GCR RATINGS

Rating Report | Financial Institutions | May 2025 [1]

Development Bank of Nigeria Plc

Rated entity/Issue	Rating class	Rating scale	Rating	Outlook/Watch
Development Bank of Nigeria Plc	Long Term Issuer	National	AAA(NG)	Stable
	Short Term Issuer	National	A1+(NG)	
Series 1 Senior Unsecured Bonds	Long Term Issue	National	AAA(NG)	Stable

Analytical entity

Development Bank of Nigeria Plc (DBN or the Bank) is a wholesale development finance institution licensed by the Central Bank of Nigeria (CBN). The Bank commenced operations in November 2017 and has a wholly owned subsidiary named Impact Credit Guarantee Limited (ICGL), that provides credit guarantees to participating financial institutions (PFIs) on loans granted to eligible Micro, Small, and Medium Enterprises (MSMEs). The Bank and its wholly owned subsidiary are collectively referred to as the Group.

The Group's shareholding structure as of 31 December 2024 is shown below:

Exhibit 1: Shareholding Structure as of 31 December 2024

Shareholders	Number of Shares	%
Ministry of Finance Incorporated (MOFI)	59,868,000	59.8%
Nigerian Sovereign Investment Authority (NSIA)	14,967,000	14.9%
African Development Bank (AfDB)	17,975,000	17.9%
European Investment Bank (EIB)	7,190,000	7.1%
Total	**100,000,000**	**100%**

Source: DBN

The Bank is considered the core operating entity within the Group, accounting for 92.0% and 92.2% of the Group's total assets and operating revenue respectively as of the financial year ended 31 December 2024. As a result, the creditworthiness of the Bank (the legal entity being rated) reflects the strengths and weaknesses of the Group. In line with GCR Ratings Framework, a group ratings approach has been adopted, focusing on the business and financial profile of the consolidated group.

Credit profile summary

Strengths

- Strong capital levels buoyed by shareholders' support and earnings retention
- Stable funding structure underpinned by access to long-term concessionary financing from other development finance institutions

[1] The last rating announcement was in April 2025. Rating reports are updated at least once a year from the date of the last announcement.

- Good liquidity position with 32.0% of total assets held in near cash and high-quality liquid assets as of 31 December 2024

Weaknesses

- A competitive position that is restricted by the number of eligible participating financial institutions (PFIs) that can access the Bank's loan facilities which affects the delivery of its mandate
- High obligor concentration in the loan book as the Bank's top twenty PFIs accounted for 98% of gross loans as of 31 December 2024

Rating summary

The ratings are underpinned by DBN's robust capitalisation, good risk profile, stable funding base, adequate liquidity structure and the progressive delivery of its mandate to address financing constraints of MSMEs.

Outlook statement

The stable outlook reflects our expectation that the Group's business profile and financial performance to be sustained over the next 12-18 months. The GCR core capital ratio is expected to remain above 35.0%, supported by earnings retention and conservative lending in line with the stringent underwriting criteria. Funding is expected to remain stable and diversified through the inflow of more wholesale borrowings from international development finance institutions and other funding sources.

Rating triggers

A negative rating action could result from 1.) a decline in GCR core capital ratio below 35% 2.) material deterioration in asset quality 3.) significant increase in the proportion of the guaranteed portfolio to total equity 4.) weaker delivery of the Bank's mandate.

Given that DBN's ability to meet the obligations on the Series 1 Bonds is dependent on its credit profile, the Series 1 Bonds' rating would be sensitive to a negative rating action on the Group.

Risk score summary

Rating components & factors	Risk Score
Operating environment	**6.75**
Country risk score	3.50
Sector risk score	3.25
Business profile	**(0.75)**
Competitive position	(0.75)
Sustainability	0.00
Financial profile	**5.00**
Capital & Leverage	4.00
Risk	0.00
Funding & Liquidity	1.00
Comparative profile	**0.00**
Group support	0.00
Peer Comparison	0.00
Total risk score	**11.00**

Analytical contacts

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
Criteria for Rating Financial Institutions, May 2024
GCR Ratings Scales, Symbols & Definitions, May 2023
GCR Country Risk Scores, May 2025
GCR Financial Institutions Sector Risk Scores, August 2024

Ratings history

Development Bank of Nigeria Plc					
Rating class	Review	Rating	Rating	Outlook/Watch	Date
Long Term Issuer	Initial	National	AAA(NG)	Stable	May 2021
Short Term Issuer	Initial	National	A1+(NG)		May 2021
Long Term Issuer	Last	National	AAA(NG)	Stable	April 2024
Short Term Issuer	Last	National	A1+(NG)		April 2024
Series 1 Senior Unsecured Bonds	Initial	National	AAA(NG)	Stable	August 2023
Series 1 Senior Unsecured Bonds	Last	National	AAA(NG)	Stable	April 2024

Operating environment

Country risk

Nigeria's country risk score of '3.50' balances a well-diversified economic base and low debt levels against the recent compression in USD GDP per capita, variability in policy direction, and weak human development indicators. Although the economy is diversified, Nigeria remains vulnerable to commodity price volatility and geopolitical disruptions that impact productivity, as crude oil remains the dominant source of foreign currency inflows. The country has adopted key structural reforms with mixed fortunes. Changes that included (amongst others) removing fuel subsidies were followed by major reversals, such as food support from state grain reserves, fertilizer subsidies, removal of VAT on diesel, and a cap on retail fuel and electricity prices. Although relaxation of some austerity measures was made to relieve pressure on both rural and urban communities, this could push out the timeline for attainment of a balanced budget. For full details, please see GCR's Country Risk Score report. This is available for download at (gcrratings.com)

Sector risk

The Nigerian Financial Institutions Risk Score of '3.5' is supported by strong local currency liquidity within the sector and stability in the funding (which is largely deposit based). Also, the banking sector appears well capitalised on average. In addition, consideration was given to regulatory compliance, which is considered adequate and in line with the regional average. However, concentration of the loan book by sector (oil and gas) heightens credit risk, though with modest levels of non-performing loans. We note that the Nigerian banking sector is highly fragmented, with the top tier of the sector controlled by a few players and increasing competition amongst players within the sector. The relatively low private sector debt is expected to continually increase going forward given the regulatory backed position of increased lending to the private sector, which would enable diversification. For full details, please see GCR's Sector Risk Score report. This is available for download at (gcrratings.com)

Business profile

Competitive position

DBN has a mandate to address the funding needs of MSMEs in Nigeria by providing access to relatively cheaper and long-term financing on a market conforming basis, through PFIs which serve as intermediaries. The Bank also aims to incentivise financial institutions, predominantly Deposit-Money Banks and Microfinance Banks, to lend to MSMEs by providing partial guarantees through ICGL, which cover up to 60% of loans to eligible MSMEs. Our assessment of DBN's competitive position reflects the progressive delivery of its mandate, evidenced by consistent growth in the loan book, which has registered a CAGR of 33.5% over the past five years. Additionally, the total number of PFIs went up to 43 in 2024 (2023: 32), which supported loan distribution to underserved regions. However, mandate execution is somewhat constrained by the challenging operating environment and its stringent eligibility criteria, which limit the number of PFIs that can access funding. As such, the Group's gross loans and advances grew moderately by 6.5% to NGN439.2 billion (USD285.2 million) in 2024. Looking ahead, the Bank aims to improve mandate delivery by using the direct lending window (which is limited to 20% of the loan book) to provide financing to corporates whose operations (acting as aggregators or on-lending agents) can positively impact MSMEs.

Exhibit 1: Key Numbers and Financial Ratios

(NGN' million)	December 2024	December 2023	December 2022
Operating revenue/(loss)	69,458.7	41,989.7	37,620.1
Net-interest income	68,608.1	40,362.3	36,968.4
Non-interest income	849.7	1,626.4	651.7
Profit/(loss) after tax	38,828.4	24,491.2	20,133.2
Total assets	759,105.9	543,962.3	520,323.8
Gross loans	439,220.9	410,517.0	372,185.7
Borrowings	453,358.4	292,216.8	291,139.7
Key Ratios (%)			
Return on equity	14.3%	10.4%	9.4%
Return on assets	4.9%	4.3%	3.6%
Cost to income	15.3%	18.9%	16.2%
Net interest margin	11.3%	7.7%	7.3%

Source: DBN's financial statements and GCR financial tools

Sustainability

Our assessment of sustainability is neutral to the rating. As of 31 December 2024, DBN's Board composition was in line with the required corporate governance standards, comprising of ten (10) members, six of whom were independent non-executive Directors. The Board exercises oversight through its standing committees namely: Board Credit and Risk Committee, Board Finance Committee, Board Audit and Compliance Committee, Board Nomination and Governance Committee, and Board Ethics Committee. We recognise the stability of the management team, with diverse experience in the Nigerian financial sector. DBN received an unqualified audit opinion from its external auditor, KPMG, for the 2024 financial year. Additionally, we consider the level of transparency and disclosure in the financial statements and other related documents to be adequate.

Financial profile

Capital and leverage

DBN's capitalisation is strong, registering within the highest band of our assessment. As of 31 December 2024, the Bank's total equity increased by 15.1% to NGN271.2 billion (USD176.7 million), driven by strong internal capital generation during the year. As a result, DBN's GCR core capital ratio improved to 52.0% (2023: 49.5%). Similarly, guarantees to total equity remained minimal at 14.4% (2023: 13.2%). We expect the GCR core capital ratio to remain above 35% over the outlook period, supported by earnings accretion and prudent loan book growth.

Exhibit 2: Capital and leverage

	2026(f)	2025(f)	2024	2023	2022
GCR core capital ratio (%)	55.9	52.2	52.0	49.5	50.6
Core earnings to adjusted assets (%)	4.2	4.9	4.9	4.2	3.6
Core earnings to GCR total capital (%)	14.6	17.0	14.8	10.8	9.6

e: GCR estimates; f: GCR forecasts.
Source: DBN's financial statements and GCR financial tool.

Risk

The Group is exposed to credit risk through its lending to PFIs and provision of partial guarantees on loans extended to MSMEs by PFIs. These risks are mitigated by DBN's stringent underwriting standards, proactive monitoring of exposures and adequate collateralisation including treasury bills, bonds and movable assets (registered with the National Collateral Registry). DBN also has direct debit mandates on PFIs' accounts with the CBN. As a result, the Bank's NPL ratio registered at a low 0.2% in 2024 (2023: Nil) while the credit loss ratio was 0.3%. We note significant obligor concentration, with the top twenty obligors accounting for 98.0% of gross loans as of December 2024 (2023: 97.2%). However, this is somewhat mitigated by the good credit profile of these obligors, most of which are top-tier banks in Nigeria. The Bank's risk profile is expected to remain sound over the outlook horizon.

Funding and Liquidity

We assessed funding and liquidity as a positive to the rating, reflecting the stable funding structure, which predominantly comprises concessionary financing from development financial institutions (DFIs). This accounted for 95.6% of the funding base in 2024 (2023: 86.1%) and supported a decline in cost of funds to 3.7% compared to 4.2% in 2023. Nonetheless, we note refinancing risks that exist as maturity dates approach, except the funds are refinanced well in advance. The Group's funding base grew by 55.1% in 2024 to register at NGN453.3 billion (USD295.1 million). This increase in funding supported liquidity, with liquid assets accounting for 32.0% as of 31 December 2024 (2023: 22.0%). Looking ahead, we expect the Group's funding and liquidity to remain strong, supported by prudent loan book growth and additional financing from DFIs.

Exhibit 3: Liquidity					
	2026(f)	2025(f)	2024	2023	2022
Long term funding ratio (%)	144.5	151.0	152.2	169.3	171.5
GCR Stable funds ratio (%)	>90.0	>90.0	98.8	90.2	91.9
GCR liquid assets/wholesale funding (x)	0.5	0.5	0.4	0.4	0.5

e: GCR estimates; f: GCR forecasts.
Source: DBN's financial statements and GCR financial tool.

Comparative profile

Peer analysis

The peer analysis is neutral to the ratings.

Group support

Group support is not applicable to the ratings.

Rating adjustment factors

Structural adjustments

No structural adjustments have been made to the Anchor Credit Evaluation in arriving at the final ratings.

Instrument ratings

Development Bank of Nigeria Plc Bond

Exhibit 4: Details of DBN's Bond					
	Amount Issued	Effective date	Tenor	Coupon	Redemption
Series 1 Senior unsecured bond	NGN23 billion	July 2023	7 years	14.40%	July 2028

The Series 1 NGN23.0 billion Senior Unsecured Bonds (the Series 1 Bonds) was issued in June 2023 under the DBN's (the Issuer) NGN100 billion Bond Issuance Programme (the Programme) registered with the Securities and Exchange Commission (SEC) in April 2022. The Issuer's payment obligations under the Series 1 Bonds and in respect of principal and any coupon on the Series 1 Bonds rank at least equally with all unsecured and unsubordinated obligations of the Issuer, both present and future, except for obligations mandatorily preferred by law applying to companies generally.

Given that the Issuer offers timely and full coverage of all payments due to the bondholders, under the Series 1 Bonds, the Bonds bear the same default risk as its Issuer and would reflect similar recovery prospects to the senior unsecured creditors in the event of a default.

We have reviewed the performance report provided by the joint trustees (to the bondholders), dated 18 March 2025 and noted that three coupon payments totalling NGN4.9 billion had been made. The trustees did not report any breach.

Glossary

Affirmation	See GCR Rating Scales, Symbols and Definitions.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Bond	A long-term debt instrument issued by either a company, institution or the government to raise funds.
Capital Adequacy	A measure of the adequacy of an entity's capital resources in relation to its risks.
Capital	The sum of money that is invested to generate proceeds.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Downgrade	The rating has been lowered on its specific scale.
Eligibility Criteria	Limitations imposed on the type and quality of assets that can be sold by the Originator / Servicer into the Securitisation vehicle which ensure the transaction will track the performance of historical data analysed as closely as possible.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
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
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
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.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Loss	1. A tangible or intangible, financial or non-financial loss of economic value. 2. The happening of the event for which insurance pays (insurance).
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.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This includes legal risk but excludes strategic risk and reputational risk.
Retention	The net amount of risk the ceding company keeps for its own account.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Senior	A security that has a higher repayment priority than junior securities.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Treasury Bill	Short-term obligation backed by the government that bears no interest and is sold at a discount.

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 ratings process was based solely on the merits of the rated entity, security or financial instrument being rated; and c.) the ratings process was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Five years of comparative audited financial statements
- Audited accounts as of 31 December 2024
- Other related documents
- Exchange rate source: Central Bank of Nigeria USD1.00 = NGN1,536.5 (31 December 2024)