

# Nigeria Sovereign Investment Authority

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2022 Final Rating Report

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 **Agusto&Co.**

*Research, Credit Ratings, Credit Risk Management*

# Nigeria Sovereign Investment Authority

Rating Assigned:

**Aaa (NGA)**

ESG Score:

**2**

**Outlook:** Stable

**Issue Date:** 10 August 2022

**Expiry Date:** 30 June 2023

**Previous Rating:** N/A

**Industry:** Government  
Backed Institution

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*A government-backed institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due.*

## RATING RATIONALE

Agusto & Co. assigns 'Aaa (NGA)' rating to Nigeria Sovereign Investment Authority ('NSIA or the Authority') reflective of the credit rating of the Federal Republic of Nigeria (FGN) on our national rating scale. The NSIA is wholly owned by all the tiers of government in Nigeria. Given its ownership structure, we consider the Authority to be a government-backed institution. We have also assigned an ESG score of '2' denoting that environmental, social and governance issues have minimal contributions to credit risk. The assigned rating also reflects the Authority's strategic role in building a savings base for the Nigerian people, enhancing the development of Nigeria's infrastructure and providing fiscal stability in periods of economic stress. However, constraining the rating is the Authority's exposure to the Nigerian fragile macroeconomic climate though to an extent moderated by its investments in the United States treasury bills and other gilt edged securities.

NSIA was established by the Nigeria Sovereign Investment Authority Act which was signed by the former President Goodluck Jonathan in May 2011. The Authority's core mandates include building a saving base for Nigeria's future generation, enhancing the development of Nigeria's infrastructure and providing fiscal stabilisation support in period of economic stress, facilitated by funds from Nigeria's excess crude oil revenue. The Authority is jointly owned by the Federal Government of Nigeria (45.8%), the 36 State Governments (36.2%), the 774 Local Government Authorities (17.8%) and the Federal Capital Territory (0.2%). The NSIA Act incorporates best practices of the International Forum of Sovereign Wealth Funds' Santiago Principles which are a set of 24 voluntary guidelines that assign best practices for the operations of Sovereign Wealth Funds (SWFs). Nigeria's SWF was launched with a seed funding of US\$1 billion in October 2012 while an additional US\$750million (emanating from Nigeria LNG Limited (NLNG) dividends and excess crude account contribution) was injected between 2016 and 2019. However, \$150 million was withdrawn from the stabilisation fund in FY 2020 to augment the funding of the Federation's budget and to offset the impact of the fall in crude oil prices. Although contribution from the shareholders (the various tiers of governments) have been inconsistent, contrary to the specifications in the NSIA Act, nevertheless, the Authority's assets under management (AUM) have grown to

over US\$2 billion as at 31 December 2021 since the allocation of the US\$1 billion seed capital to the Authority in FY 2012.

In line with the NSIA Act 2011, governance is vested with the Governing Council and the Board of Directors. The appointment of the Board of Directors and the Chief Executive Officer is approved by the President of Federal Republic of Nigeria. During the year under review, a new Board of Directors (the third since the inception of the Authority) was inaugurated on 1 September 2021 as the tenure of the prior Board ended in May 2021. In our view, consistent changes in the Board of Directors negatively impacts seamless succession. In the near term, we anticipate further changes to the Board given the expected appointment of an Executive Director and the retirement of Mr. Uche Orji (the pioneer Chief Executive Officer) in October 2022.

Contributions from NSIA's shareholders are allocated to three ring-fenced funds, namely the Stabilisation Fund ("SF"), Future Generations Fund ("FGF") and Nigeria Infrastructure Fund (NIF). The investment philosophy for the SF and FGF (which are funds that invest in securities in multiple geographies), is to preserve value and earn decent returns. However, while the SF is invested in short term, highly liquid and good credit quality securities, the FGF is a longer tenured investor in good credit quality investments. Nevertheless, the NIF operates differently as it is entirely invested locally to drive the development of strategic domestic infrastructure and support economic diversification. In FY 2020, US\$150million of the SF was liquidated to augment the funding of the Federation's July budget and to offset the impact of the fall in crude oil prices due to the coronavirus pandemic. This was the first withdrawal by the Nigerian Government and is well within the stabilisation fund's mandate.

As at FYE 2021, the Authority's shareholders' funds stood at ₦909.3 billion, a 19% year-on-year growth on the back of accretion to reserves from the profit recorded. As a sovereign wealth fund manager, NSIA is not subjected to Basel methodologies. However, the Authority ensures that adequate capital is maintained through prudent portfolio management, stress testing and contingency planning. Our calculation of NSIA's tier 1 to risk weighted assets ratio declined to 77% (FYE 2020: 86%), albeit good in our view. The Authority's adjusted net debt to adjusted equity (computed as total liabilities - largely payables to counterparties less cash divided by shareholders' funds) remained at 2% as at FYE 2021, at par with prior year. We consider the Authority's capital to be good for the current business risks undertaken.

NSIA generates its income from treasury securities, hedge funds and dividend from investee companies such as Infracredit, Nigerian Mortgage Refinance Company (NMRC) and Family Homes Fund. In the review period, ancillary income (mainly net gains on financial assets and foreign exchange gains) accounted for 74% of operating income, while core earnings from treasury securities and fixed income products accounted for the balance of 22% and 4% respectively. Ancillary revenues dominated the operating income base in FY 2021 given

the persistent devaluation of the naira and higher closing exchange rates used in the translation of financial assets. Overall, profit before tax declined by 11% to ₦142.6 billion while pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE) reduced to 13.6% (FY 2020: 21.3%) and 17.7% (FY 2020: 24.7%) respectively. Nonetheless, we consider the Authority's profitability to be good as the ROE was slightly higher than the 17% average inflation rate recorded in FY 2021. In the near term, we expect ancillary revenue to dominate the operating income base given the prevailing devaluation of the naira. However, the rising yields across the globe – particularly on US treasury notes should cause core income to account for a greater proportion of operating earnings. Nevertheless, while profitability is not NSIA's core mandate, we believe that the Authority's performance will remain acceptable in the near term engendering a satisfactory capacity to fulfil mandates.

### Strengths

- Support of the government of the Federal Republic of Nigeria.
- Good capitalisation
- Sizeable and well diversified investment portfolio
- Good liquidity profile.

### Weaknesses

- Irregular contribution from shareholders
- Dealing with government bureaucracies

### Challenges

- Weak government finances that constrains the ability to consistently inject funds in the Authority
- Sustaining performance in a turbulent global economy fraught with inflationary pressures.
- Exposure to volatility in the market prices of securities

Table 1: Background Information

	2020	2021
Total Assets & Contingents	₦944.9 billion	₦1.22 trillion
Operating Income*	₦164.1 billion	₦147.6 billion
Pre-tax Return on Average Assets (ROA)	21.3%	13.6%
Pre-tax Return on Average Equity (ROE)	24.7%	17.7%

\*Less loan loss expense, commissions paid and interest expense

## PROFILE

Nigeria Sovereign Investment Authority (“NSIA” or “the Authority”) was established in May 2011 when the President signed the Act establishing the Authority as the vehicle for actualising savings for the country, stabilising the economy in periods of financial stress while also supporting Nigeria’s infrastructure development. NSIA’s activities are anchored around building a savings base for Nigerians, enhancing the development of Nigeria’s infrastructure and providing stability in a period of economic stress from the excess crude oil earnings. The Authority is jointly owned by the Federal Government of Nigeria (45.8%), the 36 State Governments (36.2%), the 774 Local Government Authorities (17.8%) and the Federal Capital Territory (0.2%). The NSIA Act incorporates best practices of the International Forum of Sovereign Wealth Funds’ Santiago Principles. The Santiago Principles are a set of 24 voluntary guidelines that assign best practices for the operations of Sovereign Wealth Funds (SWFs) including transparency and governance. Nigeria’s SWF was launched with a seed funding of US\$ 1 billion in October 2012 while an additional \$750 million (emanating from Nigeria LNG Limited (NLNG) dividends and excess crude account contribution) was injected between 2016 and 2019. However, \$150 million was withdrawn from the stabilisation fund in FY 2020 to augment the funding of the Federation account and to offset the impact of the fall in crude oil prices due to the coronavirus pandemic. Since the allocation of the US\$1 billion seed capital to the Authority, NSIA’s total assets under management (AUM) have grown to over US\$2 billion as at 31 December 2021.

The Authority’s registered office is at Clan Place, 4th Floor, Plot 1386A Tigris Crescent, Maitama, Abuja. The core funding for the Authority is allocated to three ring-fenced funds, namely the Stabilisation Fund (“SF”), Future Generations Fund (“FGF”) and Nigeria Infrastructure Fund (NIF).

### Textbox 1: NSIA’s Funds

#### The Stabilisation Fund

The Stabilisation Fund (SF) is managed to provide economic support to the Federation during periods of an acute revenue shortfall, thereby ensuring continuous fiscal support for Nigeria’s economic growth and service delivery to the people. The SF thus has a short-term investment horizon, invests in conservative fixed income mandates and is managed both internally and by independent fund managers. Thus, 75% of the fund is allocated to growth assets (investment grade corporate bonds, fixed deposits, currency swaps - collateralized deposits) while the remaining 25% is invested in hedge assets – primarily the United States of America’s treasury bills and bonds. The Fund’s expected average annualised return is benchmarked to the United States Consumer Price Index (CPI). In July 2020, the first withdrawal was made from the SF with US\$150 million paid to the Federation Account following the fall in crude oil prices on the back of the COVID-19 induced restrictions. As at 31 December 2021, 20% of the Authority’s funds were allocated to the SF which had a net asset value of US\$279 million as at FYE 2021.

#### The Future Generations Fund

The Future Generations Fund (FGF) is an intergenerational fund designed to provide future generations of Nigerians with a savings base for such a time as when the hydrocarbon reserves in Nigeria are exhausted. The FGF has a long-term investment horizon of over 20 years, so it is expected to weather multiple economic and market cycles. The FGF’s asset allocation strategy is 30% in public equity, 25% in private equities, 20% in

hedge funds and 25% in cash and commodities. Diversification, an asset allocation schedule, agreed risk limits and risk tolerance guidelines are used as risk management tools in achieving the investment objectives and mitigating the effects of volatility and uncertainties. The Fund's investment in public equity is split into 67% in developed markets and 33.3% in Emerging Markets. NSIA's FGF's private equity commitments are further divided roughly into 25% investment in secondary interest sectors and 75% for primary interest sectors. The FGF's expected average annualised return is also benchmarked to the US CPI + 400 basis points. Like the SF, external managers are used to gain exposure and manage these diverse asset classes. As at 31 December 2021, 30% of NSIA's funds were allocated to the FGF which had a net asset value of US\$977 million as at the same date.

### The Nigeria Infrastructure Fund

The Nigeria Infrastructure Fund (NIF) invests in domestic infrastructure that aligns with national priorities and meets the set goals of commercial returns, positive social impact, environmental sustainability and co-investment opportunities. Hitherto, 40% of contributions were allocated to the NIF; however, in 2017 the proportion was increased to 50% reflecting the emphasis on resolving Nigeria's infrastructure deficit. The Authority has rapidly increased its capacity to develop and manage infrastructure investment projects in response to the Government's increased policy focus on infrastructure development. This has resulted in NSIA's appointment by the Federal Government of Nigeria to manage or participate in infrastructure projects of national priority such as the Presidential Fertilizer Initiative (PFI). The NIF's key focus sectors are agriculture, power, healthcare, gas industrialisation, motorways, financial markets infrastructure and technology. Companies and projects with the ability to catalyse infrastructure development are either established, supported or funded by the Fund. As at FYE 2021, the net value of the NIF amounted to US\$1.6 billion and the expected average annualised return is the United States of America's CPI plus 300 basis points.

**Table 2: Strategic Investments by the Nigeria Infrastructure Fund**

Sector	Company/Project
Agriculture	Fund for Agriculture Finance in Nigeria (FAFIN) Panda Agriculture and Operations Limited
Communication	MTN Nigeria Communications Plc Kasi Data Centre
Education	Bridge Academics Limited
Financial Services	Infrastructure Credit Guarantee Company Limited Chapel Hill Denham – Nigeria Infrastructure Debt Fund NG Clearing Limited Nigeria Mortgage Refinance Company
Healthcare	NSIA Healthcare Holdco
Real Estate	Arena Leisure Centre

### Third-Party Funds

As the Authority's role in Nigerian infrastructure development continues to grow, opportunities for managing third-party funds and co-investing in Nigeria's infrastructural development with local and international investors emerge. Some of NSIA's third-party funds include the Presidential Infrastructure Development Fund (PIDF), Debt Management Office (DMO) Fund and the FGN Stabilisation Fund. In February 2018, the Federal

Government of Nigeria established the PIDF to accelerate the execution of strategic infrastructure projects including the Lagos-Ibadan Expressway, Second Niger Bridge and Abuja-Kano Road. The Authority was also appointed to serve as the investment manager for the US\$200 million allocated for gas-to-power infrastructure projects by the DMO. Furthermore, the Authority has co-invested with partners in critical sectors such as agriculture and financial market infrastructure.

**Table 3: NSIA's Investee Companies as at 31 December 2021**

Name of entity	Country	Percentage (%) of ownership interest	Ratings
<b>Direct subsidiary</b>			
i. NSIA Motorways Investment Company (NMIC)	Nigeria	100%	N/A
ii. FGF Private Equity Co. Limited	Nigeria	100%	N/A
iii. FGF Investments Limited	Nigeria	100%	N/A
iv. NSIA Agriculture Investment Company	Nigeria	100%	N/A
v. FGF PE Beta Limited	Nigeria	100%	N/A
vi. NSIA Property Investment Company Limited	Nigeria	100%	N/A
vii. NSIA Power Investment Company Limited	Nigeria	100%	N/A
viii. NSIA Healthcare Development and Investment Company Limited	Nigeria	100%	N/A
ix. NSIA Investment Management Company	Nigeria	100%	N/A
<b>Indirect ownership</b>			
FMCU Advanced Medical Diagnostics Limited	Nigeria	90%	N/A
AKTH Advanced Medical Diagnostics Limited	Nigeria	90%	N/A
LUTH Advanced Medical Services Limited	Nigeria	100%	N/A
<b>Investment in associates</b>			
Nigeria Mortgage Refinance Company (NMRC)	Nigeria	20.9%	<b>Aa-</b> (Agusto & Co.)
Infrastructure Credit Guarantee Company Limited	Nigeria	31.8%	<b>Aaa</b> (Agusto & Co.)
Family Homes Funds Limited (FHFL)	Nigeria	49.0%	<b>Bbb+</b> (GCR)
UFF-NAIC Agriculture Investment Company (Mauritius) Limited	Mauritius	50.0%	N/A
<b>Investment in joint venture</b>			
Multipurpose Industrial Platform Limited	Nigeria	50.0%	N/A
<b>Other long-term investments</b>			
NG Clearing Limited	Nigeria	16.50%	N/A
Bridge Academies Limited	Nigeria	12.38%	N/A

### Fund Custodians

NSIA maintains a custodial relationship with Citibank Nigeria Limited and Stanbic IBTC Bank Plc for domestic investments while JP Morgan Chase & Co serve as the global custodian. The custodians provide monthly reports to the Authority on the performance of the assets.



### Business Structure and Staffing

NSIA is structured along three strategic business groups, each composed of units namely: Enterprise Resources (Legal Services, Human Resources, Corporate Communications, Internal Audit, Legal/Company Secretariat), Operations (Finance, Information Technology, Administration, Investment Operations) and Investments (Nigeria Infrastructure Fund, Externally Managed Investments and Direct Investments).

The Chief Investment Officer handles the Externally Managed Investments section which largely entails managing the Stabilisation Fund, Future Generation Fund and Third-party funds. While the Direct Investments division is under the purview of the Executive Director who is responsible for the Nigeria Infrastructure Fund (NIF), Presidential Infrastructure Development Fund, Presidential Fertiliser Initiative and NIF Subsidiary Investments. The Operations division which comprises the (Enterprise Risk Management Team, Finance, Administration, Investment Operations, Procurement, IT and Treasury) is headed by the Chief Operating Officer who is also an Executive Director.

The head of each unit reports directly to the Chief Executive Officer (CEO) except for the head of Internal Audit, who reports directly to the Board of Directors with a dotted line to the CEO.

### Board of Directors as at 30 June 2022

Mr Farouk Mohammed Gumel	Non-Executive Director/ Chairman
Mr Uche Orji	Managing Director
Mr Aminu Umar-Sadiq	Executive Director
Mr Babatunde Sobamowo	Non-Executive Director
Mr Isiekwena Ikemefuna Louis	Non-Executive Director
Mr Ali Gona Kadugum	Non-Executive Director
Mr Oniyangi Kabir Sulaiman	Non-Executive Director
Dr. Ogechi Paschal-Ejiogu	Non-Executive Director

### Management Team

Mr Uche Orji is the Managing Director and Chief Executive Officer (MD/CEO) of Nigeria Sovereign Investment Authority. He has three decades of professional experience in the global financial market including banking, asset management and financial services. Mr. Orji started his career in the audit group of Arthur Andersen & Co. and later served as the Acting Financial Controller at Diamond Bank Plc. Over the years, he has worked in leading investment organizations such as UBS Securities in New York, where he was a Managing Director and Global Coordinator of Semiconductor Equities Research. He was also at JP Morgan Securities in London, as a Vice President and later became the Managing Director in the Equities Division and Analyst in charge of European Semiconductor Equities Research.

Mr. Orji studied Chemical Engineering at the University of Port Harcourt, Nigeria and subsequently obtained an MBA from Harvard Business School. In addition to his role as MD/CEO of NSIA, he serves on the boards of the Infrastructure Credit Guarantee Company Ltd (InfraCredit) as Chairman and as a non-executive Director at the Development Bank of Nigeria (DBN), Family Homes Funds Ltd (FHFL), NG Clearing Ltd and Nigeria Mortgage Refinance Company (NMRC).

Other members of Nigeria Sovereign Investment Authority's senior management team include:

Mr Aminu Umar Sadiq	Executive Director
Mrs Ezinwa Okoroafor	General Counsel
Mr Kolawole Owodunni	Chief Investment Officer
Mr Mark Okwor	Chief Risk Officer
Mrs Olubisi Makoju	Financial Controller
Mrs Sybil Etuk	Head, Human Resources

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## SOVEREIGN WEALTH FUNDS INSTITUTIONS – A GLOBAL OVERVIEW

Sovereign Wealth Funds (SWFs) play a critical role as both a fiscal cushion and in supporting strategic investment projects for a more sustainable future. As a result, sovereign wealth funds have become mainstream players in the global financial economy. During the coronavirus pandemic, SWFs supported some of the large-scale vaccine development programs and procurement of medical equipment while also contributing to national economic and social emergency plans. However, the investment portfolio of SWFs which is concentrated in the United States of America, China, and India is allocated to investments in midstream natural gas assets, alternative sources of energy, mobility or food, investing heavily in tech-based companies – especially e-commerce.

As at 31 December 2021, there were 118 SWFs in the world with assets under management (AuM) of circa US\$ 10.4 trillion, a 15% increase from the prior year<sup>1</sup>. As at the same date, the global SWFs' AuM is dominated by the Norwegian Pension Fund Global (13%), China Investment Corporation (12%) and Abu Dhabi Investment Authority (8%). The Libyan Investment Authority with circa US\$68.4 billion remains the largest in Africa but ranked 21<sup>st</sup> based on AuM on a global context. Botswana's Wealth Fund comes second with AuM of approximately US\$4.1 billion, while Nigeria's SWF managed by the NSIA is the fifth-largest among its African contemporaries.

Although the pandemic has subsided, supply chain disruptions, geopolitical tensions, rising inflation and the war in Ukraine continue to plague the global economy. Interest rates have also maintained an upward trajectory as 10-year US Treasury yields rose to 3.3% as at 13 June 2022, the highest in 10 years. Thus, we believe short-duration bond strategies may be insufficient to insulate sovereign portfolios from low returns. As adaptive global financial institutions, SWFs will need to strengthen risk management systems and processes in our view. However, the SWFs' deep pockets and patient capital offers them a strong competitive advantage to make opportunistic investments, albeit strategically linked to the approved goals. We also expect to see more investments in sustainability-aligned projects and divestments from high-emitting businesses as a show of support for the United Nations Sustainable Development Goals (SDG).

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<sup>1</sup> IE University and ICEX-Invest in Spain Report via: <https://www.investinspain.org/content/icex-invest/en/publicaciones/sovereign-wealth-funds-2021.html>

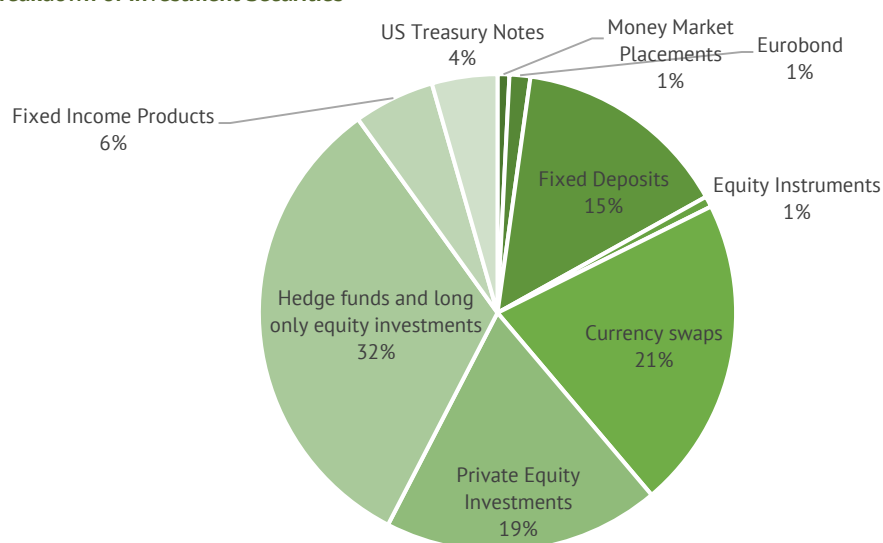
## ANALYSTS' COMMENTS

### ASSET QUALITY

As at 31 December 2021, Nigeria Sovereign Investment Authority's total assets and future commitments surpassed the ₦1 trillion mark to reflect the success of its business strategy despite minimal capital injection from the tiers of government and the prevailing headwinds in the global economy in the review period. Total assets and future commitments grew by 29% to stand at ₦1.2 trillion as at FYE 2021, supported primarily by higher retained profits.

The Authority has continued to invest in line with its enabling Act with the investment securities portfolio showing positive progression in value and size over nine years. As at FYE 2021, investment securities stood at ₦540.7 billion, at par with the prior year and remained the largest asset class accounting for 44% of total assets and future commitments as at the same date. Hedge funds and private equity investments dominate the securities portfolio reflecting the long-term savings for Nigeria's future generations.

**Figure 1: Breakdown of Investment Securities**



NSIA's investments in hedge funds and long-only equity investments grew by 47% year-on-year to stand at ₦175 billion as at 31 December 2021. Long-only equity assets represent investments in a combination of developed market and emerging/frontier market assets. During the year under review, three other long-only equity fund managers were engaged and the Authority started direct trading on the BTS<sup>2</sup>, the London Stock Exchange's multi-asset and multimarket front-end trading and quoting solution. As at FYE 2021, NSIA allocated its investments in hedge funds and long-only equity securities to a total of 20 fund managers with an

<sup>2</sup> BTS is London Stock Exchange Group's (LSEG's) easy access front-end trading solution

investment strategy focused on different geographical regions such as the United States of America, Europe, Japan and other global equity markets to moderate concentration risk.

NSIA's private equity (PE) investments grew by 58% year-on-year to ₦101.2 billion as at 31 December 2021. These PE investments include venture capital, direct trading in exchange-traded funds (ETF) and single stock pre-initial public offering (pre- IPO), co-investments with alternative assets external managers and new sector fund positions – such as technology funds. The Authority's private equity portfolio is diversified and allocated to 30 fund managers spread across different continents. We note that PE investments are long-term in nature and typically vulnerable to global headwinds which affect the performance of underlying assets. Notwithstanding, the Authority plans to increase investments in more venture capital and private equity funds on an opportunistic basis (with an increased focus on the African venture capital space) and consider co-investment opportunities with selected partners. NSIA's goal is to harness optimal risk-adjusted returns within the dynamic global market environment.

Currency swaps and fixed deposits are also significant components of the investment securities as the Authority leverage tactical opportunities to improve earnings and maintain liquid assets to meet the emergency funding needs of the Government. During the year under review, currency swaps declined by 52% to ₦114.1 billion as at FYE 2021 as some matured investments were yet to be rolled over. Given that the CBN is the counterparty, the impact of credit risk on the financial asset is minimal. We anticipate an increase in the currency swap portfolio based on the anticipated rollover of the matured investments and the consummation of new transactions.

NSIA invests in strategic subsidiaries and associates with the potential to advance its core mandates. As at 31 December 2021, the Authority had control in 18 subsidiaries and significant influence in nine associates together valued at ₦12.3 billion (FYE ₦11.5 billion). During the year under review, a new joint venture with the Moroccan OCP Group dedicated to improving ammonia and fertiliser production and distribution for the Nigerian market, as well as a potential export of excess finished products was added to the investee companies. Thus, investments in subsidiaries and associates grew by 6.7% year-on-year on the back of investment in the new subsidiary and the profitability of some investee companies. In the medium term, we anticipate a significant increase in the valuation of the investee companies (most of which are currently in their formative years) based on their strategic importance to the Nigerian economy and gradual improvement in their performance.

Overall, we view NSIA's asset quality as good, supported by decent quality investments. We note that the Authority pursues investments based on in-depth research and an asset allocation framework, ensuring a prudent and disciplined approach. NSIA and its external fund managers also adopt a holistic and disciplined approach to strategy design and portfolio construction, analysis and management to ensure portfolio integrity and stability which we view positively. In addition, the Authority's core funds pursue risk diversification to reduce portfolio volatility and curb downside risks. In FY 2022, the Authority will continue to seek out opportunities to optimize its sectoral and geographical investment footprint in line with market dynamics.

## RISK MANAGEMENT

Nigeria Sovereign Investment Authority maintains a conservative risk management philosophy given its role in building a savings base for Nigeria. The quest to become the yardstick of national fiscal discipline, reflecting values that transcend the norm in Nigeria's public service also accounts for the Authority's conservative stance. The Board of Directors is ultimately responsible for the asset allocation and the performance of the Authority's core funds. The standing Board Committees oversee critical areas on investment policy, risk, audit and human resources. The risk management function is led by the Chief Risk Officer who reports directly to the CEO. The Authority's risk management function is split into three departments: Investment and Credit Risk, Operational Risk and Infrastructure Risk. NSIA also has an independent internal audit function that reports directly to the Board with dotted reporting lines to the CEO.

### Credit Risk

NSIA's credit risk exposures can be segregated to direct credit risk and those emanating from counterparties (counterparties risk). Direct credit risk is most prominent in the Nigerian Infrastructure Fund given that the fund typically invests in greenfield projects. The Future Generation Fund and the Stabilisation Fund (where external fund managers are employed to complement capabilities available within the Authority) are the primary sources of counterparty risks.

NSIA often issues convertible bonds that typically provide the Authority with some security in the event of default to mitigate direct credit risk. With the convertible bond, NSIA protects its principal from downside risk and still participates in the upside should the underlying company succeed. In addition to the convertible bonds issued, a series of credit assessments are conducted by NSIA including testing the cash flow strength of the project, assessing the management and board integrity of the investee company and evaluating the project's liquidity.

For counterparty risks in money market placements or debt instruments, NSIA allocates internal ratings to the financial institutions and corporates with a bespoke model. The internal rating model which is also used to assess the quality of all counterparties considers both financial and non-financial factors. In addition, the Authority manages counterparty risk by pre-qualifying its asset managers as and selecting investments based on an approved strategy for each fund. The investment strategy outlines permissible asset classes, asset allocation limits and other position limits according to the portfolio risk appetite and risk profile. Exceptions are escalated and asset managers are expected to provide a plan of action that would bring portfolios within limits. Fund managers' performance is centred on three core tenets: performance, process, and people. If a fund manager scores negatively in one of the three "P"s then this represents a red flag. Should the manager score negatives in two of the three "P"s, then the investment team must recommend to the Investment Committee that NSIA should redeem the investment and re-allocate funds to asset managers with a better performance.

### Market Risk

NSIA is exposed to market risk through changes in exchange rates, interest rates and equity prices. Timely sensitivity analysis is used to envisage possible losses from key price changes. UBS is NSIA's investment and risk adviser providing research, investment and risk advisory on the investment portfolio. UBS also provides

market risk portfolio analysis for the Authority including - VaR reporting, stress testing and scenario analysis, back testing, correlation analysis through the UBS GRS risk engine and systems.

As at FYE 2021, NSIA's foreign currency risk sensitivity analysis reveals a potential loss of ₦117.5 billion (13% of shareholders' funds) for USD, Pounds and Euro net open positions due to a 15% depreciation in the naira and vice-versa. This is high in our opinion, above our acceptable level of between 5% to 7% of shareholders' funds. As at FYE 2021, NSIA stressed its profitability using a worst-case scenario of a 5% interest rate increase, which is estimated to lead to ₦22.3 billion (FYE 2020: ₦23.4 billion) loss, representing 2.5% (FYE 2020: 2.6%) of shareholders' funds and vice-versa. The equity price sensitivity analysis also reveals that other comprehensive income would increase as a result of gains on equity securities by ₦3.9 billion (0.4% of shareholders' funds) in FY 2021.

### Operational Risk

NSIA manages operational risks through annual risk and control self-assessments (RCSAs) conducted by each department in the Authority. Operational risk management also covers the security arrangements of the physical and ICT infrastructure of the Authority. Since its inception in 2011 till date, no loss related to operational risks has been recorded. The Authority's offsite data recovery site is hosted in Lagos and testing is usually conducted on a biannual basis.

In our opinion, NSIA's risk management framework is adequate for its current business risks. As the infrastructure fund portfolio expands with new products amidst evolving macroeconomic cycles, we expect the resilience of NSIA's risk management framework to be tested with the volatile economic variables and market indices.

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## EARNINGS AND PERFORMANCE

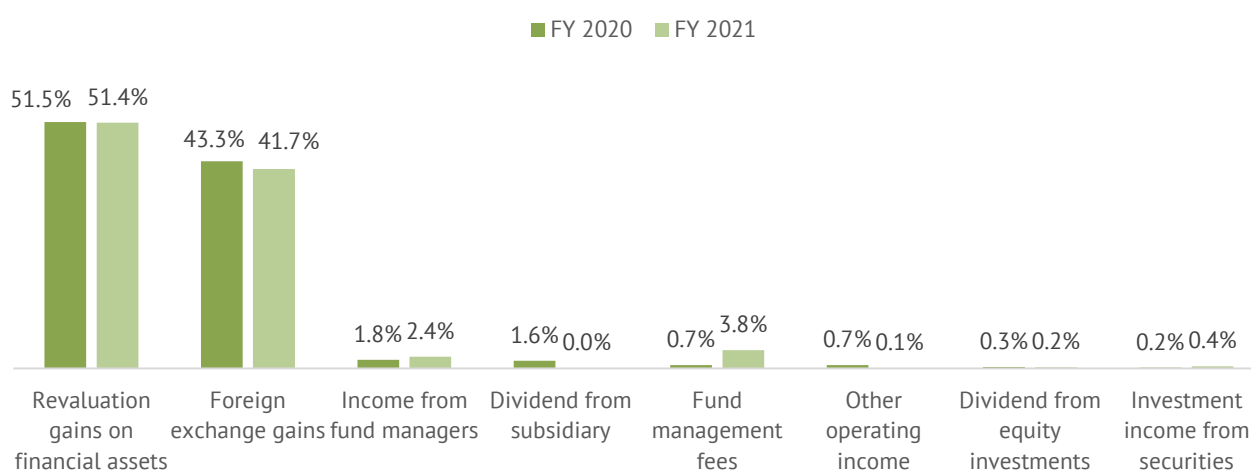
NSIA generates earnings largely from interest income on securities and dividend income from investee companies. Revaluation gains on the investment portfolio and foreign exchange gains, income from fund managers, among others provide ancillary income for the Authority. In the financial year ended 31 December 2021, the global economy was shaped by diverse headwinds and uncertainties despite the gradual decline of the spread of the pandemic. As a result, NSIA's operating income declined by 10.1% to ₦147.8 billion. The decline was most significant in the net-interest income which accounted for a lower 27% (FY 2020: 30%) of operating income while non-interest income represented 73% (FY 2020: 70%) in FY 2021.

In FY 2021, NSIA generated ₦39.3 billion as interest income, a 20% year-on-year decrease due to the prevailing low interest rates across the globe. Notwithstanding, treasury securities from developed markets and Nigeria remained dominant in the interest income portfolio, accounting for 85% (FY 2020: 87%). In our view, the rise in the global interest rates should support interest income in FY 2022.

In the year under review, NSIA's non-interest income declined by 5.7% to ₦110 billion in FY 2021. The year-on-year decline was largely due to the sale of NSIA Agriculture Investment Company (NAIC - NPK) to the Ministry of Finance Incorporated (MoFI), a subsidiary which had provided dividend income of ₦1.8 billion in

the prior year. In our view, most of the Authority’s subsidiaries are still in their formative years and the challenges in the global economy will moderate dividend pay-outs by companies in the equity portfolio in the near term. In FY 2021, we also noted that irregular revaluation gains on financial assets and foreign exchange gains jointly accounted for ₦102 billion, a 7% year-on-year decline but accounted for 93% of the non-interest income. Given the unsustainability of revaluation gains, in the near term, we do not expect a significant increase in non-interest income.

**Figure 2: Breakdown of Non-Interest Income (FY 2020 and 2021)**



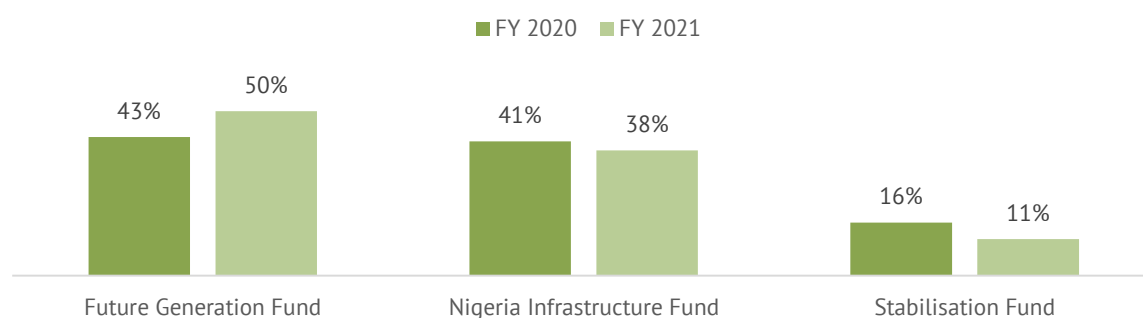
NSIA’s operating expenses (OPEX) grew by 7% to ₦5 billion in FY 2021, largely due to business growth and operational activities. Consequently, the cost-to-income (CIR) ratio increased to 3.4% from 2.8% recorded in the prior year. NSIA’s CIR compares favourably with Agaciro Development Fund (Rwanda’s Sovereign Wealth Fund) which recorded a higher CIR of 19.4% (FY 2020: 18.1%). We anticipate a higher CIR in the near term given inflationary pressures, planned additional staffing and expectation of lower operating income.

In the financial year ended 31 December 2021, NSIA’s profit before tax (PBT) declined by 11% to ₦142.6 billion, largely due to the reduction in exchange gains which is determined by the value of the Naira devaluation. The Future Generation Fund (FGF) dominates the PBT and accounted for 50% in FY 2021 given its long term investment horizon which increases the ability to accommodate higher risk. The Nigeria Infrastructure Fund (NIF) comes in a distant second place, contributing 38% to pre-tax profit in FY 2021. As more infrastructure projects come on stream and the already invested assets begin to earn returns, we expect NIF’s PBT contribution to improve in the medium term. The highly liquid short term stabilisation fund accounted for the balance of 11% of operating income in FY 2021.

In line with the contribution of the core funds to PBT, in 2021, the Future Generation Fund posted a net annual return of 12% in USD terms (FY 2020: 8.5%) with private equity, developed equity, and hedge funds being the best performers in the review period. The Stabilisation Fund returned 1.60% (in USD terms) for the year (FY 2020: 6.92%), albeit with the structured products sub-set recording 3.69% (in USD terms) for the year. The SF’s 2021 yield was lower than the 7% average US CPI recorded in 2021. The Nigeria Infrastructure Fund returned 4.64% (in USD terms) with significant progress recorded across a number of key projects. NSIA expects FGF

returns to improve in 2022, as the Federal Reserve Bank of the United States of America continues to increase interest rates.

**Figure 3: Contribution of Core Funds to Profit before Tax**



During FY 2021, NSIA's profitability ratios declined with pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE) reducing to 13.6% (FY 2020: 21.3%) and 17.7% (FY 2020: 24.7%) respectively. Rwanda's SWF's profitability indicators for the same period were lower reflecting annualised ROE of 3.5% and ROA of 3.3%. We consider NSIA's profitability to be acceptable for a sovereign wealth fund. In the near term, we believe profitability will be adversely impacted by the inflationary pressures in the United States of America, lingering pandemic-induced restrictions in China and the Russia-Ukraine conflict. In addition, we note that NSIA investee companies are still in their early growth phases and are yet to produce the dividend income that will strongly support ancillary revenue. However, the longer duration FGF should enjoy better yields in the near term. The Authority has also outlined plans to enhance co-investments and third-party asset management businesses which will drive ancillary income in the short term. Overall, in our opinion, NSIA's profitability should remain adequate to fulfil core mandates.

## CAPITAL ADEQUACY AND LEVERAGE

NSIA is a self-regulated institution with oversight from the National Assembly and the Federal Ministry of Finance. Thus, the Authority is not compelled to maintain a minimum capital or measure capitalisation using the Basel Methodologies. Despite the absence of a regulatory imposed minimum capital, the Authority is required to maintain a strong capital base to retain the confidence of the Nigerian people and to sustain future business developments. Management monitors the return on capital by reviewing monthly performance returns from investment managers. NSIA also makes necessary regulatory adjustments to capital according to changes in economic conditions and the risk of its activities. The Authority ensures that adequate capital is maintained through prudent portfolio management, stress testing and contingency planning.

As at 31 December 2021, NSIA's shareholders' funds stood at ₦909.3 billion, a 19% year-on-year growth on the back of full retention of profit generated during the year. As at the same date, the Authority's core (tier 1) capital comprising contribution by the Nigerian Government and retained earnings funded 79% (FYE 2020: 83%) of total assets and future commitments, providing a good equity cushion.



The Authority monitors capital adequacy using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising payables to counterparties and other obligations, less cash and cash equivalents while the shareholders' funds is used as the adjusted equity. As at FYE 2021, NSIA's adjusted net debt to equity ratio stood low at 2%, at par with the prior year in the review period which we view as good. We note that NSIA is in its early growth phase with no outstanding debt. As at FYE 2021, the equity cushion (core capital as a percentage of total assets) dipped to 77% (FYE 2020: 86%) on the back of the asset growth but remained good in our view.

We consider NSIA's capital and leverage to be good for the current level of business risks undertaken. We anticipate a further increase in the leverage ratio on account of the expected business growth and the debt issuance programme. However, we do not expect the Authority's leverage ratio (measured as debt issued to total assets or Asset Under management (AuM) to exceed the internal benchmark of 25%.

## LIQUIDITY AND FUNDING

Nigeria Sovereign Investment Authority's activities are largely funded by contributions from the shareholders and managed funds. Although the NSIA Act outlined the annual allocation of funds to the Authority, challenges in the crude oil market have severely constrained the expected contribution. The Authority is empowered to issue debt securities and secure borrowings for additional funding, however, the vagaries in the global economy and the limited operating years have moderated its appetite for borrowings. In the short to medium term, we expect additional liabilities from debt issuance and borrowings in the medium term.

NSIA has developed a niche in the conception, funding, development and management of infrastructure projects since its inception in 2011. Thus, the Federal Government of Nigeria and its agencies have appointed the Authority as the manager of various funds dedicated to the development of several infrastructure projects. As at 31 December 2021, these third-party funds amounted to circa ₦ 1.12 trillion and are solely for financing specific projects.

**Table 4: NSIA's Third Party Funds**

Name of Fund	Mandate Size	Expected Projects
<b>Presidential Infrastructure Development Fund (PIDF)</b>	₦1.034 trillion	Lagos-Ibadan Expressway, Second Niger Bridge and the Abuja-Kano Road.
<b>FGN Stabilisation Fund</b>	₦43.12 billion	From May 2015, the Authority received 25% of funds accruing to the Federal Government of Nigeria Stabilisation Account on a regular basis for investment on its behalf. The Authority is required to invest the funds in varied financial instruments. ₦10.4billion of these funds were loaned out to the AFAM 3 Fast Power Project.
<b>Debt Management Office (DMO) Fund</b>	US\$100 million	NSIA invested US\$100 in a private bond with Seven Energy to enable the completion of gas infrastructure in the South-South.

In the near term, we anticipate a decline in the size of the funds based on the anticipated completion of some of the dedicated projects such as the second Niger Bridge by Q4'2022. Similarly, the establishment of the Infrastructure Company of Nigeria (InfraCo) by NSIA and two other institutional investors could moderate growth of the third-party funds.

Notwithstanding the long-term horizon of NSIA's FGF and NIF funds, the Authority maintains a relatively liquid investment portfolio to meet obligations from daily business activities. The mandate to provide emergency funding for the Nigerian government in periods of revenue shortfall also elicits the need to maintain liquid assets. As at 31 December 2021, the Authority's cash and equivalents (liquid assets) comprised bank balances of ₦264.5 billion and money market placements totalling ₦91.2 billion. As at the same date, liquid assets accounted for 29% (FYE 2020: 23%) of total assets and covered future commitments (unfunded capital commitments with private equity managers for the FY 2021) 15.4x (FYE 2020: 9.9x) which we consider good.

We consider NSIA's liquidity profile and refinancing capacity to be good. In the near term, we anticipate diversity in the sources of funding with proposed local currency and foreign currency bond issuances. In addition, dividends from promising investee companies and ongoing partnerships with international development finance institutions (through co-investments) should also support the Authority's funding.

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## OWNERSHIP, GOVERNANCE, MANAGEMENT AND STAFF

Nigeria Sovereign Investment Authority is jointly owned by the Federal Government of Nigeria, the 36 States, the 774 Local Government Authorities and the Federal Capital Territory. The shareholders through the President appoint the Board of Directors and provide funding for the Authority's activities.

**Table 5: Shareholders of Nigeria Sovereign Investment Authority**

Shareholder	Equity Stake
<b>The Federal Government of Nigeria</b>	45.8%
<b>36 State Governments</b>	36.2%
<b>774 Local Government Authorities</b>	17.8%
<b>The Federal Capital Territory</b>	0.2%

According to the NSIA Act 2011, Governance at NSIA is vested with the Governing Council and the Board of Directors. Nigeria's Minister of Finance selects the members of NSIA's Board but the final decision on appointments to the Board lies with the President. During the year under review, a new Board of Directors (the third since the inception of the Authority) was inaugurated on 1 September 2021 as the tenure of the prior Board ended in May 2021. The Executive Directors were retained on the new Board except for Mrs. Stella Ojekwe-Onyejeli that retired in May 2021. The new Board has Mr. Farouk Gumel, Mr. Babatunde Sobamowo, Mr. Ike Chioke, Mr. Isiekwuena Louis and Mr. Oniyangi Sulaiman as Non-Executive Directors. However, Mr. Ike Chioke resigned in September 2021 and was replaced by Dr Ogechi Paschal-Ejiogu in January 2022. The new Board chaired by Mr. Farouk Gumel exerts its direction and control through five standing committees: the Board Externally Managed Investments Committee; the Board Direct Investments Committee; the Board Finance and General-Purpose Committee; the Board Compensation & Governance Committee; and the Board

Audit and Risk Committee. In the near term, we anticipate further changes to the Board given the expected appointment of an Executive Director and the retirement of Mr Uche Orji (the pioneer Chief Executive Officer) in October 2022. In our view, consistent changes in the Board of Directors negatively impact seamless succession.

The Governing Council provides advisory support to the Board of Directors. The Governing Council holds its annual meetings after the publication of the NSIA's Financial Statements for the year. This Council consists of the President of the Federal Republic of Nigeria, the 36 State Governors, the Minister of the Federal Capital Territory (FCT), the Minister of Finance, the Attorney General of the Federation, the Central Bank of Nigeria Governor, the Chief Economic Adviser to the President, the Chairman of the Revenue Mobilisation, Allocation and Fiscal Commission, and 12 members of the public appointed by the President. The Authority is required to provide the Governing Council with a report on the assets, liabilities, redemptions, sales, general performance by asset class and significant trends affecting investment objectives.

The daily activities of NSIA are under the purview of the Managing Director and Chief Executive Officer. Mr. Uche Orji is the pioneer and current Chief Executive Officer of NSIA. He is supported by four management committees: the Executive Management Committee, the Management Committee, the Investment Executive Committee and the Crisis Management Committee.

In FY 2021, NSIA employed an average of 57 persons (FY 2020: 47 persons) comprising 40 managerial staff and 17 non-managerial staff. In the year under review, total employee-related expenses rose by 22% to ₦2.7 billion on account of recruitments. However, operating income per staff decreased by 26% to ₦2.6 billion due to the additional recruits and covered staff costs 56x (FY 2020: 75x). In our opinion, NSIA has an experienced management team while staff productivity is good.

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## ENVIRONMENT, SOCIAL AND GOVERNANCE

Nigeria Sovereign Investment Authority has low exposure to environmental risk. However, given that infrastructure development, which typically has a significant environmental footprint is one of the mandates of the Authority, environmental risk monitoring is crucial in our view. The business relationships with domestic and international institutions that are sensitive to environmental risk breaches also make environmental risk management imperative for the Authority.

Agusto & Co. considers the social risk to be moderate for developmental financial institutions which include sovereign wealth funds. Given that the Nigerian Government (and its agencies) which is tasked with improving the welfare of Nigeria is the current sole source of funding, social risk monitoring is important in NSIA, relative to environmental risk.

Similar to most organizations, governance is crucial for the effective operations of NSIA on a going concern basis. Although the Authority is not under the purview of any regulator, we believe that governance is crucial to its continued existence. We note positively that the Governance Council provides a layer of control on the Board of Directors, albeit on an advisory basis. However, we are concerned by the lack of gender diversity on NSIA's current Board.

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## OUTLOOK

NSIA will continue to be guided by its three investment goals namely - to build a savings base for the Nigerian people, enhance the development of the nation's infrastructure and provide stability in times of economic stress. The Authority's near-term infrastructure projects include the commissioning of the Second Niger Bridge by Q4'2022. NSIA also plans to develop, construct and operationalise 23 medical diagnostic centres across all geopolitical zones in the country, build two oncology centres in Enugu and Kaduna states and 6 catheterization laboratories to create access to quality healthcare for at least one million patients per annum. In addition, the Authority anticipates the commencement of the ammonia phosphate joint venture plant with the Moroccan OCP Group.

To take advantage of the window of opportunity for post-pandemic investments, NSIA has expanded its network of and commitments to external fund managers and, exploited co-investment and co-sponsorship opportunities. Some of these recent strategic partnerships include the NSIA-IFC Renewable Energy Platform and the NSIA-Vitol Joint Venture that invests in a range of high integrity, socially impactful, carbon reduction projects. Asset transfer is also an important part of NSIA's growth strategy particularly given the significant opportunities in the power and real estate portfolio of the FGN. Furthermore, as NSIA does not receive regular funding from the Government and requires incremental capital to fund its growing pipeline projects, the Authority plans to launch local and foreign currency bonds to finance infrastructure projects and bolster capital. Going forward, NSIA plans to maintain its lines of defence and increase the frequency and rigor with which total portfolio checks are performed. This way, NSIA's overseas investment activities will remain strong in the face of the multifold stresses and challenges, outperforming the market during periods of extreme volatility and achieving strong returns during market upswings.

Overall, we expect all the Authority's financial performance metrics to improve. We also anticipate that, under the guidance of the Board of Directors, sustainability will become a more central focus of the Authority's management and operations, anchored in its long-term vision and strategy. On this basis, we hereby attach a **stable** outlook to the rating of Nigeria Sovereign Investment Authority.

## FINANCIAL SUMMARY

NIGERIA SOVEREIGN INVESTMENT AUTHORITY						
STATEMENT OF FINANCIAL POSITION AS AT	31-Dec-21		31-Dec-20		31-Dec-19	
	₦'000		₦'000		₦'000	
<b>ASSETS</b>						
Cash & Equivalents	264,453,918	22%	135,575,930	14%	108,556,478	18%
Placements	91,212,075	7%	80,302,102	8%	169,935,417	28%
Quoted Equity Investments (Net)	169,267,969	14%	283,751,481	30%	122,492,394	20%
<b>CASH &amp; MARKETABLE SECURITIES</b>	<b>524,933,962</b>	<b>43%</b>	<b>499,629,513</b>	<b>53%</b>	<b>400,984,289</b>	<b>67%</b>
<b>Gross Loans Disbursed</b>	<b>17,012,085</b>	<b>1%</b>	<b>3,243,527</b>	<b>0%</b>	-	
Less: Cumulative loan loss provision	(161,543)	0%	-		-	
<b>TOTAL LOANS &amp; ADVANCES - NET</b>	<b>16,850,542</b>	<b>1%</b>	<b>3,243,527</b>	<b>0%</b>	-	
<b>Unquoted Equity Investments(Net)</b>	<b>3,949,437</b>	<b>0%</b>	<b>5,637,803</b>	<b>1%</b>	<b>3,679,993</b>	<b>1%</b>
Hedge Funds and PE investments	276,284,494	23%	183,604,278	19%	104,507,610	17%
<b>OTHER EARNING ASSETS</b>	<b>280,233,931</b>	<b>23%</b>	<b>189,242,081</b>	<b>20%</b>	<b>108,187,603</b>	<b>18%</b>
<b>TOTAL OTHER ASSETS</b>	<b>362,353,574</b>	<b>30%</b>	<b>218,908,170</b>	<b>23%</b>	<b>75,878,818</b>	<b>13%</b>
<b>TOTAL OTHER LONG-TERM ASSETS</b>	<b>12,287,115</b>	<b>1%</b>	<b>11,510,787</b>	<b>1%</b>	<b>12,368,388</b>	<b>2%</b>
<b>TOTAL FIXED ASSETS &amp; INTANGIBLES</b>	<b>671,715</b>	<b>0%</b>	<b>609,958</b>	<b>0%</b>	<b>514,245</b>	<b>0%</b>
<b>TOTAL ASSETS</b>	<b>1,197,330,839</b>	<b>98%</b>	<b>923,144,036</b>	<b>98%</b>	<b>597,933,343</b>	<b>100%</b>
<b>Unfunded Capital Commitments with PE Managers</b>	<b>23,039,558</b>	<b>2%</b>	<b>21,779,966</b>	<b>2%</b>	-	
<b>TOTAL ASSETS &amp; COMMITMENTS</b>	<b>1,220,370,397</b>	<b>100%</b>	<b>944,924,002</b>	<b>100%</b>	<b>597,933,343</b>	<b>100%</b>
<b>CAPITAL &amp; LIABILITIES</b>						
<b>TIER 1 CAPITAL (CORE CAPITAL)</b>	<b>903,611,854</b>	<b>74%</b>	<b>760,999,795</b>	<b>81%</b>	<b>568,413,020</b>	<b>95%</b>
SHORT TERM BORROWINGS	-		-		-	
LONG TERM BORROWINGS	-		-		-	
TOTAL INTEREST BEARING LIABILITIES	-		-		-	
<b>TIER 2 CAPITAL</b>	<b>5,709,341</b>	<b>0%</b>	<b>5,368,333</b>	<b>1%</b>	<b>3,430,497</b>	<b>1%</b>
TOTAL OTHER LIABILITIES	288,009,644	24%	156,775,908	17%	27,015,570	5%
<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>1,197,330,839</b>	<b>98%</b>	<b>923,144,036</b>	<b>98%</b>	<b>598,859,087</b>	<b>100%</b>
TOTAL COMMITMENTS	23,039,558	2%	21,779,966	2%	-	
<b>TOTAL CAPITAL, LIABILITIES &amp; COMMITMENTS</b>	<b>1,220,370,397</b>	<b>100%</b>	<b>944,924,002</b>	<b>100%</b>	<b>598,859,087</b>	<b>100%</b>

NIGERIA SOVEREIGN INVESTMENT AUTHORITY						
INCOME STATEMENT FOR THE YEAR ENDED						
	31-Dec-21		31-Dec-20		31-Dec-19	
	N'000		N'000		N'000	
Interest income	39,300,126	38.0%	49,021,344	42%	33,448,332	87%
Interest expense	(3,058)	0.0%	(2,491)	0%	(7,526)	0%
<b>NET INTEREST REVENUE</b>	<b>39,297,068</b>	<b>38.0%</b>	<b>49,018,853</b>	<b>42%</b>	<b>33,440,806</b>	<b>87%</b>
Investment income	3,352,806	3.2%	4,455,184	4%	464,505	1%
Fees and other income	105,280,656	101.8%	111,716,664	97%	4,889,185	13%
Loan loss expense	(342,008)	-0.3%	(1,106,280)	-1%	(965,076)	-3%
<b>OPERATING INCOME</b>	<b>147,588,522</b>	<b>142.8%</b>	<b>164,084,421</b>	<b>142%</b>	<b>37,829,420</b>	<b>98%</b>
STAFF COSTS	(2,653,626)	-2.6%	(2,183,427)	-2%	(1,816,928)	-5%
DEPRECIATION EXPENSE	(303,857)	-0.3%	(244,289)	0%	(161,501)	0%
OTHER OPERATING EXPENSES	(2,018,980)	-2.0%	(2,219,930)	-2%	(1,790,967)	-5%
<b>OPERATING EXPENSES</b>	<b>(4,976,463)</b>	<b>-4.8%</b>	<b>(4,647,646)</b>	<b>-4%</b>	<b>(3,769,396)</b>	<b>-10%</b>
<b>PROFIT BEFORE TAX</b>	<b>142,612,059</b>	<b>138.0%</b>	<b>159,436,775</b>	<b>138%</b>	<b>34,060,024</b>	<b>89%</b>

NIGERIA SOVEREIGN INVESTMENT AUTHORITY			
KEY RATIOS			
	31-Dec-21	31-Dec-20	31-Dec-19
<b>PROFITABILITY RATIOS</b>			
Return on earning assets (average)*	33.2%	60.1%	10.5%
Return on average assets	13.6%	21.3%	6.6%
Return on average equity	17.7%	24.7%	6.9%
Loan loss expense/Interest income	0.9%	2.3%	2.9%
Operating expenses/Net earnings	3.4%	2.8%	10.0%
<b>LIQUIDITY RATIOS</b>			
Liquid assets/Future commitments	1544%	991%	100%
Liquid assets/total debt	100%	100%	100%
Liquid assets/Long term debts	100%	100%	100%
Liquid assets/total liabilities	123%	138%	1034%
Liquid assets/total assets	29%	0	0
<b>CAPITAL ADEQUACY</b>			
Core Capital	903,527,034	760,878,511	568,312,785
Tier 2	5,709,341	5,368,333	3,430,497
Equity Cushion	77%	86%	96%
Outstanding loans + Net equity investments + Net Guarantees/Realizable Capital	76%	57%	32%
<b>LEVERAGE RATIOS</b>			
Debt/Equity	32%	21%	
Gross debt (net of liquid assets)/core capital	39%	28%	49%
Gross debt (net of liquid assets)/Realizable capital	39%	28%	49%
<b>STAFF INFORMATION</b>			
Average number of employees	57	47	57
Staff cost per employee (N'000)	46,555	46,456	31,876
Operating Income per staff (N'000)	2,589,272	3,491,158	663,674
Staff cost/Operating income	1.8%	1.3%	4.8%
Staff costs/Operating expenses	53.3%	47.0%	48.2%

## RATING DEFINITIONS

Aaa	A Government backed institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due.
Aa	A Government backed institution of very good financial condition and strong capacity to meet its obligations as and when they fall due.
A	A Government backed institution of good financial condition and strong capacity to meet its obligations.
Bbb	A Government backed institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due.
Bb	Financial condition is satisfactory and ability to meet obligations as and when they fall due exists.
B	Financial condition is weak but obligations are still being met as and when they fall due.
C	Financial condition is very weak.
D	In default.

**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 + (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.**

## ESG CREDIT RATING CONTRIBUTION SCORE GUIDE

1	Environmental, Social and Governance issues do not contribute to credit risk
2	Environmental, Social and Governance issues have minimal contribution to credit risk
3	Environmental, Social and Governance issues have a material contribution to credit risk
4	Environmental, Social and Governance issues contribute significantly to credit risk
5	Environmental, Social and Governance issues are major contributor to credit risk







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