



Credit Rating Announcement

GCR assigns an Issue Rating of AA_(NG) to Shelter Afrique's Series 1 Senior Unsecured Notes issued under its ₦200bn Domestic Bond Issuance Programme

Rating Action

Johannesburg, 20 June 2022 – GCR Ratings ("GCR") has assigned a national scale long term issue rating of AA_(NG) to Shelter Afrique's Series 1 Tranche A and Tranche B Senior Unsecured Notes ("the Notes"), with outlook accorded as Stable.

Rated Entity / Issue	Amount**	Rating class	Rating scale	Rating	Outlook / Watch
Series 1 Tranche A Senior Unsecured Notes	₦27.18bn	Long term issue	National	AA _(NG)	Stable Outlook
Series 1 Tranche B Senior Unsecured Notes	₦18.82bn	Long term issue	National	AA _(NG)	Stable Outlook

** Total Series 1 issue size for both tranches ₦46bn.

Rating Rationale

The Series 1 Notes have been issued under Shelter Afrique's ("the Issuer") ₦200bn Domestic Bond Issuance Programme. The Issuer is permitted through a resolution of its Board of Directors dated 30th November 2021, to issue the Notes in various tranches, and under different terms and conditions as the board may deem fit, subject to the approval of the relevant regulatory authorities. Accordingly, the Notes constitute direct, unsubordinated and unsecured obligations of the Issuer.

Repayment of the Notes obligations ultimately depends on the "performance of Issuer". Shelter Afrique irrevocably and unconditionally undertakes to the Trustee the due and punctual payment in accordance with the Trust Deed of the principal of and interest on all Notes and of any other amounts payable by the Issuer under the Trust Deed. As such, cognisance must be taken of the Issuer's credit profile.

The Notes rank pari passu with all senior unsecured indebtedness and the claims of the Issuer's creditors. Accordingly, the Notes have been accorded a public national scale long-term Issue rating of AA_(NG) in line with the Issuer's rating.

The ratings on Shelter Afrique balance the geographical distribution of the development book, with a chequered history of timely member support and limited preferential creditor treatment, the relatively modest size and diversity of the organisation and the strong underpin of the mandate. The very robust capitalisation of the entity, weak earnings, poor asset quality (from the legacy book), moderate funding position versus supranational peers and adequate liquidity have also been factored into the ratings.

Outlook Statement

The outlook on the Programme and the Notes are stable reflecting the rating outlook of the Issuer, which in turn reflects our opinion for capitalisation to remain at strong levels and cushion the risk of poor earnings. Alongside the above, asset quality and liquidity are expected to be stable following the successful completion of the debt restructuring agreement. However, financial sustainability risks and vulnerabilities remain over the medium term, with core earnings in negative territory and business stability yet to be proven.

Rating Triggers

The ratings may benefit from an improving track record of shareholder support in terms of increased capital subscriptions and timeliness of that support. In addition, a growing development book, building back status, more examples of preferential treatment, improved core earnings, better than expected impairments would also be viewed positively. The ratings could be lowered if the company does not regain business and financial sustainability, mandate track record continues to diminish on the back of a sustained reduction of the development book, substantial deterioration in capital, credit losses exceeding our expectations, and/or if there is an increase in funding and liquidity risks.

Analytical Contacts

Primary analyst Johannesburg, ZA	Simbarake Chimutanda SimbarakeC@GCRratings.com	Financial Institutions Analyst +27 11 784 1771
Committee chair Johannesburg, ZA	Matthew Pirnie MatthewP@GCRratings.com	Group Head of Ratings +27 11 784 1771

Related Criteria and Research

Criteria for the GCR Ratings Framework, January 2022
Criteria for Rating Supranational Institutions, May 2019
GCR Rating Scales, Symbols & Definitions, May 2022
GCR Country Risk Scores, May 2022
GCR Financial Institutions Sector Risk Score, June 2022

Ratings History

Shelter Afrique					
Rating class	Review	Rating scale	Rating	Outlook	Date
	Initial/last	International	B-/B	Stable	May 2021
Long and Short-Term issuer	Initial/last	National	A ⁺ _(KE) /A1 _(KE)	Stable	May 2021
	Initial/last	National	AA _(NG) /A1 ⁺ _(NG)	Stable	May 2021
Long Term issue	Initial/last	National	AA _(NG)	Stable	June 2022

Glossary

Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Capital	The sum of money that is invested to generate proceeds.
Cash	Funds that can be readily spent or used to meet current obligations.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Income	Money received, especially on a regular basis, for work or through investments.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

Salient Points of Accorded Ratings

GCR affirms that a.) no part of the rating was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit rating has been disclosed to Shelter Afrique. The rating above was solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the rating.

Shelter Afrique (the Issuer) participated in the rating process via virtual management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from Shelter Afrique and other reliable third parties to accord the indicative rating included:

- The Issuer's audited financial results as at 31 December 2021;
- Signed Series 1 Trust Deed;
- Signed Executed Pricing Supplement; and
- Other related documents.

ALL GCR CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS, TERMS OF USE OF SUCH RATINGS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS, TERMS OF USE AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://GCRRATINGS.COM](http://GCRRATINGS.COM). IN ADDITION, RATING SCALES AND DEFINITIONS ARE AVAILABLE ON GCR'S PUBLIC WEB SITE AT WWW.GCRRATINGS.COM/RATING_INFORMATION. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THIS SITE.

CREDIT RATINGS ISSUED AND RESEARCH PUBLICATIONS PUBLISHED BY GCR, ARE GCR'S OPINIONS, AS AT THE DATE OF ISSUE OR PUBLICATION THEREOF, OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. GCR DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL AND/OR FINANCIAL OBLIGATIONS AS THEY BECOME DUE. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: FRAUD, MARKET LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND GCR'S OPINIONS INCLUDED IN GCR'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND GCR'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND GCR'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL OR HOLD PARTICULAR SECURITIES. NEITHER GCR'S CREDIT RATINGS, NOR ITS PUBLICATIONS, COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. GCR ISSUES ITS CREDIT RATINGS AND PUBLISHES GCR'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING OR SALE.

Copyright © 2021 GCR INFORMATION PUBLISHED BY GCR MAY NOT BE COPIED OR OTHERWISE REPRODUCED OR DISCLOSED, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT GCR'S PRIOR WRITTEN CONSENT. Credit ratings are solicited by, or on behalf of, the issuer of the instrument in respect of which the rating is issued, and GCR is compensated for the provision of these ratings. Information sources used to prepare the ratings are set out in each credit rating report and/or rating notification and include the following: parties involved in the ratings and public information. All information used to prepare the ratings is obtained by GCR from sources reasonably believed by it to be accurate and reliable. Although GCR will at all times use its best efforts and practices to ensure that the information it relies on is accurate at the time, GCR does not provide any warranty in respect of, nor is it otherwise responsible for, the accurateness of such information. GCR adopts all reasonable measures to ensure that the information it uses in assigning a credit rating is of sufficient quality and that such information is obtained from sources that GCR, acting reasonably, considers to be reliable, including, when appropriate, independent third-party sources. However, GCR cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall GCR have any liability to any person or entity for (a) any loss or damage suffered by such person or entity caused by, resulting from, or relating to, any error made by GCR, whether negligently (including gross negligence) or otherwise, or other circumstance or contingency outside the control of GCR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits) suffered by such person or entity, as a result of the use of or inability to use any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained in each credit rating report and/or rating notification are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained in each credit rating report and/or rating notification must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY GCR IN ANY FORM OR MANNER WHATSOEVER.