



CREDIT RATING ANNOUNCEMENT

GCR affirms Family Homes Sukuk Issuance Programme Plc's (Series 1 and 2 Sukuk) national scale long-term issue ratings of BBB⁺_(NG); Outlook Stable

Rating Action

Lagos, Nigeria, 31 October 2022 – GCR Ratings ("GCR") has affirmed the national scale long term issue rating of BBB⁺_(NG) to Family Homes Sukuk Issuance Programme Plc's N10bn Series 1 and N20bn Series 2 respectively, with a Stable Outlook.

Rated Issue	Rating class	Rating scale	Rating	Outlook
N10bn Series 1 Ijarah Sukuk	Long Term Issue	National	BBB ⁺ _(NG)	Stable Outlook
N20bn Series 2 Ijarah Sukuk	Long Term Issue	National	BBB ⁺ _(NG)	Stable Outlook

Rating Rationale

Family Homes Sukuk Issuance Programme Plc ("the Issuer") is a special purpose vehicle owned and sponsored by Family Homes Funds Limited ("FHFL" or "the Sponsor") as a funding entity, solely for the purpose of raising finance for its Sponsor. FHFL is a social purpose institution established as part of the Federal Government's Social Intervention Programme to promote affordable housing in Nigeria to low- and middle-income earners.

The Issuer registered a N30bn Sukuk Issuance Programme with the Securities and Exchange Commission in 2021, and subsequently raised N10bn under Series 1 during the same year. Following a successful issuance of the Series 1 sukuk, the Issuer concluded the issuance of the N20bn Series 2 sukuk in September 2022, bringing the aggregate sum raised to N30bn, the total size of the programme.

Each of the Series 1 and Series 2 Ijarah sukuk have a tenor of seven years, with maturities in 2028 and 2029 respectively. The sukuk, constitutes direct, unconditional, senior, and unsecured obligations of the Issuer rank *pari passu* and without any preference among themselves. The net proceeds from the issuances were used to support the Sponsor's business operations.

A report from Trustees to the sukuk-holders dated October 2022, confirms that the Issuer has complied with rental payments and principal repayment due to date, in line with the covenants and pledges of the transaction.

The long-term ratings of the sukuk issuances have been equalised to that of the Sponsor, given that the Sponsor is the ultimate obligor under the issuances, covering full payments due to the sukuk-holders. The ratings of the Sponsor were reviewed in October 2022 and affirmed as BBB⁺_(NG), with a Stable Outlook. As such, any change in the rating assigned to the Sponsor would affect the Series 1 and Series 2 Sukuk Issue ratings.

Outlook Statement

The Stable Outlook reflects GCR's view that FHFL will continue to benefit from strong financial support from Federal Government of Nigeria. Also, FHFL's capital and leverage are expected to remain strong, with sufficient headroom in liquidity.

Rating Triggers

The ratings could move upward following a positive movement in the rating of the Issuer. However, non-compliance with covenants, and/or a downgrade of the Issuer's rating, would impact the rating of the bonds negatively.

Analytical Contacts

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Related Criteria and Research

Criteria for the GCR Ratings Framework, January 2022

Criteria for Rating Financial Institutions, May 2019

GCR Ratings Scales, Symbols & Definitions, May 2022

GCR Country Risk Score, August 2022

GCR Financial Institutions Sector Risk Score, October 2022

Ratings History

Family Homes Sukuk Issuance Programme Plc

Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
N10bn Series 1 Ijarah Sukuk	Initial	National	BBB+(NG)	Stable	May 2021
N10bn Series 1 Ijarah Sukuk	Last	National	BBB+(NG)	Stable	September 2021
N20bn Series 2 Ijarah Sukuk	Initial/ Last	National	BBB+(NG)(IR)*	Stable	March 2022

*IR stands for Indicative Rating

Glossary

Bond	A long-term debt instrument issued by either a company, institution or the government to raise funds.
Commission	A certain percentage of premiums produced that is received or paid out as compensation by an insurer.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Downgrade	The rating has been lowered on its specific scale.
Income	Money received, especially on a regular basis, for work or through investments.
Issue Ratings	See GCR Rating Scales, Symbols and Definitions.
Issuer	The party indebted or the person making repayments for its borrowings.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.

Obligor	The party indebted or the person making repayments for its borrowings.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Proceeds	Funds from issuance of debt securities or sale of assets.
Securities	Various instruments used in the capital market to raise funds.
Senior	A security that has a higher repayment priority than junior securities.
Special Purpose Vehicle	An entity that is created to fulfil specific objectives. An SPV is normally bankruptcy/insolvency remote and created to isolate financial risk.
Sukuk	Sukuk are instruments similar to bonds that comply with Islamic law which prohibits the charging or paying of interest. Other assets are used to generate an income equivalent to that which would be paid on conventional bonds.
Tenor	The time from the value date until the expiry date of an instrument, typically a loan or option.
Unconditional	Not subject to any conditions.

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 teleconferences 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:

- 2021 audited annual financial statements of the Sponsor.
- Executed transaction documents on both Series 1 and 2 sukuk

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