

MEDIA RELEASE

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CariCRIS assigns 'high' creditworthiness ratings to the bond issue of up to TT \$100 million of Development Finance Limited

Caribbean Information and Credit Rating Services Limited (CariCRIS) has assigned initial issue ratings of *CariAA-* (Foreign and Local Currency Ratings) on the regional rating scale, and *ttAA-* on the Trinidad and Tobago (T&T) national scale to the proposed bond issue of up to TT \$100 million of Development Finance Limited (DFL or the Company). These ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean and within T&T is **high**. The ratings include a 4-notch credit uplift due to the proposed bond being fully secured by Government of the Republic of Trinidad and Tobago (GORTT) securities and GORTT-guaranteed securities.

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 and that all debt service commitments will be paid in a timely manner over the next 12-15 months. Additionally, we expect continued improvement in the economic environment in T&T over the next year, which will contribute to the Company being able to maintain a stable credit profile over the period.

The ratings are driven by the high credit quality of the bond's underlying assets, which should provide stable and reliable cash flows for debt servicing, as well as DFL's comfortable capitalisation despite increasing leverage. Also contributing to the ratings are the Company's profitable operations underpinned by diversity of income and investments, good asset quality and a stable and growing funding base. These supporting factors are tempered by the significant sovereign concentration risk exposure, compounded by heightened global economic uncertainty.

Rating Sensitivity Factors:

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

- Improvement in the credit rating of the GORTT

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

- 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 major shareholders currently comprise 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 \$860.6 million

as at December 2021, and its total revenue for the year ended December 2021 was TT \$22.8 million.

In July 2021, DFL issued a Secured Fixed Rate bond secured by GORTT and GORTT-guaranteed bonds, in the amount of TT \$63.3 million. Following this issuance, DFL is proposing to issue another Secured Fixed Rate bond in the amount of up to TT \$100 million, with the net proceeds to be used for general corporate purposes. The proposed bond will be issued in 3 tranches as follows:

DFL Bond Issue of up to TT \$100 million - Fixed Rate Tax Exempt		
Tranche	Proposed Size*	Coupon Rate (Fixed)
Tranche A - 5-year	Up to TT \$33 million	2.75%
Tranche B - 7-year	Up to TT \$27 million	3%
Tranche C - 10-year	Up to TT \$40 million	4%

Source: DFL

*The aggregate issue size of Series A, B and C will not exceed TT \$100 million.

Each individual tranche will be secured by a pool of TT\$ and US\$ assets¹ comprising of GORTT or GORTT-guaranteed fixed income securities. Further, the cash flows from the underlying assets will be the primary source of repayment of principal and interest, with DFL's cashflows serving as a secondary source of repayment. Interest on all tranches is payable semi-annually in US\$² with a bullet payment of principal at maturity in TT\$. 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 during the life of the bond³. An asset will only be 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. First Citizens Trustee Services Limited will serve as the Trustee with DFL acting as the Paying Agent, to manage all cashflows

¹ Of the 18 underlying assets, 7 are denominated in US\$ which represents 33.6% of the original principal.

² TT\$ amounts will be converted to US\$ using DFL's US\$ posted rate as at the interest payment date. As an authorized dealer, DFL's US\$ posted rate is determined in accordance with the Central Bank of Trinidad and Tobago's (CBTT) guidelines and codes of conduct governing the operations of the domestic foreign exchange market.

³ The coupon and principal amounts received from the assets in the repayment fund will be reinvested by the Trustee, under the direction from DFL, in TT\$ and US\$ GORTT or GORTT guaranteed assets.

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 the past. The TT \$63.3 million Secured Fixed Rate bond issued in July 2021 is rated *CariAA-* on the regional scale (Local and Foreign Currency) and *ttAA-* on the national scale (Local and Foreign Currency). All coupon payments due on this bond has been met in full and on time to date.

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

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