



DataPro



BOND RATING REPORT

DLM FUNDING SPV PLC

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March, 2025

DLM FUNDING SPV PLC

DataPro Rating:

AAA

Security Type: ₦30b
Sovereign Backed
Composite
Issuance Fixed
Rate Medium-
Term Bonds.

Maturity Date: 2035

Rating Outlook: Stable

Currency: Naira

Rating Watch: Applicable

Date Issued: 11 March., 2025

Valid Till: 10 March, 2026

Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju

Oladele Adeoye

This report is provided by DataPro subject to the Terms & Conditions stipulated in our Terms of Engagement

**₦30,000,000,000 Series 1 Sovereign Backed Composite
Issuance Fixed Rate Medium-Term Bonds Under the
₦30,000,000,000 Bond Issuance Programme**

EXECUTIVE SUMMARY

	2023 ₦'000
Bond Size	30,000,000
Bond Obligation over Tenure	(70, 475,775)
Expected Cashflow from Underlying Instrument	(87,000,000)
Assigned Cashflow to Transaction @ 81.01% Cashflow	(70, 475,775)
Unassigned Debt Service Coverage Ratio	(1.23X)
Assigned Debt Service Coverage Ratio	(1.0X)

Rating Explanation

The Long-Term Rating of AAA indicates *Lowest Risk*. It shows Superior Financial Strength, Operating Performance and Business Profile when compared to the standard established by *DataPro*. This Issuer, in our opinion, has an excellent ability to meet its ongoing obligations.

ISSUE QUALITY

In the course of our review, we observed the following:

- The Credit Quality of the underlying Investment of the Issue.
- The ultimate assignment of benefits of the Cashflow from the underlying Investments to the Issuer.
- The estimated Debt Service Coverage Ratio of 1.0X.
- The Governance Structure around the Bond Issuance Transaction Accounts.
- The Bondholders have a direct obligation owed to them by the Issuer.

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THE ISSUE

The Issue ("The Bond") is a 10-year ₦30billion Series 1 *Sovereign Backed Composite Fixed Rate Medium-Term Bond Issuance* under the ₦30billion Bond Issuance Programme of *DLM Funding SPV Plc* ("the Issuer").

The Issuer is a Special Purpose Vehicle sponsored by *DLM Capital Group Limited* ("the Sponsor"). It was established for the purpose of raising funds through the Capital Market to meet the required funding of the Sponsor.

The Issue was authorized by the resolution of the Board of Directors of the *Issuer* on the 19th day of August, 2024. It is also constituted by a Series 1 Trust Deed executed among the Issuer, the Sponsor and the Trustees (*FBNQuest Trustees Limited, DLM Trust Company Limited* and *AVA Trustees Limited*). In line with the terms and conditions contained in the Trust Deed, the Trustee shall act for the benefits of the Bond holders under the Issue.

The Issue is a direct, senior, secured, unconditional, unsubordinated and irrevocable obligation of the Issuer. The payment obligations under the Issue shall at all times rank at least equally with all other secured and unsubordinated debt of the Issuer except for obligations mandatorily preferred by Applicable Law.

PARTIES TO THE ISSUE

Asides the Issuer and the Originator/Sponsor, other professional parties to the Issue are: *DLM Advisory Limited* (Lead Issuing House), *AVA Trustees Limited* (Share Trustees), *FBNQuest Trustees Limited & DLM Trust Co. Limited* (Joint Note Trustees), *TOLG Advisors* (Solicitors to the Issue), *Olaniwun Ajayi LP* (Solicitors to the Issuer), *Meristem Registrars & Probate Services Limited* (Registrars), *FBN Holdings Plc* (Receiving Bank) and *Zenith Bank Plc* (Account Bank)

TRANSACTION STRUCTURE

The transaction structure is designed to ensure that payment of obligation under the Issue is linked to the cashflow of the underlying FGN Bonds.

Summary of Transaction Structure

- The Issuer shall issue Bonds to potential Investors. The repayment obligations on the Bonds under the Programme shall be joint and several obligations of the Obligors as primary obligors.
- The Bond Proceeds shall be used to purchase Intercompany Bonds issued by the Sponsor under the terms of a Master Notes Purchase Agreement.
- The Obligors shall directly, and on a joint and several bases, make full payments on the interest and ultimate principal due on the Bonds into the Debt Service Payment Account held in the name of the Joint Bond Trustee.
- The Bond Trustee shall in turn make coupon payments and principal repayments to the Bondholders

The transaction structure is guided by the following document:

Series 1 Trust Deed: This is the agreement between the Issuer and the Trustees which set out the terms, conditions and covenants governing the issuance of the Bond

Master Note Purchasing Agreement: This is an agreement between DLM Capital Group (the Issuer), *DLM Funding SPV Plc* (the Purchaser) and the Trustees. Under this Agreement, the Purchaser agrees to purchase Notes up to an aggregate nominal amount of ₦30,000,000,000 to be issued by the Issuer. This Agreement set forth the terms and conditions under which the Purchaser will subscribe to the Notes from time to time up to the Aggregate Issue Amount.

Deed of Assignment: This is an agreement between DLM Capital Group (the Assignor) and *DLM Funding SPV Plc* (the Assignee). Under this Agreement, the Assignor (as Note Issuer) agrees to assign all its interest in the Coupon Strips of the FGN Bonds and no less than 66.67% of the Total Principal Balance of the FGN Bonds, together with the Receivables required to cover all obligations to the Assignee subject to the terms and conditions provided herein.

THE FINANCE STRUCTURE

The net proceeds of the Issue shall be used by the Issuer to purchase an Intercompany Bond issued by DLM Capital Group under the terms of the Bond Agreement.

The *Issue* is a Fixed Rate Bond with 10 years tenor. Interest on Bonds will accrue and be paid on a straight-line basis from the Issue date and will be made semi-annually in arrears up to maturity.

In order to administer payment obligations under the Issue, the Trustees shall establish a Payment Account which shall be backed by cashflows legally assigned to the Issuer that are fully derived from FGN Sovereign Bonds. The Payment Accounts are under the custody and administration of the Trustees.

The amount shall be applied to meet the obligation of the Issuer in the following order: Trustees Fees and other statutory expenses, Scheduled Principal, Scheduled Interest, Unscheduled Interest. Any excess or leftovers shall be paid to the Sponsor via the Issuer. The unscheduled Interest Payments shall be backed by an irrevocable payment instruction from the Loan Receivables from the Collection Bank to the Account Bank.

THE ISSUER

DLM Funding SPV Plc ("The Issuer") was duly incorporated on the 6th of July, 2021 as a Public Limited Liability Company. It operates from its registered office in Ikoyi, Lagos and has an authorized share capital of ₦2million (Two Million Naira).

Its principal activity is to borrow or raise money solely in connection with its funding programme. The Issuer's activities are restricted by the terms of the Trust Deed, and other related documents.

The Issuer is wholly owned by DLM Nominees Limited.

THE SPONSOR

DLM Capital Group Limited ("The Sponsor" or "The Group") was incorporated on the 17th day of September, 2009. It was formerly known as *Dunn Loren Merrifield Investment Company Limited* and later named *Dunn Loren Merrifield Group Limited* on the 23rd of July, 2014. In order to accelerate the reinvention of the brand and enhance its identity, the Company's name was changed to *DLM Capital Group Limited* on the 9th day of December 2020.

The Group is a Diversified Financial Services and Development Investment Banking Institution. It provides innovative securitization and other structured financing techniques across different sectors of the Nigerian economy.

The Group offers general financial and investment banking related services via its *Securities and Exchange Commission (SEC)* and *Central Bank of Nigeria (CBN)* regulated subsidiaries. These services include Corporate Finance Advisory, Asset Management, Trust Services, Securities Trading and Forex Dealing.

The Group also has a FinTech Company operating as full-service Digital Bank that provides general banking services, retail and consumer credit. This is in addition to a Finance Company that provides loans to mid-sized corporate businesses.

The Group has three (3) *CBN* regulated and four (4) *SEC* licensed subsidiaries. The details of the members of the Group are as presented:

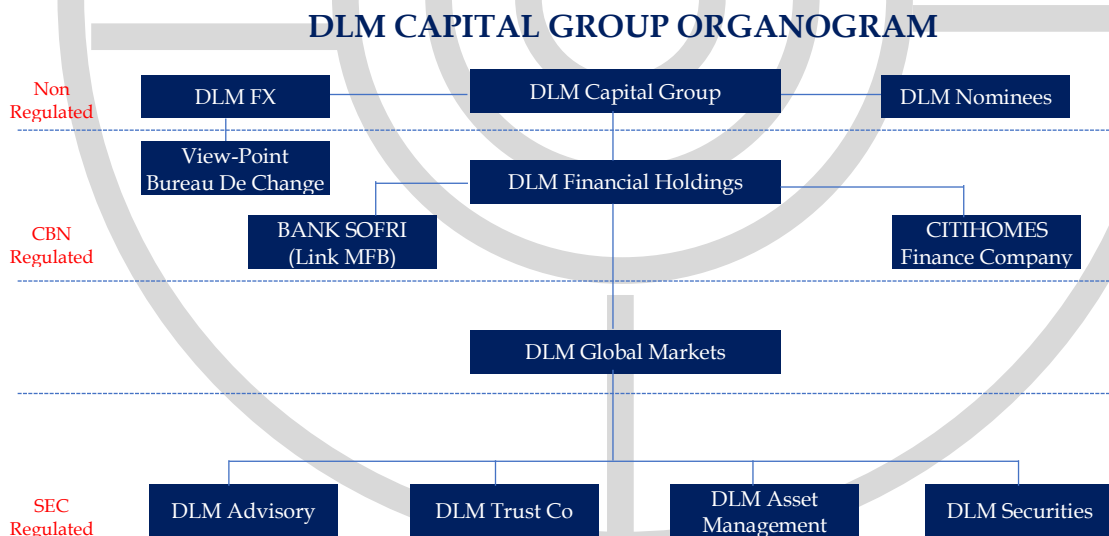
DLM CAPITAL GROUP SUBSIDIARIES

NO	COMPANY NAME	RELATIONSHIP	LINE OF BUSINESS
1	DLM Capital Group Limited	Parent	• Financial Services Group
2	CitiHomes Finance Company Limited	Subsidiary	• Finance Company
3	DLM FX Limited	Subsidiary	• Foreign Exchange Trading
4	Links Microfinance Bank Limited	Subsidiary	• Digital Banking
5	DLM Advisory Limited	Subsidiary	• Investment Banking • Financial Advisory
6	DLM Trust Company Limited	Subsidiary	• Trust Services
7	DLM Securities Limited	Subsidiary	• Securities Trading
8	DLM Asset Management Limited	Subsidiary	• Investment Adviser and Fund/Portfolio Management

Source: DLM Capital Group

The Group is owned by *Dunn Loren Merrifield LLC New York* which constituted 99% of the Shares of the Parent Company as at the year ended 2023. The remaining 1% is owned by *Dr. Sonnie Babatunde Ayere*.

The Group structure is as presented:



Source: DLM Capital Group

The Group operates from its offices situated in Lagos and Abuja with access to clients across all 36 states in Nigeria. The Group currently has 184 employees.

Directors' Profile

The following served as Directors during the year under review: *Mr. Malcolm Gilroy-Acting Chairman; Dr. Sonnie Babatunde Ayere – Group Managing Director/CEO; Mr. Michael Orimobi; Mrs. Olayimika Philips; Ms. Kari Tukur and Mrs. Ashim Egunjobi.*

The Directors' profiles are as follows.

- 1. Name:** Mr. Malcolm Gilroy
Position: Ag. Chairman
Years of Experience: 50 years
Job Experience:
 - World Bank Group
 - FDHL
 - Afrinvest West Africa
 - United Capital
 - Cambrian Capital Management Limited, Canada
 - UBS Canada
 - First Boston, Canada
 - First Chicago, Canada

- 2. Name:** Dr. Sonnie Babatunde Ayere
Position: Group Managing Director/CEO
Years of Experience: Over 30 years
Education:
 - MA. (Hons) - University of Dundee, Scotland, UK
 - MBA - Baynes Business School, University of London
 - DSc. European-American University (Honorary)
 - London Business School**Job Experience:**
 - United Capital
 - International Finance Company (The World Bank Group)
 - BMO Nesbitt Burns, London
 - Sumitomo Mitsui Bank
 - NatWest Bank, London
 - HSBC, London

- 3. Name:** Mr. Michael Orimobi
Position: Independent Non-Executive Director
Years of Experience: Over 14 years
Education:
 - LLB - University of Lagos
 - LLM - University of Cambridge**Job Experience:**
 - Tokunbo Orimobi LP
 - Ash Xander
 - Bolorims Express Limited (BEX)
 - Greenwich Merchant Bank Limited

- 4. Name:** Mrs. Yimika Philips
Position: Independent Non-Executive Director
Years of Experience: Over 27 years
Education: • LLB- University of Lagos
Job Experience: • Olaniwun Ajayi LP
 • Enterprise Practice Group
- 5. Name:** Ms. Kari Tukur
Position: Independent Non-Executive Director
Years of Experience: Over 17 years
Education: • B.Sc.- Sheffield Hallam University, England
 • MSc. - University of Birmingham, England
Job Experience: • Master Card
 • Access Bank Plc
 • Standard Chartered Bank
 • Stanbic IBTC Bank
 • Standard Bank
 • Banco Santander
- 6. Name:** Mrs. Ashim Egunjobi
Position: Independent Non-Executive Director
Years of Experience: Over 15 years
Education: • B.A. - Munich Business School
 • Nigeria Institute of Management (NIM)
 • MBA- IE Business School
Job Experience: • Octerra Capital
 • elev8
 • Tek Experts, Nigeria
 • RMB Westport Development Fund
 • Standard Chartered Bank, Nigeria
 • Bake for Change Development Foundation
 • Always Me

Most of the parties involved in the issuance are related entities of the Sponsor. These entities are: *DLM Scale SPV Plc, DLM Nominees Limited, DLM Advisory Limited, DLM Trust Company limited and Infinity SPV Limited*. The Sponsor currently has Credit Rating of "A+"

The summary of the financial is as follows:

DLM CAPITAL GROUP ORGANOGRAM

	2023 ₦'000	2022 ₦'000	2021 ₦'000	2020 ₦'000	2019 ₦'000
Gross Earnings	11,293,029	7,224,349	4,793,130	2,786,913	4,975,279
Pre-Tax Profit	3,900,800	1,303,561	883,657	594,363	685,456
Equity	10,306,660	6,406,324	5,155,704	4,393,283	3,874,249
Non-Current Assets	1,232,996	689,446	507,231	325,430	271,517
Total Asset	40,469,467	23,544,541	24,081,546	13,813,906	15,324,872
Total Debt	30,162,807	17,138,217	18,925,842	9,405,623	11,450,625

REGULATORY ENVIRONMENT

The regulator in-charge of fixed income securities in Nigeria is the *Securities & Exchange Commission (SEC)*. The Issuing House, on behalf of the Issuer, shall seek SEC's approval for the Bond issuance. The bond shall be issued to the general public

POLITICAL ENVIRONMENT

Nigeria is a multi-ethnic and culturally diverse federation of 36 autonomous states and the Federal Capital Territory. The ruling All Progressive Congress (APC) which controls the executive arm of government also holds majority seats at both the Senate and Houses of Representative.

The Presidential Election in Nigeria was held on the 25th of February, 2023. The three major contenders were the candidates of the *All Progressive Congress (APC)*, *People's Democratic Party (PDP)* and the *Labour Party (LP)*. Gubernatorial Elections alongside that of State House of Assemblies were conducted in March 2023.

The candidate of the *APC*, Bola Ahmed Tinubu who scored 8,794,726 votes was declared the winner and was sworn in on the 29th of May, 2023. However, the aggrieved parties in the elections have turned their attention to the tribunals for possible redress.

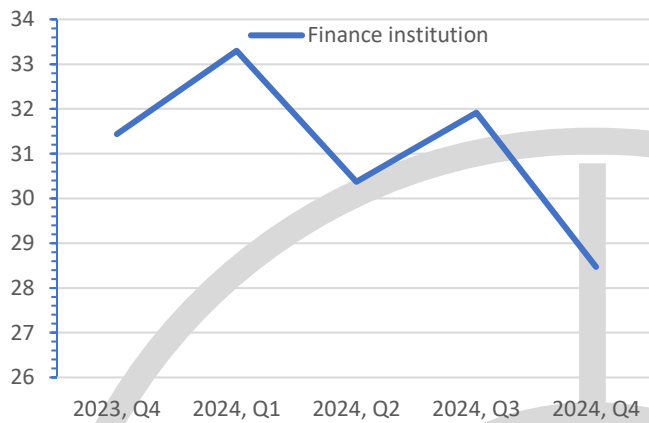
Attention has now shifted to the new administration regarding how it will address the myriads of challenges confronting the country. Some of which include political restructuring, diversification of economy, youth unemployment, subsidy management, brain drain and rising public debts.

ECONOMIC ENVIRONMENT

Nigeria is one of the leading economies in Africa, with a population of over 200 million people. In the fourth quarter of 2024, the country's Gross Domestic Product (GDP) demonstrated a real-term growth of 3.84% year-on-year, higher than the 3.46%

recorded in the same quarter of 2023 and higher than 3.46% from the third quarter of 2024. Notably, the Services sector propelled this growth, contributing 57.38% to the overall GDP with a growth rate of 5.37%.

REAL FINANCIAL SECTOR YEAR-ON-YEAR GROWTH



Source: Nigeria Bureau of statistic

According to the data released by the National Bureau of Statistics (NBS), the Financial Sectors' growth in real terms stood at 28.47% (Q4 2024), lower than 31.92% recorded in Q3 2024, contributing 5.76% to total GDP.

Nigeria is battling with the challenge of foreign currency scarcity arising from lower Oil receipt and limited export capacity of the Country. In order to achieve a Unified Foreign Exchange

regime, the CBN collapsed the multiple exchange rate windows. This is in addition to allowing the free float of the Naira against the US dollars. The value of the Naira to the Dollar at the CBN official rate (Buying Rate) is N1,550/\$1 as at 2nd April, 2025.

In an effort to attain bank soundness and manage liquidity effectively, the CBN introduced in 2006 a new framework for monetary policy implementation in the market place, using the short-term interest rate known as Monetary Policy Rate as its benchmark. The MPR serves as an indicative rate for transactions in the interbank money market as well as money market rates. The Monetary Policy Committee (MPC) of the CBN at its 299th meeting on 20th February 2025, voted to retain the Monetary Policy Rate (MPR) at 27.50%, the first hold in almost 3 years. This was following the drop recorded in headline inflation after the rebasing of the Consumer Price Index (CPI).

Headline Inflation rate dropped to 23.2% in February, 2025, the second consecutive drop after the rebasing of the Nigeria's Inflation Basket by the NBS. This was lower the January 2024 figure of 24.5%. The Apex Bank also retained the Cash Reserve Ratio (CRR) at 50% and the Liquidity ratio at 30%.

The Nigerian Assets Under Management (AuM) includes over 108 operators. The product offerings in the industry could be classified into three key segments Collective Investment Schemes (CISs), Segregated Portfolios and Alternatives. In the year 2023, Segregated Portfolios accounted for more than half of total Managed Assets (57%). This was higher than 52% recorded in 2022 and higher than the more restrictive CISs (35%) and Alternatives (8%). The industry as at the end of 2023, grew by 44% to ₦5.9 trillion, driven by the growth of dollar-denominated portfolios and increased participation from retail and institutional investors.

Naira Denominated Investments have lost their lustre in light of current market conditions and investors are instead looking to high-yield alternatives and FCY denominated investments. A moderate increase in the size of the Asset Management Industry is anticipated with an estimated average growth rate of 32.4% over the next two years, as this will result in total AuM reaching the N10 trillion mark by 2025.

As part of the initiative of the current government to achieve a trillion-dollar economy, CBN has instructed operating Banks in Nigeria to recapitalize ahead of March 2026. This initiative is expected to spur Financial Advisory business given that Mergers and Acquisitions are permitted alternatives to cash injection.

LEGAL OPINION

The following were observed from the document reviewed.

- *The Issuer* is a legal entity and is capable of participating in a transaction of this nature.
- Each of the obligations under the Bond when issued in definitive form will constitute legally valid, binding and enforcement obligations of the Issuer under Nigerian Law.
- The transaction documents with all their respective schedules and appendices are legal, valid, binding and enforceable under Nigerian Law in accordance with their terms.
- Each of the transaction documents is in proper legal form.

ISSUE QUALITY

In the course of our review, we observed the following:

- The Credit Quality of the underlying Investment of the Issue.
- The ultimate assignment of benefits of the Cashflow from the underlying Investments to the Issuer.
- The estimated Debt Service Coverage Ratio of 1.0X.
- The Governance Structure around the Bond Issuance Transaction Accounts.
- The Bondholders have a direct obligation owed to them by the Issuer.

CONCLUSION

We have reviewed the Transaction Document. The payment of obligation under the Issue is tied to the credit quality of the underlying investment which is the FGN Sovereign Bond.

Consequently, we assigned a Rating of AAA.

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 11th March, 2025

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USER GUIDE

DataPro's credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long -term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk.	<i>(Superior)</i> Assigned to issuers which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	<i>(Excellent)</i> Assigned to issuers which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	<i>(Very Good)</i> Assigned to issuers which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	<i>(Fair)</i> Assigned to issuers which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion, have an ability to meet their current obligations, but their

financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

Indicator Meaning Explanation

BB	Moderate Risk	<i>(Marginal)</i> Assigned to issuers which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	<i>(Weak)</i> Assigned to issuers which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These issuers, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC	Higher Risk	<i>(Poor)</i> Assigned to issuers, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These issuers, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD	Highest Risk	<i>(Very Poor)</i> Assigned to issuers, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These issuers, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.