

Nigeria Sovereign Investment Authority

2024 Final Entity Rating Report



Nigeria Sovereign Investment Authority

Entity Rating:

Aaa (NGA)

ESG Score:

3

Outlook: Stable

Issue Date: 14 Feb 2025

Expiry Date: 30 June 2025

Previous Rating: Aaa (NGA)

Industry: Government-Backed Institution

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A Government-backed institution of the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other GBIs in the same country.

RATING RATIONALE

Agusto & Co. affirms the **Aaa** (NGA) rating assigned to Nigeria Sovereign Investment Authority ('**NSIA**' or '**the Authority**'). The rating reflects NSIA's strategic importance in providing stability for Nigeria during financial stress, enhancing the development of Nigeria's infrastructure and building a savings base for future generations. The Authority's strong capitalisation, good asset quality and well-diversified investment portfolio are also considered rating positives. However, NSIA's exposure to the vagaries of the Nigerian political terrain and lingering global headwinds constrains the rating. Our review of the ESG placed more emphasis on governance. Given that political interference in the Board's tenor could impair its independence and adversely impact some strategic oversight of the Authority, we have assigned a '3' ESG score, denoting that governance issues have material contributions to credit risk.

NSIA's core mandates are centred on building a savings base for future generations of Nigerians, driving domestic infrastructure development, and providing fiscal stabilisation during periods of economic stress. To achieve these objectives, the Authority manages three distinct ring-fenced funds: the Stabilisation Fund (SF), the Future Generations Fund (FGF), and the Nigeria Infrastructure Fund (NIF). As at 31 December 2023, NSIA's investment portfolio stood at ₦1.9 trillion (FYE 2022: ₦1 trillion) bloated by the steep naira depreciation given that the investment portfolio is denominated in USD. As at the same date, the investment portfolio was largely held in currency swaps with the CBN, hedge funds and long-only equity investments, private equity (PE), financial institution placements, intercompany investment receivables and Eurobonds. Hedge funds, long-only equity investments and the PE portfolio provide risk-adjusted returns albeit most vulnerable to global economic headwinds. The Authority adopts a diversification approach in managing the investment portfolio. As at FYE 2023, 33 fund managers including Goldman Sachs, JP Morgan and other top-tier global institutions oversee the portfolio while a portion is managed internally. As at the same date, the placements were held by investment-grade financial institutions, based on Agusto & Co's national rating scale and the Eurobonds are all debt obligations of the Federal Government of Nigeria. Overall, we consider the Authority's asset quality good supported by the diversification approach adopted.

As at 31 December 2023, NSIA's shareholders' funds stood at ₦2.2 trillion, reflecting a 118.6% year-on-year on the back of full profit retention and an additional capital inflow of ₦20.9 billion (\$45 million) from the Petroleum Industry Act (PIA) implementation. As at the same date, the equity cushion rose to

95.5% (FY 2022: 83.8%) due to the enlarged capital base and surpassed our 50% threshold underscoring the strong capital position relative to the business risks undertaken. In the near term, we anticipate additional capital given the full implementation of the PIA, which mandates the allocation of price-based royalties from upstream oil and gas companies to NSIA. The expected retention of the anticipated improved profitability should also bolster the capital base. Subsequent to the year-end, in the first nine months of 2024, the Authority received an additional ₦130.8 billion (\$96.4 million) from the price-based royalties, further strengthening capitalisation.

In the financial year ended 31 December 2023, NSIA's performance was largely shaped by foreign currency revaluation gains given the steep depreciation in naira, the reporting currency of the Authority. The elevated interest rate environment and the positive sentiments towards equities also supported the performance. As a result, the operating income surged 11.6 times to ₦1.2 trillion in FY 2023. Notwithstanding the raging inflationary pressures, operating expenses grew by only 9.8%. Hence, the cost-to-income ratio plummeted to 0.5% (FY 2022: 5.7%), the lowest since inception. Overall, the Authority posted a pre-tax profit of ₦1.2 trillion (FY 2022: ₦96 billion) and profitability ratios surged with pre-tax return on average assets (ROA) of 70.1% (FY 2022: 8.4%) and pre-tax return on average equity (ROE) of 73.4% (FY 2022: 10.1%). When we adjust for the foreign currency revaluation gain which is unsustainable in our view, the ROA and ROE improved to 53.2% (FY 2022: 8.1%) and 55.8% (FY 2022: 9.7%) respectively.

Subsequent to the year-end, NSIA's performance was further bolstered by additional naira depreciation which resulted in significant foreign currency revaluation gains. The disinflation recorded by some developed economies and China's gradual recovery, amongst other positive factors impacted the hedge fund, PE and long-only equity investment in the FGF portfolio. Consequently, in the nine months ended 30 September 2024, NSIA's annualised ROA and ROE improved to 78.9% and 81.3% respectively in naira terms and 64.7% and 62.6% in dollar terms. We believe the performance will be sustained in the near term.

Based on the aforementioned, we hereby attach a **stable** outlook to the rating.

Strengths

- Support of the Federal Government of Nigeria
- Good capitalisation
- Relatively diversified investment portfolio
- Experienced management team

Weakness

- Political risk as reflected in abrupt changes in the Board composition with the inauguration of new administration

Challenges

- Weak government finances that constrains the ability to consistently inject funds in the Authority
- Sustaining performance in a volatile global economy

Table 1: Background Information

	31 December 2022	31 December 2023
Total Assets & Contingents	₦1.04 trillion	₦2.3 trillion
Operating Income	₦101.8 billion	₦1.2 trillion
Pre-tax Return on Average Assets (ROA)	9%	70.5%
Pre-tax Return on Average Equity (ROE)	10.7%	73.8%

PROFILE

Nigeria Sovereign Investment Authority (“**NSIA**” or “**the Authority**”) was established through an Act of the National Assembly in May 2011 to manage Nigeria’s Sovereign Wealth Fund on behalf of the three tiers of government, the shareholders. NSIA has three core mandates; actualise savings for the country, provide financial stability during periods of economic stress and support Nigeria’s infrastructural development through investments predicated upon financial return. The Authority commenced operations with a seed capital of US\$1 billion in October 2012 but has grown assets under management (AuM) to US\$2.5 billion as at 31 December 2023, largely through earnings retention. The Petroleum Industry Act 2021 (PIA), which mandates the transfer of sales proceeds to the Authority once the crude oil price exceeds a threshold, has also been a funding source since the implementation commenced in 2023. Thus, a \$45 million contribution was received in the financial year ended 31 December 2023.

NSIA operates three ring-fenced funds, each structured along the core mandates: the Stabilisation Fund (SF), Future Generations Fund (FGF), and Nigeria Infrastructure Fund (NIF). As at 31 December 2023, the Authority operates from The Clan Place, 4th Floor, Plot 1386A Tigris Crescent, Maitama, Abuja.

	Stabilisation fund	Future Generations Fund	Nigeria Infrastructure Fund
Objective	Provide support to the Federation in periods of economic stress	Invest in long-term assets with a yield target of US inflation plus 4% to provide a savings base for future generations of Nigerians	Investments in projects and initiatives with the ability to bridge Nigeria’s infrastructural deficits while meeting the NSIA’s return objective.
Asset Allocation	75% in Growth Assets - Investment grade corporate bonds - fixed deposits, - currency swaps 25% in Hedge Assets - US treasury securities - Nigeria treasury securities	-30% in public equity -25% in private equity -20% in hedge funds -25% in cash and commodities	-Industrialisation -Technology -Agriculture -Healthcare -Power -Financial market infrastructure
AuM as at 31 December 2023	US\$505 million	US\$1.1 billion	US\$923.6 million

Subsidiaries, Associates and Joint Ventures

NSIA’s activities, particularly under the infrastructure development mandate, are conducted through dedicated subsidiaries, associates, and joint venture companies. This provides the appropriate governance and oversight and facilitates partnerships and co-investment opportunities with institutions with similar interests in specific projects.

Table 2: NSIA’s Investments in Subsidiaries, Associates & Joint Ventures as at 31 December 2023

Name	Country	Percentage (%) of ownership interest
Direct Active Subsidiaries		
NSIA Motorways Investment Company (NMIC)	Nigeria	100%

FGF Private Equity Co. Limited	Nigeria	100%
FGF Investments Limited	Nigeria	100%
FGF PE Beta Limited	Nigeria	100%
NSIA Property Investment Company Limited	Nigeria	100%
NSIA Power Investment Company Limited	Nigeria	100%
NSIA Healthcare Development and Investment Company Limited	Nigeria	100%
NSIA Investment Management Company	Nigeria	100%
Indirect Ownership		
FMCU Advanced Medical Diagnostics Limited	Nigeria	90%
AKTH Advanced Medical Diagnostics Limited	Nigeria	90%
LUTH Advanced Medical Services Limited	Nigeria	100%
Equilease Systems Limited	Nigeria	100%
Riplenergy Company Ltd	Nigeria	100%
NSIA Advanced Medical Services Limited (Medserve Ltd)	Nigeria	100%
NSIA Meta Management Company Limited	Nigeria	100%
Associate Companies		
Nigeria Mortgage Refinance Company (NMRC)	Nigeria	20.9%
Metrowaves Sports and Infrastructures Limited	Nigeria	40.5%
Infrastructure Credit Guarantee Company Limited	Nigeria	30.4%
Family Homes Funds Limited (FHFL)	Nigeria	49.0%
Joint Venture Investments		
Multipurpose Industrial Platform Limited	Nigeria	50.0%
UFF-NAIC Agriculture Investment Company (Mauritius) Limited	Mauritius	50.0%

Fund Custodians

NSIA maintains a custodial relationship with Stanbic IBTC Nominees Limited (SINL), a wholly owned subsidiary of Stanbic IBTC Bank Plc, for domestic investments, while JP Morgan Chase & Co. serves as the global custodian.

Ownership and Board

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. Following recommendations by the Minister of Finance, the shareholders through the President appoint the Board of Directors. The shareholders are expected to make annual contributions to the Authority although constrained by the prevailing fiscal challenges.

Table 3: Shareholders of Nigeria Sovereign Investment Authority as at 31 December 2023

Shareholder	Equity Stake
The Federal Government of Nigeria	46.5%
36 State Governments	34.8%
774 Local Government Authorities	18.2%
The Federal Capital Territory	0.5%

In June 2023, the newly inaugurated President Bola Tinubu dissolved the Board of Directors of NSIA. As a result, the Authority operated without a Board until August 2024 when a new nine-member Board chaired by Mr Segun Ogunsanya was constituted. The new Board comprised three Executive Directors and six Non-Executive Directors.

CURRENT DIRECTORS

Mr Segun Ogunsanya	<i>Chairman</i>
Mr Aminu Umar-Sadiq	<i>Managing Director/Chief Executive Officer</i>
Mr Kola Owodunni	<i>Executive Director and Chief Investment Officer</i>
Mrs Ijeoma Taylaur	<i>Executive Director and Chief Operating Officer</i>
Prof Fabian Ajogwu	<i>Non-Executive Director</i>
Mr Abdullahi Mahmud Gaya	<i>Non-Executive Director</i>
Mr Ahmed Goniri	<i>Non-Executive Director</i>
Ms Ada Osakwe	<i>Non-Executive Director</i>
Dr Suleyman Ndanusa	<i>Non-Executive Director</i>

The activities of NSIA are also overseen by a Governing Council that comprises the President, 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 reports on assets, liabilities, redemptions, sales, general performance by asset class and significant trends affecting investment objectives to the Governing Council.

Management Team

Mr Aminu Umar-Sadiq was appointed in October 2022 as the Managing Director of NSIA. He has circa two decades of professional experience in the financial services sector spanning public finance management, mergers & acquisitions, private equity and asset management. Mr Umar-Sadiq worked with Morgan Stanley, London; Societe Generale, London; and Denham Capital Management. He currently serves on the boards of the Nigeria Mortgage Refinancing Company and the Infrastructure Credit Guarantee Company Limited. Mr Umar-Sadiq holds a Bachelor's and Master's degree in Engineering Sciences; both from the University of Oxford, United Kingdom.

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

Mr Kola Owodunni	<i>Executive Director and Chief Investment Officer</i>
Mrs Ijeoma Taylaur	<i>Executive Director and Chief Operating Officer</i>
Mr Ifori Layegue	<i>Head, Risk & Compliance</i>
Mr Victor Sesere	<i>Ag. Chief Financial Officer</i>
Ms Nana Maidugu	<i>Head, ESG</i>
Mrs Sybil Etuk	<i>Head, Corporate Planning and Strategy</i>
Ms Gbemisola Tella	<i>Head, Human Resources</i>
Mrs Ezinwa Okoroafor	<i>General Counsel</i>

In the financial year ended 31 December 2023, the Authority employed an average of 60 persons, lower than 62 individuals in the prior year. As a result, the average staff cost per employee declined by 7% to ₦37.2 million. Given the improved performance during the year under review, largely on the back of the foreign

currency revaluation gains, operating income per staff surged 12 times to ₦19.6 billion and covered the staff costs per employee 527.7 times (FY 2022: 41.1 times). We believe staff productivity is good and NSIA is overseen by an experienced management team.

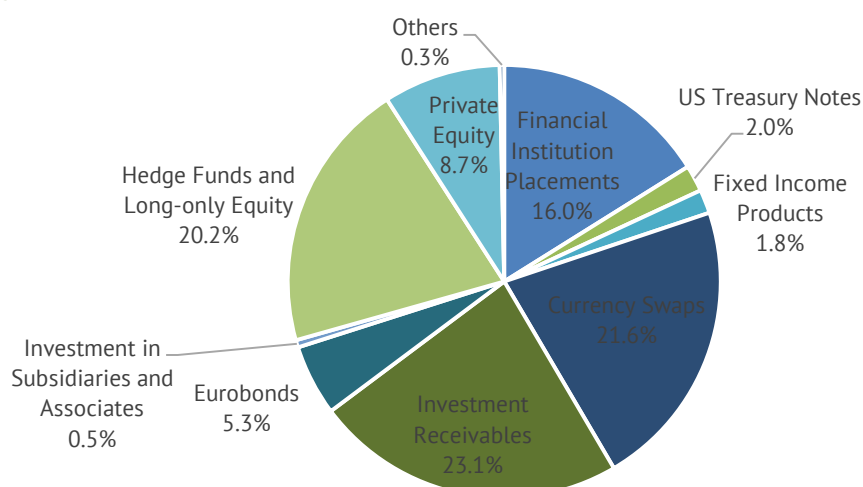
ANALYSTS' COMMENTS

ASSET QUALITY

As at 31 December 2023, NSIA's total assets and commitments stood at ₦2.3 trillion, up by 117.8% year-on-year. Given that most of the Authority's investments are denominated in USD, the 50.1% naira depreciation recorded in the year under review bloated the asset size. The contribution received during the year under review following the implementation of the PIA also supported the asset growth, albeit to a lower extent. As at FYE 2023, the investment portfolio amounted to ₦1.9 trillion (FYE 2022: ₦1 trillion) and accounted for 84.9% (FYE 2022: 95.2%) of total assets and commitments. As at the same date, the investment portfolio comprised currency swaps, hedge funds, long-only equity investments, private equity, fixed deposits, Eurobonds, treasury securities and other investment receivables reflecting a strategic mix designed to optimise returns while managing risk effectively.

Currency swaps with the Central Bank of Nigeria (CBN) as the counterparty, which provides USD liquidity to the apex bank while providing additional income to NSIA, remained the largest component of the investment portfolio. During the year under review, the portfolio expanded by 152.1% year-on-year, largely bloated by the currency depreciation. Adjusting for the impact of the depreciation, the real growth in the swap portfolio was relatively modest at 25.7%. Given the credit quality of the CBN as a counterparty and the structure of the transactions, we consider the credit risk associated with these swaps minimal in domestic terms. Moreover, these transactions are well-aligned with the objectives of the Stabilisation Fund, supporting the mandate to provide liquidity and safeguard Nigeria against economic shocks. Also included in the investment portfolio is investment receivables arising from swaps with the CBN and intercompany investment activities which grew by 31.8% during the year under review, accounting for 23.1% of the total investment portfolio as at FYE 2023.

Figure 1: Breakdown of Investment Securities as at 31 December 2023



Hedge funds and long-only equity investments also serve as a major investment outlet for NSIA's future generation fund given the propensity to offer above-average returns. Given the fair value changes and the

steep naira depreciation, these alternative assets expanded by 143.3% year-on-year. However, when we exclude the impact of the naira depreciation, the portfolio only grew by 21.3%. In our view, the uncertainties in the global macroeconomic environment and financial markets continue to threaten the asset class, exacerbated by their relatively illiquid status. However, the asset class is diversified by the underlying instruments and managers. We believe this level of diversification should contribute to the overall resilience of the portfolio while providing an additional cushion against potential loss in valuation.

Investment in private equity (PE) provides risk-adjusted returns and remains a key component of the future generations fund. The portfolio includes investments in venture capital, exchange-traded funds (ETFs), single-stock pre-initial public offerings (pre-IPOs), co-investments with external alternative asset managers, and new sector fund positions such as technology funds. In the year under review, PE investments remained stagnant in real terms, although the portfolio grew by 100.7% nominally given the steep naira depreciation. To mitigate exposure to global economic headwinds, NSIA also adopted a diversified approach, with 33 fund managers in various countries overseeing the PE investments. In addition, a portion of these investments is managed internally, further enhancing oversight and resilience against market volatility.

Investments in money market instruments and Eurobonds used to support the Authority's stabilisation mandate, are also prominent in the investment portfolio. Based on Agusto & Co's assessment all of the money market instruments are investment-grade counterparties on our national rating scale, reflecting a relatively low default risk. Eurobonds in the portfolio are debt issuances by the Federal Government of Nigeria and NSIA has emphasised investing in short-dated fixed-income instruments for easy upward repricing as yields rise.

The Authority's infrastructure development strategy is anchored on direct investment in projects and companies via debt or equity, particularly through a co-investment platform for creating institutions to address specific infrastructure problems. In the year under review, Riplenergy Company Ltd was incorporated to expand efficient access to energy, particularly via clean renewable sources. NSIA Advanced Medical Services Limited (MedServe) was also incorporated to coordinate the Authority's activities in the healthcare space. Thus, as at 31 December 2023, the NSIA had eight direct subsidiaries, seven indirect subsidiaries, four associates and two joint venture (JV) companies. While the current contribution of most of the investee companies to NSIA's performance has been minimal given their embryonic stage of development, we believe these companies have significant growth potential and are strategic to improving Nigeria's low infrastructural stock.

Overall, we consider NSIA's asset quality good, underpinned by investments in relatively low-risk instruments and the expertise of external and internal fund managers. We view positively the Authority's focus on risk diversification to moderate exposure to economic headwinds.

EARNINGS AND PERFORMANCE

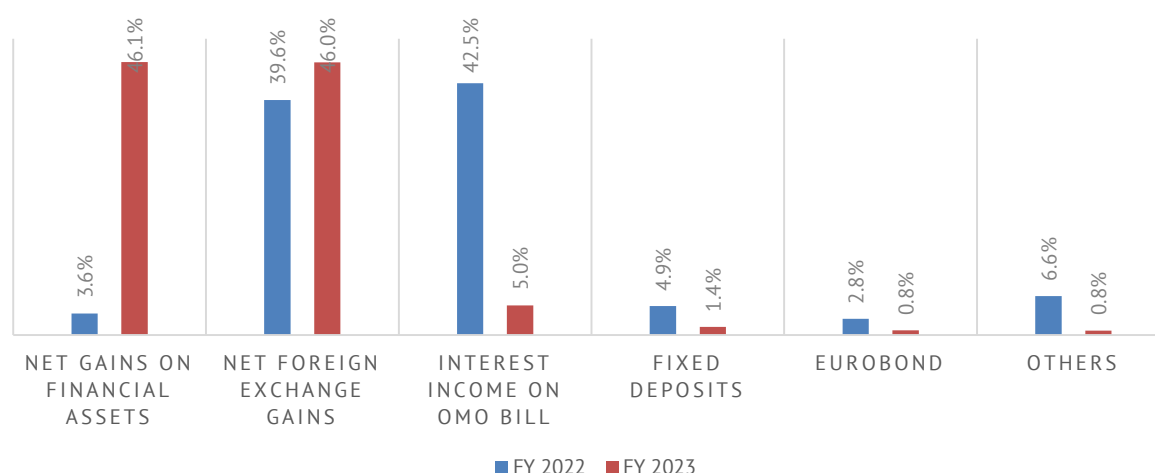
NSIA largely generates revenue from interest income on money market securities, valuation gains on swaps, hedge funds and equity investments. The Authority also earns income from fund managers and dividends from investee companies. During the year under review, NSIA's performance was bloated by the 50.1% depreciation of naira, the reporting currency while most of the investments are denominated in USD. The Authority's performance was also shaped by favourable global and domestic developments including the elevated interest rates and positive sentiments towards equities. As a result, NSIA's operating income surged 11.6 times to ₦1.2

trillion in FY 2023, largely driven by foreign currency revaluation gains.

During the financial year ended 31 December 2023, the Authority's interest income grew by 75.3% to ₦89.2 billion supported by the elevated interest rate environment, the enlarged investment portfolio and bloating impact of the currency depreciation. Income from open market operations bills received as part of the swap contracts remained the major driver of interest income and accounted for 66.2% (FY 2022: 81%) in FY 2023. We note that fixed-income securities have typically provided a sustainable and less volatile income stream. In the near term, we anticipate higher interest income largely due to the impact of the persistent naira depreciation on the USD-denominated investment securities. However, the gradual decline in the global interest rate will remain a threat. Subsequent to year-end, in the first nine months of 2024, the interest income spiked 3 times to ₦185.7 billion year-on-year, in line with our expectations.

In FY 2023, the Authority's performance was supported by fair value gains on financial instruments which spiked to ₦543.8 billion (FY 2022: ₦3.5 billion) and accounted for 46.1% (FY 2022: 3.6%) of operating income. While the steep naira depreciation largely drove the gains, the ₦39.6 billion fair value gains recorded on the private equity, hedge funds and long-only equity investments compared to the ₦30.3 billion loss recorded in the prior year were supportive. Similarly, NSIA recorded a 14.1 times surge in foreign currency revaluation gains which contributed 46% to total operating income in FY 2023. Subsequent to year-end, in the first nine months ended 30 September 2024, the FX gains remained dominant in the Authority's operating income given the further 42.9% currency depreciation. We expect the trend to continue for FYE 2024.

Figure 2: Breakdown of Operating Income for FY 2022 & FY 2023



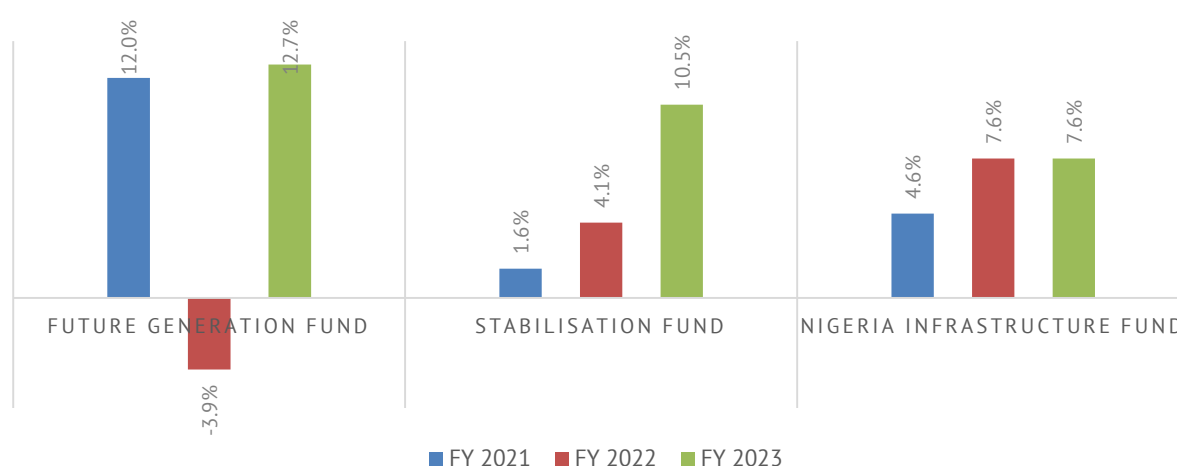
NSIA provides fund and project management services to the federal government. The Presidential Infrastructure Development Fund (PIDF), the FGN Stabilisation Fund, the CBN Nigeria Electricity Supply Industry (NESI) and the Presidential Fertiliser Initiative (PFI) are some of the third-party funds under management. The Authority earns fees for managing these funds and also recoups any related costs incurred on the projects. Given the completion of some projects financed by the funds during the year under review, fiduciary income from fund management activities declined by 46.1%. However, in the first nine months of

2024, the fiduciary income improved to ₦6.4 billion due to improve market conditions.

Notwithstanding the surge in inflationary pressures during the year under review, the operating expenses rose by only 9.8%. Given the significant improvement in the operating income, the cost-to-income ratio (CIR) plummeted to 0.5% (FY 2022: 5.7%), the lowest since operation commenced. We believe the CIR will further moderate in the near term given the anticipated growth in operating income. The CIR declined to 0.4% in the first nine months of 2024, in line with our expectations.

Overall, the pre-tax profit spiked 12.2 times to ₦1.2 trillion mainly due to the foreign currency revaluation gains. Notably, all of the funds were profitable during the year under review compared to the prior year when the Future Generation Fund recorded a loss. In real terms (when we adjust for the 50.1% naira depreciation), the FGF returned 12.7%, outperforming the benchmark consumer price index by 400 basis points. Similarly, the Stabilisation Fund performed better with a 10.5% (FY 2022: 4.1%) return, higher than the 7.2% average US CPI in the year under review. The Nigeria Infrastructure Fund returned 7.6%, at par with the prior year.

Figure 3: Fund Performance (FY 2021 – FY 2023)



Overall, NSIA's pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE) rose to 70.1% (FY 2022: 8.4%) and 73.4% (FY 2020: 10.1%) respectively in FY 2023. When we adjust for the impact of the FX gains recorded during the year, the ROA and ROE remained good at 53.2% (FY 2022: 8.1%) and 55.8% (FY 2022: 9.7%) respectively. These profitability ratios were better than Norway's SWF with a 17.3% ROA and 18.5% ROE. We consider NSIA's profitability good despite the various global headwinds.

Subsequent to the year-end, based on the unaudited management accounts for the nine months ended 30 September 2024, the Authority's annualised ROA and ROE improved to 79.3% and 81.6% respectively. In USD terms and discounting the impact of FX volatility, profitability metrics remained good with annualised ROA and ROE of 62.6% and 64.7% respectively in the first nine months of 2024.

CAPITAL ADEQUACY AND LEVERAGE

As at 31 December 2023, NSIA's shareholders' funds stood at ₦2.2 trillion, a significant 118.6% year-on-year growth buoyed by the full retention of profit generated during the review year. The ₦20.9 billion (\$45 million) contribution received during the year under review as the Petroleum Industry Act (PIA) implementation commenced also supported the capital base. However, in USD terms, the shareholders' funds only grew by 9% to US\$2.4 billion (₦@899/\$).

The Authority monitors leverage using debt to total assets, with 25% as the maximum threshold. Notwithstanding the ₦24.5 billion short-term borrowing sourced from the CBN NESI Fund (a third-party fund managed by the Authority), as at FYE 2023, the leverage ratio remained low at 1% (nil in the prior year) while the equity cushion improved to 95% (FYE 2022: 84%).

Overall, we consider NSIA's capital and leverage good for the current business risks undertaken. Subsequent to year-end, in the nine months ended 30 September 2024, an additional ₦130.8 billion (\$96.4 million) contribution was received on the back of the PIA implementation. The equity cushion was also strengthened to 97% as the ₦24.5 billion short-term borrowing was fully repaid.

LIQUIDITY AND FUNDING

NSIA's activities are funded mainly through contributions from the shareholders, internally generated cash flows, and funding from co-investors for infrastructural projects. During FY 2023, following the implementation of the Petroleum Industry Act (PIA), an additional funding line was created for the Authority based on price-based royalties charged on crude oil. Thus, \$45 million was received as an additional contribution in the financial year ended 31 December 2023. Given the Authority's developmental mandate and limited funding relative to the country's large infrastructural gap, NSIA also manages other third-party funds on behalf of the Federal Government of Nigeria for implementing various infrastructure projects.

One of the mandates of NSIA is to provide emergency funding for the Nigerian government in periods of distress. Thus, the Authority maintains a pool of liquid assets for meeting short-term obligations promptly. As at 31 December 2023, the Authority's liquid assets amounted to ₦738.5 billion, expanded 3.8 times and covered total assets and future commitments 13 times (FYE 2022: 7.3 times) which we consider good.

We consider NSIA's liquidity profile and refinancing capacity good. Given the additional contributions following the PIA implementation, we expect more diversification in funding sources in the near to medium term.

ENVIRONMENT, SOCIAL AND GOVERNANCE

The Nigeria Sovereign Investment Authority has continued to ensure financial security for future generations while fostering economic development through the management of its three core funds. Demonstrating a commitment to sustainability, NSIA also actively pursues innovative climate investment opportunities that ensure environmental impact while delivering social and financial returns. Notably, the Authority's investment strategy is guided by ESG-embedded policies and frameworks. We note that NSIA has integrated ESG due diligence within its investment appraisal process ensuring that ESG risks and opportunities are effectively

assessed and monitored for investments. Furthering the climate investment agenda, NSIA launched the \$500 million Renewables Investment Platform for Limitless Energy (“RIPEnergy”) in November 2023. This initiative focuses on developing, investing in and operating renewable energy projects across the entire value chain. RIPEnergy builds on the Authority’s previous climate-focused efforts, including the Carbon Vista platform with Vitol and the Construction Finance Warehouse Facility. In early 2024, NSIA, in collaboration with key international partners (the United States Agency for International Development (USAID) with Prosper Africa and Norfund), took another step in mobilising climate financing by launching the Green Guarantee Company (“GCC”). The GCC, capitalised by the United Kingdom’s Foreign Commonwealth & Development Office (FCDO) through its MOBILIST programme, aims to attract billions of dollars in climate investments. Leveraging an initial \$100 million from these investors, GCC is set to provide up to \$1 billion in guarantees, facilitating sustainable financing for green projects. NSIA has committed \$10 million to kick-start this initiative. In August 2024, through the wholly owned subsidiary RIPEnergy, NSIA signed a joint venture agreement with PASH Global Management Limited (“PASH”) to develop and operate a 2.6 megawatt-peak (MWp) ground-mounted solar photovoltaic (PV) plant with a 6 megawatt-hour (MWh) battery storage system in Nasarawa State, Nigeria. Overall, we believe NSIA has low exposure to environmental risk but considers social risk moderate for developmental financial institutions including sovereign wealth funds.

In line with the government’s administrative practice, the Authority was governed by the Minister of Finance alongside the Executive Directors, following the dissolving of the Board members in June 2023, thereby operating without a Board. The Board members were not fully constituted until August 2024. We believe the lack of an independent and fully constituted Board may raise some strategic oversights and governance issues.

OUTLOOK

In the near term, NSIA plans to consolidate its position as the manager of the nation’s sovereign wealth, leveraging its diversified investment portfolio and robust risk management framework. The Stabilisation Fund is anticipated to maintain its role as a critical buffer against macroeconomic shocks, with stable returns driven by prudent allocation to highly liquid and creditworthy assets. Meanwhile, we anticipate the Future Generations Fund will continue to benefit from gradual improvements in global economic conditions, supported by the easing of contractionary monetary policies and emerging opportunities in technology and sustainable investments. The fund’s emphasis on long-term capital preservation and growth positions it well to navigate potential global headwinds.

The Nigeria Infrastructure Fund will continue to address the nation’s infrastructural deficits, focusing on transformative projects in renewable energy, healthcare, agriculture, and financial market infrastructure. Enhanced partnerships and co-investment opportunities are expected to boost project funding and execution, with key initiatives like RIPEnergy and the Green Guarantee Company leading efforts to attract significant climate financing. Overall, the Authority’s commitment to responsible investing, diversification, and sustainability ensures that NSIA remains well-equipped to achieve its mandates despite a challenging economic environment. From a performance perspective, NSIA is expected to achieve good profitability in the near term, building on gains from currency depreciation, strategic portfolio allocation and increased investment income across its funds. The Authority’s robust capital position, underpinned by additional inflows

from the Petroleum Industry Act (PIA) royalties and retained earnings will further support the growth trajectory. 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-22		31-Dec-23	
		₦million		₦million		₦million	
ASSETS							
1	Cash & Equivalents	264,454	22%	13,203	1%	285,949	12%
2	Placements	83,599	7%	113,606	11%	306,426	13%
3	Government securities	31,543	3%	65,278	6%	146,106	6%
4	CASH & MARKETABLE SECURITIES	379,595	31%	192,087	18%	738,481	32%
5	Gross Loans Disbursed	17,012	1%	23,742	2%	7,907	0%
6	Less: Cumulative loan loss provision	(162)	0%	(382)	0%	(154)	0%
7	TOTAL LOANS & ADVANCES - NET	16,851	1%	23,360	2%	7,753	0%
8	Ordinary Equity Investments(Net)	3,949	0%	4,226	0%	4,835	0%
9	Hedge Funds and PE investments	276,284	23%	246,718	23%	564,100	25%
10	OTHER EARNING ASSETS	425,572	35%	443,762	42%	1,021,611	45%
11	TOTAL OTHER ASSETS	362,354	30%	352,813	34%	453,562	20%
12	TOTAL OTHER LONG-TERM ASSETS	12,287	1%	12,287	1%	10,624	0%
13	TOTAL FIXED ASSETS & INTANGIBLES	672	0%	995	0%	1,345	0%
14	TOTAL ASSETS	1,197,331	98%	1,025,305	97%	2,233,376	98%
15	Unfunded Capital Commitments with PE Managers	23,040	2%	26,341	3%	56,962	2%
16	TOTAL ASSETS & COMMITMENTS	1,220,370	100%	1,051,646	100%	2,290,339	100%
CAPITAL & LIABILITIES							
17	TIER 1 CAPITAL (CORE CAPITAL)	903,612	74%	999,585	95%	2,191,779	96%
18	SHORT TERM BORROWINGS					24,533	1%
19	LONG TERM BORROWINGS	-		-		-	
20	TOTAL INTEREST BEARING LIABILITIES					24,533	1%
21	TIER 2 CAPITAL	5,709	0%	5,986	1%	6,552	0%
22	TOTAL OTHER LIABILITIES	288,010	24%	19,734	2%	10,511	0%
23	TOTAL CAPITAL & LIABILITIES	1,197,331	98%	1,025,305	97%	2,233,376	98%
24	TOTAL COMMITMENTS	23,040	2%	26,341	3%	56,962	2%
25	TOTAL CAPITAL, LIABILITIES & COMMITMENTS	1,220,370	100%	1,051,646	100%	2,290,339	100%

NIGERIA SOVEREIGN INVESTMENT AUTHORITY
INCOME STATEMENT FOR THE YEAR ENDED

	31-Dec-21		31-Dec-22		31-Dec-23	
	₦'million		₦'million		₦'million	
26 Interest income	39,300	26%	50,917	29%	89,259	26%
27 Interest expense	-3	0%		0%	-1,559	0%
28 NET INTEREST REVENUE	39,297	26%	50,917	29%	87,700	26%
29 Investment income	3,353	2%	4,144	3%	4,574	2%
30 Fees and other income	105,281	71%	47,760	67%	1,088,619	71%
31 Loan loss expense	-342	0%	-1,049	-1%	-3,317	0%
32 OPERATING INCOME	147,589	99%	101,772	99%	1,177,576	99%
33 STAFF COSTS	-2,654	-2%	-2,479	-1%	-2,231	-2%
34 DEPRECIATION EXPENSE	-304	0%	-374	0%	-436	0%
35 OTHER OPERATING EXPENSES	-2,019	-1%	-2,946	-1%	-3,699	-1%
36 OPERATING EXPENSES	-4,976	-3%	-5,799	-3%	-6,366	-3%
37 PROFIT BEFORE TAX	142,612	96%	95,973	96%	1,171,210	96%

NIGERIA SOVEREIGN INVESTMENT AUTHORITY
KEY RATIOS

	31-Dec-21	31-Dec-22	31-Dec-23
PROFITABILITY RATIOS			
38 Return on earning assets (average)	22.8%	16.5%	120.6%
39 Return on average assets	13.2%	8.4%	70.1%
40 Return on average equity	17.1%	10.1%	73.4%
41 Loan loss expense/Interest income	0.9%	2.1%	3.7%
42 Operating expenses/Net earnings	3.4%	5.7%	0.5%
LIQUIDITY RATIOS			
43 Liquid assets/Future commitments	1648%	729%	1296%
44 Liquid assets/total debt	100%	100%	3010%
45 Liquid assets/Long term debts	100%	100%	100%
46 Liquid assets/total liabilities	132%	973%	7025%
47 Liquid assets/total assets	31%	18%	32%
CAPITAL ADEQUACY			
48 Core Capital	903,527	999,535	2,191,716
49 Tier 2	5,709	5,986	6,552
50 Equity Cushion	77%	84%	95%
51 Outstanding loans + Net equity investments + Net Guarantees/Realizable Capital	76%	65%	50%
LEVERAGE RATIOS			
52 Debt/Equity	32%	2%	0%
53 Gross debt (net of liquid assets)/core capital	-42%	-19%	-33%
54 Gross debt (net of liquid assets)/Realizable capital	-42%	-19%	-33%
STAFF INFORMATION			
55 Average number of employees	57	62	60
56 Staff cost per employee (₦'million)	47	40	37
57 Operating Income per staff (₦'million)	2,589	1,641	19,626
58 Staff cost/Operating income	1.8%	2.4%	0.2%
59 Staff costs/Operating expenses	53.3%	42.7%	35.1%

RATING DEFINITIONS

Aaa	A Government-backed institution of the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other GBIs in the same country.
Aa	A Government-backed institution of very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other GBIs in the same country.
A	A Government-backed institution of good financial condition and strong capacity to meet its obligations relative to all other GBIs in the same country.
Bbb	A Government-backed institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other GBIs in the same country.
Bb	A Government-backed institution with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other GBIs in the same country.
B	A Government-backed institution with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other GBIs in the same country.
C	A Government-backed institution with very weak financial condition and very weak capacity to meet obligations as and when they fall due relative to all other GBIs in the same country.
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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