

CREDIT RATING ANNOUNCEMENT

GCR assigns a final rating of AAA_(NG) to LFZC Funding SPV Plc's NGN17.5Bn Series 3 Senior Guaranteed Fixed Rate Infrastructure Bonds; Outlook Stable.

Rating action

Lagos, 27 April 2023 – GCR Ratings (GCR) has assigned a final public national scale long-term Issue rating of AAA_(NG) to LFZC Funding SPV Plc's NGN17.5Bn Series 3 Senior Guaranteed Fixed Rate Infrastructure Bonds, with the Outlook accorded as Stable.

Rated Issue	Rating class	Rating scale	Rating	Outlook
LFZC Funding SPV Plc's NGN17.5Bn Series 3 Senior Guaranteed Fixed Rate Infrastructure Bonds	Long Term Issue	National	AAA _(NG)	Stable

Rating rationale

LFZC Funding SPV Plc (the Issuer) is a special purpose vehicle established for the purpose of raising debt capital for Lagos Free Zone Company (the Sponsor or Co-obligor). The Sponsor engages in the development and management of the Lagos Free Zone and leasing of the developed land to enterprises registered within the Zone. The Sponsor's ultimate parent company is Tolaram Group Incorporated, a global conglomerate founded in 1948 and headquartered in Singapore, with operations spanning across Europe, Asia, and Africa.

The NGN17.5Bn Series 3 Senior Guaranteed Fixed Rate Infrastructure Bonds (the Series 3 Bonds) is the third series that was issued under the Issuer's NGN50Bn Bond Issuance Programme (the Programme) registered with the Securities and Exchange Commission (SEC) in August 2021. The Programme size was however upscaled to N61Bn in March 2023 after obtaining SEC's approval. In March 2023, the Issuer raised NGN17.5Bn through the Series 3 Bonds, at a coupon rate of 15.25%. The Series 3 Bonds has a tenor of twenty years (maturing in 2043) and a 60-month principal repayment moratorium, after which the principal repayment will commence semi-annually each year. However, interest will accrue from the issue date, and be payable semi-annually in arrears. The Series 3 Bonds is a direct, unconditional, guaranteed, and unsubordinated obligations of the Issuer and the Co-Obligor and will always rank *pari passu* without preference with all other unsecured unsubordinated indebtedness and monetary obligations of the Issuer, the Co-Obligor and the Guarantor respectively, both present and future.

The Series 3 Bonds is backed by an unconditional and irrevocable guarantee of the Guarantor, Infrastructure Credit Guarantee Company Limited (InfraCredit or the Guarantor), by way of a continuing guarantee of the payment obligations in respect of all principal and interest due under the Series 3 Bonds pursuant to the terms and conditions of a Deed of Guarantee. As such, the payment obligations of the Issuer and the Co-Obligor in respect of the Series 3 Bonds and of the Guarantor under the Deed of Guarantee will, save for such exceptions as may be provided by applicable law, always rank at least *pari passu* with all other unsecured unsubordinated indebtedness and monetary obligations of the Issuer, the Co-Obligor and the Guarantor respectively, both present and future.

InfraCredit in its capacity as Guarantor, will guarantee the timely payment of both the interest and principal obligations of the Series 3 Bonds. Under the Guarantee, if by ten (10) business days prior to a payment date, the payment account has not been funded by the Issuer and/or the Co-Obligor, the Guarantee Trustee will issue a Demand Notice to the Guarantor, and InfraCredit will be required to fund the payment account with the due amount by the payment date to ensure bondholders are paid. The Guarantee will be in force until all payment obligations under the Series 3 Bonds have been fully discharged.

InfraCredit has a national scale long-term rating of 'AAA_(NG)' with a Stable Outlook. The rating is supported by its strong competitive position, in terms of mandate and operations delivery as the sole infrastructure credit guarantee provider in Nigeria currently. The rating also benefits from its strong capitalisation and leverage position, solid liquidity profile, and sound asset quality. However, InfraCredit's earnings remain largely supported by market-sensitive income, given the current modest size of the guaranteed portfolio.

Given that InfraCredit offers timely and full coverage of all payments due to the bondholders under the Series 3 Bonds through the Deed of Guarantee, the Bond bears the same credit risk as InfraCredit and would reflect similar recovery prospects to senior unsecured creditors in the event of default. As such, the final national scale long-term Issue rating of the Series 3 Bonds is equalised with the Guarantor's national scale long-term Issuer rating of AAA_(NG).

The legal opinion indicates that all transaction documents to which each of the Issuer, the Sponsor, and the Guarantor, is a party constitutes legal, valid, binding, and enforceable obligations against each of them under Nigerian law.

Outlook statement

The Stable Outlook reflects that of the Guarantor's national scale long-term Issuer rating.

Rating triggers

A change in the national scale long term Issuer rating of the Guarantor or revision in the terms of the Deed of Guarantee would impact the rating of the Series 3 Bonds.

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Related criteria and research

Criteria for the GCR Ratings Framework, January 2022
Criteria for Rating Financial Institutions, May 2019
GCR Rating Scales, Symbols & Definitions, May 2022
GCR's Country Risk Score report, March 2023
Infrastructure Credit Guarantee Company Limited rating reports (2017-2022)

Rating history

Rated Issue	Review	Rating scale	Rating	Outlook	Date
NGN17.5Bn Series 3 Senior Guaranteed Bonds	Initial/last	National	AAA _(NG)	Stable	April 2023

Glossary

Arrears	An overdue debt, liability or obligation. An account is said to be 'in arrears' if one or more payments have been missed in transactions where regular payments are contractually required.
Asset Quality	Refers primarily to the credit quality of a bank's earning assets, the bulk of which comprises its loan portfolio, but will also include its investment portfolio as well as off balance sheet items. Quality in this context means the degree to which the loans that the bank has extended are performing (ie, being paid back in accordance with their terms) and the likelihood that they will continue to perform.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Benefits	Financial reimbursement and other services provided to insureds by insurers under the terms of an insurance contract.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Bondholder	Investor of capital market securities.
Capacity	The largest amount of insurance available from a company. In a broader sense, it can refer to the largest amount of insurance available in the marketplace.
Capital	The sum of money that is invested to generate proceeds.
Capitalisation	The provision of capital for a company, or the conversion of income or assets into capital.
Commission	A certain percentage of premiums produced that is received or paid out as compensation by an insurer.
Conditions	Provisions inserted in an insurance contract that qualify or place limitations on the insurer's promise to perform.
Conglomerate	A company made up of subsidiaries that operate in several business sectors that are unrelated to each other.
Coupon	The interest paid on a bond expressed as a percentage of the face value. If a bond carries a fixed coupon, the interest is usually paid on an annual or semi-annual basis. The term also refers to the detachable certificate entitling the bearer to the interest payment.
Coverage	The scope of the protection provided under a contract of insurance.
Credit Risk	The possibility that a bond issuer or any other borrowers (including debtors/creditors) will default and fail to pay the principal and interest when due.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Creditor	A credit provider that is owed debt obligations by a debtor.
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.
Deed	A legal document that is signed and delivered, especially one regarding the ownership of property or legal rights.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than typically 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Discharge	Performance of obligations in a natural way according to a contractual relationship.
Fix	The setting of a currency or commodity price for trade at a future date.
Guarantee	An undertaking in writing by one person (the guarantor) given to another, usually a bank (the creditor) to be answerable for the debt of a third person (the debtor) to the creditor, upon default of the debtor.
Guarantor	A party that gives the guarantee.
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.
Irrevocable	Not able to be changed, reversed, recovered and final.
Issue Date	The date of issue of a new security. Often used as the date from which interest begins to accrue.
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.
Mandate	Authorisation or instruction to proceed with an undertaking or to take a course of action. A borrower, for example, might instruct the lead manager of a bond issue to proceed on the terms agreed.
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.
Moratorium	A period of time in which an activity is suspended until such time as a change in circumstances permits its removal. For example, a borrower can declare a moratorium on the repayments of the principal, and sometimes the interest, on a loan.
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.
Parent Company	The senior company in a group or fleet of insurers.
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.
Payment Date	The date on which the payment of a coupon or dividend is made.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
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.
Tenor	The time from the value date until the expiry date of an instrument, typically a loan or option.
Timely Payment	The principal debt, interest, fees and expenses being repaid promptly in accordance with the contractual obligation.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	An individual or firm that holds or administers property or assets for the benefit of a third party.
Unconditional	Not subject to any conditions.

Salient Points of Accorded Rating

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 Arrangers. 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.

The Issuer and the Transaction Arrangers 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:

- Executed Programme Trust Deed
- Executed NGN17.5Bn Series 3 Pricing Supplement
- Executed NGN17.5Bn Series 3 Trust Deed
- Executed InfraCredit's Deed of Guarantee for Series 3
- Executed legal opinion
- Other applicable documents

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