

CREDIT RATING ANNOUNCEMENT

GCR assigns an indicative Issue rating of AAA_{(NG)(IR)} to Development Bank of Nigeria Plc's proposed NGN20Bn Series 1 Senior Unsecured Bonds; Outlook Stable.

Rating Action

Lagos, 14 April 2023 - GCR Ratings (GCR) has assigned a national scale long term indicative Issue rating of AAA_{(NG)(IR)} to Development Bank of Nigeria Plc's NGN20Bn Series 1 Senior Unsecured Bonds, with the outlook accorded as Stable.

Rated Issue	Rating class	Rating scale	Rating	Outlook
Development Bank of Nigeria Plc's NGN 20Bn Series 1 Senior Unsecured Bonds	Long Term Issue	National	AAA _{(NG)(IR)} *	Stable

*IR: An Indicative Rating is denoted by an 'IR' suffix to indicate that a credit rating has been accorded based on review of final draft documentation and expectations regarding final documentation. The Indicative Rating is expected to convert to a final credit rating subject to the receipt of final documentation in line with GCR's expectations. Typically, this suffix will be used when awaiting the finalisation of notes for a debt or program issuance. In this case, once the final documents are available the IR suffix may be removed. We expect the rating to convert upon regulatory approval, within the next 180days.

Rating Rationale

The indicative rating assigned to Development Bank of Nigeria Plc's NGN20bn Series 1 Senior Unsecured Bonds (Series 1 Bonds) reflects the long-term rating of the Issuer, Development Bank of Nigeria Plc (DBN or the Issuer), a financial institution set up to provide funding and risk-sharing facilities to Micro, Small & Medium Enterprises (MSMEs) and small corporates through financial intermediaries. In April 2023, GCR affirmed the national scale long-term Issuer rating of AAA_(NG) with a stable outlook. The rating weighs DBN's strong capitalisation metrics, stable funding structure and good liquidity, good risk profile and a competitive position that shows considerable progress in the delivery of its mandate to targeted MSMEs.

The Issuer registered a NGN100bn Bond Issuance Programme (the Programme) with the Securities and Exchange Commission (SEC) in April 2022, under which NGN20Bn shall be offered in Series 1 Issue. The Series 1 Bonds shall have a tenor of five years (due in 2028) from the issue date and a coupon rate to be specified in the final terms. The principal redemption shall be payable upon maturity, while coupon payments shall accrue from the issue date and be due and payable semi-annually in arrears, up to the maturity date.

The Series 1 Bonds shall constitute direct and unsecured obligations of the Issuer and when issued shall always rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Series 1 Bonds and in respect of principal and any coupon on the Series 1 Bonds shall always 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.

The Issuer and the Bond Trustees (ARM Trustees Limited and DLM Trust Company Limited) shall enter an undertaking, pursuant to which the Issuer, absolutely, irrevocably, and unconditionally guarantees the prompt and full payment of all

debt and obligations under the Programme. The Issuer shall on or before the Issue Date, open with the Account Bank, the Debt Service Payment Account (DSPA) in the name and under the sole control of the Bond Trustees. The Issuer shall pay all sums or monies due under the Series 1 Bonds into the DSPA no later than ten (10) Business Days before each Coupon Payment Date or the Principal Payment Date.

The Series 1 Bonds Trust Deed incorporates a negative pledge that prevents DBN from directly or indirectly securing any other financial indebtedness represented by bonds (excluding bonds issued under the Programme) or any other debt securities which are, or are capable of being, traded, noted, or listed on any stock exchange or over the counter or similar securities market, without the prior written consent of the Bond Trustees.

Given that the Issuer offers timely and full coverage of all payments due to the bondholders, under the Series 1 Senior Unsecured 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. As such, the Series 1 Bonds has been accorded an *indicative, public national scale long-term rating* of AAA_{(NG)(IR)} in line with DBN's long-term national scale rating. Accordingly, any change in the Issuer's long-term credit rating would impact the Issue rating.

Outlook Statement

Given that the indicative rating is intrinsically linked to Development Bank of Nigeria Plc's long-term Issuer rating, the Stable Outlook on the Series I Bonds reflects that of the Issuer. We expect DBN to sustain its strong business profile and financial performance over the next 12-18 months. Capitalisation metrics are expected to remain strong (with GCR core capital ratio and leverage ratio over 35% and 10% respectively) on account of its good earnings from a growing and conservative on-lending portfolio supported by strict underwriting criteria.

Rating Triggers

A negative change in the Issuer's national scale long term Issuer rating would impact the Series 1 Bonds rating. Also, non-compliance with covenants, could trigger a negative rating action.

Analytical Contacts

Primary analyst
Lagos, NG

Ada Ufomadu
adaU@GCRratings.com

Senior Analyst, Financial Institutions
+234 1 904 9462

Secondary analyst
Lagos, NG

Olawunmi Oduniyi
olawunmio@GCRratings.com

Analyst, Financial Institutions
+234 1 904 9462

Committee chair
Lagos, NG

Adekemi Adebambo
adekemi@GCRratings.com

Chief Ratings Officer
+234 1 904 9462

Related Criteria and Research

Criteria for the GCR Ratings Framework, January 2022
Criteria for Rating Financial Institutions, May 2019
GCR Ratings Scale, Symbols & Definitions, May 2022
GCR Country Risk Scores, March 2023
GCR Financial Institutions Sector Risk Score, February 2023

Ratings History

Development Bank of Nigeria Plc's NGN20bn Series 1 Senior Unsecured Bonds

Rating class	Review	Rating scale	Rating	Outlook	Date
Long Term Issue	Initial/last	National	AAA _{(NG)(IR)}	Stable	April 2023

Glossary

Account Bank	A bank where the transaction account is held.
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.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Bondholder	Investor of capital market securities.
Capital	The sum of money that is invested to generate proceeds.
Commission	A certain percentage of premiums produced that is received or paid out as compensation by an insurer.
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 Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
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 Risk	The probability or likelihood that a borrower or issuer will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
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.
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.
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.
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.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
National Scale Rating	National scale ratings measure creditworthiness relative to issuers and issues within one country.
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.

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.
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.
Redemption	The repurchase of a bond at maturity by the issuer.
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.
Tenor	The time from the value date until the expiry date of an instrument, typically a loan or option.
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 indicative credit rating has been disclosed to Development Bank of Nigeria Plc. 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.

Development Bank of Nigeria Plc 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 Development Bank of Nigeria Plc and other reliable third parties to accord the credit rating included:

- DBN's audited financial results as of 31 December 2022
- DBN's three years of comparative audited numbers
- Draft Programme Shelf Prospectus
- Executed Programme Trust Deed
- Draft Series 1 Trust Deed
- Draft pricing Supplement

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