals amid sustained inflationary pressures. A breakdown of LASG's recurrent expenditure in FY 2024 revealed that overhead costs accounted for 38%, while personnel costs (comprising wages, salaries and benefits of civil servants and public office holders), statutory transfers (subvention to state parastatals and provision for pensions and gratuities) and grants,

Figure 3: Revenue Breakdown (2022 – H1'2025)



<sup>7</sup> Lagos State Government H1'2025 Budget Performance Report

represented 33%, 24% and 4% respectively. Despite the implementation of the new minimum wage during the year, LASG's personnel expenses to revenue of 11% in FY 2024 and the three-year (2022-2024) average of 14% were better than our benchmark. Similarly, the State's overhead costs to revenue ratio of 18% in FY 2024 and the three-year average of 20% were within our 30% threshold.

Lagos State's non-operating expenses rose to ₦1.4 trillion in FY 2024 (2023: ₦1.1 trillion), mainly due to higher interest expenses on new and existing domestic and foreign loans, bonds in issue and leases, as well as net exchange loss recognised on foreign borrowings following significant naira depreciation during the year. LASG's interest payments increased by 31% to ₦167.2 billion in FY 2024, reflecting the higher debt service burden associated with new borrowings and the impact of sharp currency depreciation on foreign-currency-denominated obligations. Nonetheless, the State's interest expense to revenue ratio moderated to 7% in FY 2024 (2023: 11%) on account of the superior revenue growth, remaining within our threshold of not more than 20%.

During the FY 2024, LASG's non-operating expenses comprised net loss on foreign exchange transactions (53%), capital spending (24%), public debt charges (12%) and depreciation (11%). LASG's expenditure structure in FY 2024, dominated by net exchange losses on foreign loans, underscores its growing exposure to currency risk. Although the exchange rate market has shown relative stability in 2025 following tighter monetary and fiscal coordination, the sustainability of this trend remains uncertain. Thus, the State's continued accumulation of unhedged external debt could amplify fiscal pressures in the event of renewed currency volatility, particularly through higher debt servicing costs and potential valuation losses.

Capital expenditure accounted for 15% of Lagos State's total spending in FY 2024, down from 19% in the previous year. This decline reflects the State Government's increased focus on food security and social welfare programmes designed to cushion the impact of inflation and fuel subsidy removal on residents, which consequently slowed infrastructure-related activities. In line with its THEMES+ agenda, the State has indicated plans to raise capital spending to address demographic pressures from rapid population growth and urbanisation, and to reinforce its position as Nigeria's primary economic hub.

Based on the unaudited budget performance report as at 30 June 2025, LASG's total expenditure stood at ₦1.4 trillion and comprised capital expenditure (60%) and recurrent expenditure (40%), underscoring the State's commitment to infrastructure-led growth. Key projects comprised the Lagos-Badagry Expressway reconstruction, Lekki-Epe Expressway expansion and Agege-Pen Cinema Bridge linkage roads. The State also continued work on the Red Line and Blue Line Rail Projects, which are central to its integrated transport network. In addition, significant allocations were directed toward housing schemes under the LagosHOMS programme, road rehabilitation and drainage improvements across several Local Government Areas, and the construction of schools, hospitals and water supply infrastructure. During the same period, the State's personnel expenses of ₦171.4 billion and overhead costs of ₦301.6 billion represented 13% and 18% of revenue in H1'2025, respectively, which were both within our benchmarks.

Given Lagos State's plans to raise ₦214.8 billion through two bond issuances (the Series III Green Bond and Series IV Conventional Bond) to finance physical and social infrastructure projects, we expect the State's capital spending to remain elevated in the near term. We also anticipate higher debt service obligations as the State pursues additional debt financing to support infrastructure development, alongside further pressure on general overheads due to persistent inflation. Nonetheless, we expect the interest expense and overhead-to-revenue ratios to remain within our acceptable thresholds of 20% and 30%, respectively, supported by the State's strong internally generated revenue capacity.

In our view, Lagos State's overall expenditure profile is acceptable.

## CASH FLOW PROFILE

In the financial year ended 31 December 2024, Lagos State's total inflow of cash from operating activities increased to ₦2.3 trillion (2023: ₦1.2 trillion), mainly driven by the rise in net tax receipts, statutory allocation, levies, fees and fines. During the same year, LASG's total outflow of cash for operating activities rose to ₦1 trillion (2023: ₦709.9 billion), primarily due to higher public debt charges, wages, salaries and employee benefits, subvention to parastatals and overheads. Consequently, LASG reported a net operating cash flow (OCF) of ₦1.3 trillion in FY 2024 (2023: ₦531.9 billion). Considering the State's robust internal revenue-generating capacity, which contributes to stable and sustainable cash inflows, we expect this positive net OCF trend to continue in the near term.

Similar to the prior year, LASG recorded a negative net cash flow from investing activities of ₦1.1 trillion in FY 2024 (2023: ₦592.3 billion), primarily reflecting significant capital investments in infrastructure, including road rehabilitation, housing schemes, transport network expansion, and renewable energy projects aimed at promoting socio-economic development. Given the need for sustained capital spending to stimulate economic activity, improve residents' welfare, and maintain public order and safety, we expect the State's negative cash flow from investing activities to persist in the near term. Nonetheless, we view this development positively, as these capital investments are expected to enhance Lagos State's long-term economic sustainability and resilience.

In FY 2024, LASG posted a negative net cash flow from financing activities of ₦29.7 billion (2023: ₦204.1 billion) mainly due to substantial debt repayments that outweighed new borrowings during the year. Overall, the State recorded an aggregate positive net cash position (including an opening cash and equivalents balance of ₦218.1 billion) of ₦207.3 billion at year-end, supported by strong operating cash inflows generated from its IGR and statutory allocations. Furthermore, LASG's discretionary cash flow (total revenue less mandatory payments<sup>8</sup>) to revenue ratio of 77% in 2024 (2023: 67%) and net debt as a percentage of free cash flow<sup>9</sup> of 131% (2023: 227%) were both in line with our expectations, thus depicting a good cash-generating capacity.

In our view, Lagos State's overall cash flow profile is good.

## FINANCIAL POSITION

### ASSET & LIABILITY STRUCTURE

Lagos State Government adopted the accrual basis of the International Public Sector Accounting Standards (IPSAS) on 1 January 2016 and has complied with the guidelines and provisions stipulated per IPSAS, except for the full consolidation of subsidiaries, associates and joint ventures in line with IPSAS 35. Similarly, related parties' disclosure and certain asset classes of LASG, such as Investment Property, Heritage Assets, Biological Assets and Concession Assets, were not included, recognised or measured in the State's Financial Statements as of the reporting date. Therefore, LASG cannot explicitly state its full compliance with the accrual-based IPSAS as at 31 December 2024.

As at FY 2024, Lagos State's total identified assets rose to ₦4.9 trillion (2023: ₦3.6 trillion), comprising non-current assets (90%) and current assets (10%). The growth in the State's asset base was primarily driven by

<sup>8</sup> This refers to personnel expenses, public debt charges (interest payments) and transfers and subvention to parastatals

<sup>9</sup> This is also known as discretionary cash flow

additions to property, plant and equipment (PPE)<sup>10</sup>, alongside higher available-for-sale investments<sup>11</sup> and increased cash and bank balances held by Ministries, Departments, and Agencies (MDAs). PPE accounted for 85% of total assets, underscoring the State's sustained investments in economic and social infrastructure, particularly in transport, housing, healthcare, energy, and public utilities. The other main components of LASG's total assets as at FY 2024 were cash and equivalents (9%) and available-for-sale investments (5%).

As at 31 December 2024, Lagos State's total liabilities rose by 28% to ₦2.9 trillion, driven largely by the impact of sharp naira depreciation on its foreign debt stock and additional domestic and external borrowings during the year. Based on our analysis, LASG's interest-bearing borrowings (comprising bond issues, internal and external debts) constituted 96% of total liabilities as at FY 2024, while payables and other liabilities and finance lease obligations<sup>12</sup> represented 3% and 1%, respectively. As at the same date, Lagos State's total interest-bearing debts stood at ₦2.8 trillion (2023: ₦2.1 trillion), consisting of foreign (70%) and domestic debt (30%), which is split into commercial bank facilities - 17% and local bonds in issue - 13%.

As at FY 2024, Lagos State's external debt stock rose by 73% to ₦1.9 trillion (\$1.28 billion), mainly driven by the significant depreciation of the local currency following the deregulation of the foreign exchange market, which significantly increased the naira value of outstanding foreign obligations. In addition, the State drew down ₦160.5 billion (\$95.1 million) in external loans from multilateral institutions. As at the 2024 year-end, Lagos State's external debt portfolio comprised 28 facilities obtained from various international lenders to finance different development projects. These facilities have long tenors ranging from 20 to 40 years, moratorium periods of 5 to 13 years, and concessionary interest rates between 0.75% and 2.37% per annum. All LASG's foreign borrowings are backed by irrevocable standing payment orders (ISPOs), which serve as security for repayment. While we note the relative exchange rate stability in 2025, the State's rising external debt exposure could constrain fiscal flexibility in the event of renewed exchange rate volatility. Nonetheless, we expect the extended maturities and concessionary interest terms on these loans to help moderate the annual debt service burden.

As at 31 December 2024, Lagos State's internal loans consisted of 54 facilities obtained from various domestic banks, with a cumulative outstanding principal of ₦476.5 billion. These include the Central Bank of Nigeria's Differentiated Cash Reserve Requirement (DCRR), utilised to fund the Blue and Red Rail Project. The tenors on these domestic loans range from 4 to 20 years, with interest rates between 19% and 24% per annum. In FY 2024, LASG secured a ₦50 billion loan from a commercial bank to finance various infrastructure projects. As at FY 2024, the State had six bonds outstanding, with a cumulative principal balance of ₦370.4 billion (following the repayment of approximately ₦27.4 billion due on existing bond obligations). The breakdown of LASG's outstanding bond obligations as at FY 2024 is as follows:

- ₦38.7 billion 10-Year 17.25% due 2027 (Series II Tranche II)
- ₦5.34 billion 9<sup>7</sup>/<sub>12</sub>-Year 15.85% due 2027 (Series II Tranche IV)
- ₦100 billion 10-Year 12.25% Fixed Rate Bond Due 2030
- ₦137.3 billion 10-Year 13% Fixed Rate Bond Due 2031

<sup>10</sup> This comprises infrastructure assets, land and buildings, plant and machinery, office equipment, furniture and fittings, computer equipment, motor vehicles and capital work in progress.

<sup>11</sup> This represents LASG's investment in Quoted Securities (Julius Berger Nigeria Plc, Access Bank, Zenith Bank and Lasaco Assurance Plc) and Unquoted Investments in various companies as at 31 December 2024

<sup>12</sup> This refers to lease agreements with five independent power generation companies in the State (Akute Power Limited, Island Power Limited, Alausa Power Limited, Mainland Power Limited and PIPP LVI Genco Limited) with a minimum lease term of ten years each. The lease agreements state that the power generation companies are to build and operate power plants which would provide electricity to LASG, with a minimum 97% guaranteed availability, thus they have been treated as finance lease in line with relevant IPSASs.

- ₦115 billion 10-Year 15.3% Fixed Rate Bond Due 2033
- ₦19.8 billion 7-Year 14.7% Fixed Rate Bond Due 2030

Agusto & Co. notes that all Lagos State Government bonds (including the proposed bonds) are secured by monthly deductions under irrevocable standing payment orders (ISPOs) from the State's share of statutory allocations, alongside monthly remittances from internally generated revenue. As at FY 2024, the cumulative balance in the sinking fund accounts for the respective bonds amounted to ₦35.7 billion, which provides a buffer for timely servicing of the bond obligations.

As at FY 2024, Lagos State reported a debt service to revenue ratio of 11% (2023: 15%), which was well within the internal Debt Sustainability Ratio of 30% and the 40% statutory limit prescribed for subnationals under the Investments and Securities Act (2025). In addition, Lagos State's net debt as a percentage of free cash flow stood at 131%, while interest payments constituted 7% of total revenue as at FY 2024, both of which were better than our expectations and indicative of a satisfactory debt service.

In the unaudited six months ended 30 June 2025 (H1'2025), the State's total borrowings stood at ₦2.8 trillion, comprising foreign (70%) and domestic borrowings (30%). As at the same date, LASG's net debt as a percentage of free cash flow of 220% and interest payment to revenue ratio of 6% remain within our benchmarks.

The Lagos State Government intends to issue two new bonds (₦14.8 billion Series III 5-year Fixed Rate Green Bond Due 2030 and ₦200 billion Series IV: 10-Year Fixed Rate Bond Due 2035), totalling ₦214.8 billion under its ₦1 trillion Debt and Hybrid Instruments Issuance Programme in the last quarter of 2025. The proceeds from these issuances will be deployed to finance priority infrastructure and social projects across various Ministries, Departments and Agencies (MDAs) in the State. While we recognise the gradual moderation in domestic interest rates, we anticipate an uptick in LASG's debt service burden on account of the expected increase in aggregate borrowings. Nonetheless, we expect the State's debt service-to-revenue ratio to remain within the 40% threshold prescribed for subnational governments under the Investments and Securities Act (2025), supported by its strong income-generating capacity.

Although Lagos State's rising unhedged foreign currency debt obligations remain a rating concern, we expect the State to continue meeting its financial commitments as and when due. This expectation is underpinned by LASG's solid and sustainable internally generated revenue base, good credit history and established access to liquidity lines from various domestic financial institutions.

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## OUTLOOK

Lagos State is positioning itself for sustainable economic growth through the implementation of targeted policy actions anchored on the THEMES+ Agenda and its ₦3.4 trillion 2025 Appropriation Act. The State aims to strengthen its infrastructure and spatial development framework by accelerating investments in transport, housing, and urban utilities to support population growth and enhance connectivity across the metropolis. To deepen economic resilience, the government is pursuing diversification through enterprise development, digital revenue mobilisation and the expansion of non-oil income sources. Furthermore, Lagos is reinforcing social inclusion and human capital development by sustaining investments in healthcare, education and social welfare programmes. The State is also prioritising environmental sustainability through flood control, waste-to-energy projects and other climate adaptation initiatives designed to build urban resilience. In addition, the government

plans to advance governance and institutional reforms to improve fiscal transparency, enhance public sector efficiency and promote long-term financial sustainability.

Looking ahead, we expect Lagos State's total revenue to maintain an upward trajectory in the near term, driven by an expanding tax base, improved collection efficiency of the LIRS, and the State's robust and diversified economic structure. The broad composition of large corporations, multinationals, and small and medium-sized enterprises across key sectors in Lagos, including trade, manufacturing, real estate, and financial services, will continue to underpin PAYE, consumption and business levies. In addition, we anticipate further improvement in the State's share of Value Added Tax (VAT) receipts, reflecting enhanced national tax compliance and its position as Nigeria's principal commercial nerve centre. Moreover, the expected increase in the nation's crude oil output and relatively stable exchange rate should bolster LASG's statutory allocations from the Federation Account Allocation Committee (FAAC).

Lagos State's expenditure profile is expected to remain elevated in the near term on account of sustained infrastructure investments, rising debt service obligations and continued social welfare interventions aimed at mitigating inflationary pressures on households. Nonetheless, we expect the personnel, interest expense and overhead-to-revenue ratios to remain within acceptable thresholds, supported by the State's strong and recurrent operating cash inflows.

In addition, we recognise that Lagos State's plans to raise ₦214.8 billion through the Series III Green Bond and Series IV Conventional Bond under its ₦1 trillion Debt and Hybrid Instruments Programme will provide additional resources to finance priority projects in transportation, housing, energy and social infrastructure. While the new issuances will elevate the State's debt stock, we expect the debt service-to-revenue ratio to remain well within the 40% limit prescribed for subnationals under the Investments and Securities Act (2025), given the concessional nature of most existing loans and LASG's robust revenue performance.

Overall, we expect Lagos State to maintain its solid fiscal performance, underpinned by strong economic fundamentals, institutionalised revenue systems and commitment to its THEMES+ programme. These strategic interventions are expected to stimulate economic activity, sustain employment and attract private sector investment, thereby reinforcing Lagos State's position as Nigeria's leading subnational economy.

Based on the above, we have attached a **stable** outlook to the Lagos State Government of Nigeria.

## FINANCIAL SUMMARY

REVENUE & SPENDING	IPSAS		IPSAS		IPSAS		IPSAS	
	2022		2023		2024		H1'2025	
REVENUE	₦'MNS	%	₦'MNS	%	₦'MNS	%	₦'MNS	%
<b>TAX REVENUE</b>								
PERSONAL INCOME TAX	374,537.4	41%	487,285.8	40%	725,235.5	31%	590,080.8	44%
SHARE OF VAT COLLECTED CENTRALLY	161,762.6	18%	222,449.7	18%	450,169.7	19%	274,847.3	21%
SHARE OF OTHER REVENUES COLLECTED CENTRALLY (STAT. ALLOCATION)	71,338.4	8%	107,243.3	9%	319,285.0	14%	107,028.0	8%
OTHER CAPITAL RECEIPTS	-		-		-		-	
OTHER TAXES	131,495.1	6%	192,130.8	8%	312,345.3	13%	24,259.9	2%
	<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>996,216.0</b>	<b>75%</b>
<b>NON-TAX REVENUE</b>								
ASSET SALES & OTHER STATE CAPITAL RECEIPTS	31,418.7	3%	29,980.3	2%	253,310.4	11%	100,491.0	8%
INVESTMENT INCOME	7,573.2	1%	6,342.3	1%	18,197.6	1%	76,161.6	6%
OTHERS - LEVIES, FINES & FEES	145,672.9	16%	166,942.7	14%	237,054.2	10%	153,477.5	12%
	<b>184,664.7</b>	<b>20%</b>	<b>203,265.3</b>	<b>17%</b>	<b>508,562.1</b>	<b>22%</b>	<b>330,130.1</b>	<b>25%</b>
<b>TOTAL REVENUE</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>	<b>1,326,346.1</b>	<b>100%</b>
<b>OF WHICH INTERNALLY GENERATED REVENUE</b>	690,697.2	75%	882,681.9	73%	1,546,142.9	67%	944,470.8	71%
<b>GRANTS</b>	5,361.3		12,254.9		3,952.0		2,460.2	
<b>TOTAL REVENUE &amp; GRANTS</b>	<b>929,159.5</b>		<b>1,224,629.8</b>		<b>2,319,549.6</b>		<b>1,328,806.3</b>	
<b>SPENDING</b>								
<b>TRANSFERS (INCLUDING PENSION COSTS)</b>	90,302.4	10%	88,961.1	5%	116,812.1	5%	23,031.0	2%
INTEREST PAYMENTS	114,854.6	13%	127,638.1	8%	167,176.3	8%	76,782.4	5%
MDA SPENDING	548,917.0	60%	772,761.1	46%	997,604.6	46%	1,336,547.4	93%
<b>TOTAL CORE SPENDING</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>	<b>1,436,360.9</b>	<b>100%</b>
OTHER NON-OPERATING EXPENSES (DEPRECIATION, NET GAIN/LOSS ON FX TRANS., NET GAIN/LOSS ON ASSET DISPOSAL)	157,259.4	17%	695,861.7	41%	869,712.5	0.4	-	-
<b>TOTAL SPENDING</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>	<b>1,436,360.9</b>	<b>100%</b>
<b>MDA SPENDING IS MADE UP OF</b>								
<b>PERSONNEL COSTS</b>	145,022.0	16%	178,318.9	11%	249,428.5	12%	171,419.3	12%
<b>PURCHASE OF GOODS &amp; SERVICES</b>	173,350.4	19%	280,165.7	17%	424,251.5	20%	301,553.4	21%
<b>CAPITAL EXPENDITURE</b>	230,544.6	25%	314,276.5	19%	323,924.7	15%	863,574.8	60%
<b>TOTAL MDA SPENDING</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>1,336,547.4</b>	<b>93%</b>
<b>BUDGET BALANCE</b>	17,826.2		(460,592.2)		168,244.0		(107,554.6)	
<b>BUDGET BALANCE AS % OF GDP</b>	0.1%		-1.1%		0.3%		-0.2%	
<b>FOREIGN LOANS- NEW BORROWINGS</b>	19,235.8		6,480.0		166,103.2		-	
<b>REPAYMENT DURING THE YEAR</b>	19,682.0		32,630.4		74,440.7		14,833.1	
<b>FOREIGN LOAN BALANCE</b>	<b>577,116.2</b>		<b>1,128,996.2</b>		<b>1,961,782.3</b>		<b>1,946,949.1</b>	
<b>DOMESTIC- NEW LOANS</b>	298,787.8		372,003.6		50,000.0		50,000.0	
<b>LOAN DUE (REPAID) WITHIN THE YEAR</b>	166,761.1		150,772.7		178,099.7		61,949.3	
<b>DOMESTIC LOAN BALANCE</b>	<b>755,381.5</b>		<b>974,220.3</b>		<b>842,465.7</b>		<b>830,516.4</b>	
<b>TOTAL LOAN BALANCE</b>	<b>1,332,497.8</b>		<b>2,103,216.5</b>		<b>2,804,247.9</b>		<b>2,777,465.5</b>	

**Lagos State Government**

KEY RATIOS	2022	2023	2024	H1'2025
<b>REVENUE</b>				
IGR AS % OF GDP	2%	2%	3%	1%
TAX REVENUE AS % OF GDP	2%	2%	3%	1%
TOTAL REVENUE AS % OF GDP	3%	3%	4%	2%
IGR AS % OF TOTAL REVENUE & GRANTS	74%	72%	67%	71%
TAX REVENUE AS % OF IGR	54%	55%	47%	62%
<b>SPENDING</b>				
SPENDING AS % OF GDP	2%	2%	2%	2%
NON-DISCRETIONARY SPENDING* AS % OF TAX REVENUE	47%	39%	30%	27%
CAPITAL EXPENDITURE AS % OF TOTAL SPENDING	25%	19%	15%	60%
PAYROLL AS % OF REVENUE	16%	15%	11%	13%
OTHER OVERHEADS AS A % OF REVENUE	19%	23%	18%	23%
BUDGET BALANCE/REVENUE	2%	-38%	7%	-8%
<b>LEVERAGE</b>				
BUDGET BALANCE (₦' MNS)	17,826.20	####	168,244.00	-107,554.61
DEBT AS % OF NOMINAL GDP	4%	5%	5%	4%
INTEREST PAYMENTS AS % OF TOTAL REVENUE	12%	11%	7%	6%
PRINCIPAL DUE AS % OF REVENUE	23%	25%	16%	27%
<b>FINANCIAL FLEXIBILITY</b>				
DISCRETIONARY REVENUE** AS % OF TOTAL REVENUE	62%	67%	77%	80%
NET DEBT AS % OF FREE CASH FLOW ***	214%	227%	131%	220%
SHARE OF SAVINGS IN "EXCESS CRUDE ACCOUNT" (₦' MNS)				
NON-DISCRETIONARY SPENDING AS % OF TOTAL SPENDING	38%	23%	25%	19%
OUTSTANDING DEBT/REVENUE	144%	173%	121%	209%
DISCRETIONARY CASH FLOW DIVIDED BY INTEREST PAYMENT	5	6.4	10.7	13.7
* 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				

## LONG TERM RATING DEFINITIONS

<b>Aaa</b>	A municipal with the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>Aa</b>	A municipal with very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
<b>A</b>	A municipal with good financial condition and strong capacity to meet its obligations relative to all other issuers in the same country.
<b>Bbb</b>	A municipal with satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
<b>Bb</b>	A municipal with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>B</b>	A municipal with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
<b>C</b>	A municipal with very weak financial condition and very weak capacity to meet obligations as and when they fall due are relative to all other issuers in the same country.
<b>D</b>	Municipal In default.

### Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with a + (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.

## SHORT TERM RATING DEFINITIONS

<b>A1+</b>	A municipal with the strongest capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
<b>A1</b>	A municipal with a strong capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
<b>A2</b>	A municipal with adequate capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
<b>A3</b>	A municipal with limited capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
<b>B</b>	A municipal with weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
<b>C</b>	A municipal with very weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
<b>D</b>	A municipal in default

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