

MEDIA RELEASE

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**CariCRIS assigns 'high' creditworthiness ratings to
the proposed bond issue of TT \$150 million of Development Finance Limited**

Caribbean Information and Credit Rating Services Limited (CariCRIS) has assigned initial issue ratings of *CariAA-* (Local Currency Rating) on the regional rating scale, and *ttAA-* on the Trinidad and Tobago (T&T) national scale to the proposed bond issue of TT \$150 million of Development Finance Limited (DFL or the Company). These ratings indicate that the level of creditworthiness of this proposed obligation, adjudged in relation to other obligations in the Caribbean and within T&T is **high**. The assigned ratings include a 4-notch credit uplift due to the bond being fully secured by Government of the Republic of Trinidad and Tobago (GORTT) securities and GORTT-guaranteed securities.

The ratings are driven by the high credit quality of the bond's underlying assets, these being GORTT securities and GORTT-guaranteed securities, which should provide stable and reliable cash flows for debt servicing. Further supporting the ratings are DFL's comfortable capitalisation reflected in strong capital adequacy ratios and low leverage. DFL's adequate financial performance with diversity of income and profitable operations, its moderately diverse investment portfolio with good asset quality and a stable and growing funding base also support the rating. These supporting factors are tempered by the significant sovereign risk exposure which is compounded by heightened economic uncertainty.

CariCRIS has also assigned a **stable** outlook on the ratings. The stable outlook is premised on CariCRIS' expectation of continuity in the key credit drivers supporting the ratings over the next 12-15 months, with all debt service commitments expected to be paid in a timely manner over the period.

Rating Sensitivity Factors:

Factors that could, individually or collectively, lead to an improvement in the ratings and/or outlook include:

- Improvement in the credit rating of the GORTT

Factors that could, individually or collectively, lead to a lowering of the ratings and/or outlook include:

- Material impairment in any of the underlying securities
- Substantial deterioration in the financial performance and position of DFL
- Downgrade in the rating of the GORTT
- Breaches to any of the bond's covenants
- Breaches to covenants related to other long-term borrowing including limits related to non-performing loans
- A fall in the bond's security coverage to below 1.0x

About the company:

Development Finance Limited (DFL or the Company) is a non-bank financial institution licensed in Trinidad and Tobago (T&T) under the Financial Institutions Act (2008) and is registered with the Deposit Insurance Corporation. The Company was initially established as the Trinidad and Tobago Development Finance Company (TTDFC) in the 1970s. DFL's shareholders currently comprise primarily of the Government of the Republic of Trinidad and Tobago (GORTT) (49.75%) and the Maritime Financial Group (49.75%), through its subsidiaries, the Maritime General Insurance Company Limited (33.17%) and Maritime Life (Caribbean) Limited (16.58%). The remaining 0.5% is held by DFL Caribbean Holdings Limited.

DFL's mandate is aimed at providing funding and project structure for all small, medium, or large corporations that are engaged in development activities that can benefit the growth of the T&T economy. From inception in the 1970's, DFL's core business was to provide financing for business development to Small and Medium Enterprises (SMEs) locally. Since 2011 the Company has widened its product offering to include Merchant banking and FOREX services in addition to long-term commercial financing options. The Company's products and services are offered through 6 main business lines which include

debt arrangement and underwriting, buying and selling of foreign exchange, deposit-taking for fixed deposits, corporate and commercial lending for various financing needs, provision of guarantees, and letters of credit. DFL’s total assets stood at TT \$610.1 million as at December 2020, and its total revenue for the year then ended was TT \$20.6 million.

DFL is proposing to issue a Secured Fixed Rate bond in the amount of up to TT \$150 million. The net proceeds of the issue will be used to fund loans and investments and for general corporate working capital purposes. The proposed bond will be issued in 4 tranches as follows:

DFL Proposed Bond Issue up to TT \$150 million - Fixed Rate Tax Exempt		
Tranches	Proposed Size*	Coupon Rate (Fixed)
Tranche A - 7-year	TT \$20 million	3.25%
Tranche B - 9-year	TT \$48.6 million	3.75%
Tranche C - 10-year	TT \$40.2 million	4%
Tranche D - 11-year	TT \$41.2 million	4.25%

Source: DFL

*Each tranche can go up to TT \$70 million, however the total issue size will not exceed TT \$150 million.

The bond will be fully secured by a combination of GORTT securities and GORTT-guaranteed securities, with the issued amount of each individual tranche secured by a pool of assets of equivalent value. Further, the cash flows from the underlying bonds will be the primary source of repayment of principal and interest payments for the proposed bonds with DFL’s cashflows serving as a secondary source of repayment. Interest on all tranches is payable semi-annually with a bullet payment at maturity. Repayment funds will be established for each tranche into which the underlying GORTT and GORTT-guaranteed securities will be deposited. The deposited assets will be pledged to the Trustee who will maintain full control over the assets during the life of the bond. An asset will only be added or removed from the pool if it is called or prepaid by the issuer of the underlying security. Should there be such an event, the Trustee will repay the cash derived from the early repayment inclusive of any outstanding interest received to the bondholders. Republic Wealth Management Limited will serve as the Trustee and Paying Agent to manage all cashflows pertaining to the secured assets, including but not limited to the receipt of interest and principal payments from the underlying securities and payment of funds to investors.



DFL is a registered issuer with the Trinidad and Tobago Securities and Exchange Commission (TTSEC) and has successfully issued and repaid several Fixed Rate Tax-Exempt bonds in the T&T market in past years.

For more information on DFL's ratings, please visit www.caricris.com or contact:

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