



CREDIT RATING ANNOUNCEMENT

GCR accords a rating of BBB+(NG) to Family Homes Sukuk Issuance Programme Plc's N10bn Series 1 Ijarah Lease Sukuk Issue

Rating Action

Lagos, Nigeria, 16 September 2021 – GCR Ratings ("GCR") has assigned a national scale long term issue rating of BBB+(NG) to Family Homes Sukuk Issuance Programme Plc's N10bn Series 1 Ijarah Lease Sukuk Issue.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
N10bn Series 1 Ijarah Lease Sukuk Issue	Long Term Issue	National	BBB+(NG)	Stable Outlook

Rating Rationale

The Issuer, Family Homes Sukuk Issuance Programme Plc, is a special purpose vehicle incorporated as funding entity, owned and sponsored by Family Homes Funds Limited ("FHF", "the Sponsor"), solely for the purpose of raising finance for its Sponsor. GCR recently affirmed the Sponsor's national scale long-term senior unsecured rating of BBB+(NG), underpinned by very strong capitalisation, good funding, and liquidity profile, as well as relatively moderate credit risk, albeit constrained by its limited track record.

In July 2021, the Issuer registered a N30bn Sukuk Issuance Programme ("the Programme") with the Securities and Exchange Commission, and subsequently raised N10bn in Series 1 Sukuk Issue under the Programme. The Series 1 Sukuk Issue has a tenor of seven years, with maturity in 2028. In terms of ranking, the Sukuk constitutes direct, unconditional, senior, and unsecured obligations of the Issuer and at all times ranks pari passu and without any preference among themselves. The Series 1 Sukuk's net proceeds will be utilised for the Sponsor's business operations.

Payment obligations of the Issuer in respect of the Sukuk Issue are to be secured by a Counter ISPO issued and duly approved by the Honourable Minister of Finance, charged on FHF's account domiciled with the Central Bank of Nigeria to enable the deduction of N173,706,900 monthly for 84 months to meet the Issuer's obligations under the Series 1 Sukuk. Remittances shall commence from 30 days after the issue date and credited into a payment account being managed by the Trustees. GCR considers the source of the Counter ISPO deductions as forming a part of the working capital available for day-to-day operations of FHF, which has been factored into the Issuer ratings accorded to the Sponsor. Consequently, the Counter ISPO deductions do not qualify as a credit rating enhancement in GCR analysis.

Given that FHF offers timely and full coverage of all payments due to the Sukukholders, under the Series 1 Sukuk Issue through the Counter ISPO, the Sukuk Issue bears the same default risk as its Sponsor and would reflect similar recovery prospects to senior unsecured creditors in the event of a default. As such, any change in the rating assigned to the Sponsor would affect the Series 1 Sukuk Issue rating.

Outlook Statement

The Stable Outlook reflects GCR's view that FHF will continue to benefit from strong financial support from federal government of Nigeria.

Rating Triggers

Given that the rating is intrinsically linked to the Sponsor's national scale long-term senior unsecured credit rating, any change in the rating assigned to the Sponsor will directly affect the Sukuk rating.

A positive rating migration is contingent on the Sponsor's ability to achieve targets in line with its operating model, as well as establishment of a strong financial track record over the medium term. Conversely, a negative rating action may follow a weakened earnings generation capacity, higher than expected funding towards on-balance sheet property development activities which could increase the risk profile, or a reduction in the likelihood of government support.

Ratings History

Family Homes Sukuk Issuance Programme Plc's N10bn Series 1 Sukuk Issue

Rating class	Review	Rating scale	Rating	Outlook	Date
Long term Issue IR stands for Indicative Rating	Initial/last	National	BBB+(NG)(IR)*	Stable	May 2021

Analytical Contacts

Primary analyst Lagos, Nigeria	Femi Atere Femi@GCRratings.com	Senior Analyst +234 1 9049462
Committee chair Johannesburg, ZA	Vinay Nagar Vinay@GCRratings.com	Senior Analyst, Financial Institutions +27 11 784 1771

Related Criteria and Research

Criteria for the GCR Ratings Framework, May 2019
Criteria for Rating Financial Institutions, May 2019
GCR Ratings Scales, Symbols & Definitions, May 2019
GCR's Nigeria Country Risk Score report, August 2021
Family Homes Funds Limited Issuer rating report (2020-21)
GCR's Financial Institutions Sector Risk Score report, February 2021

Glossary

Credit Risk	The possibility that a Sukuk Issuer or any other borrowers (including debtors/creditors) will default and fail to pay the principal and interest when due.
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
Issuer	The party indebted or the person making repayments for its borrowings.
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.
Maturity	The length of time between the issue of a Sukuk or other security and the date on which it becomes payable in full.
Rating Horizon	The rating outlook period
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Sukuk	A Sharia-compliant bond-like instruments used in Islamic finance.

SALIENT POINTS OF ACCORDED RATINGS

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

The credit rating has been disclosed to the Issuer and the Transaction Arranger. 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.

Family Homes Funds Limited, the Issuer and the Transaction Arranger participated in the rating process via tele-conferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the Issuer and other reliable third parties to accord the credit rating included:

- 2020 audited annual financial statement, and prior two years annual financial statements of the Sponsor.
- Internal and/or external management reports;
- Industry comparative data and regulatory framework and a breakdown of facilities available and related counterparties;
- Information specific to the rated entity and/or industry was also received;
- The Shelf Prospectus
- Programme Trust Deed
- Series 1 Sukuk Pricing Supplement
- Series 1 Sukuk Trust Deed
- ISPOs from the participating States
- Counter ISPO from the Federal Ministry of Finance

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 © 2020 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.