

MEDIA RELEASE

May 5, 2023

CariCRIS reaffirms 'high' creditworthiness ratings to the TT \$63.3 million bond issue of Development Finance Limited

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed the ratings of *CariAA-* (Local Currency Rating) on the regional rating scale, and *ttAA-* on the Trinidad and Tobago (T&T) national scale to the TT \$63.3 million bond issue 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 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, which lends to 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 good financial performance, its moderately diverse investment portfolio with good asset quality and a stable and growing funding base. These supporting factors are tempered by significant sovereign risk exposure, notwithstanding improving economic conditions.

CariCRIS also assigned a **stable** outlook on the ratings. The stable outlook is based on CariCRIS' expectation of continuity in the key credit drivers supporting the ratings, with all debt service commitments expected to be paid in a timely manner over the next 12 to 15 months. Furthermore, we expect improving economic conditions in T&T to continue to support DFL's growth trajectory over the period allowing for the maintenance of sufficient buffers and a stable credit profile over the next year.

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 (NBFI) licensed in Trinidad and Tobago (T&T) under the Financial Institutions Act (2008) and 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 to provide funding and project structure for 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 foreign exchange (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 forex, 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 \$997.4 million as at December 2022, and its total income for the year then ended was TT \$28.6 million.

DFL issued a Secured Fixed Rate bond in July 2021 in the amount of up to TT \$150 million. To date, TT \$63.3 million has been taken up by the market and the bond offering was subsequently closed. The net proceeds of the issue were used to fund loans and investments and for general corporate working capital purposes. The bond consists of 4 tranches as follows:

DFL Bond Issue up to TT \$150 million - Fixed Rate Tax Exempt		
Tranches	Actual Amount Issued*	Coupon Rate (Fixed)
Tranche A - 7-year	TT \$27 million	3.25%
Tranche B - 9-year	TT \$23 million	3.75%
Tranche C - 10-year	TT \$3 million	4%
Tranche D - 11-year	TT \$10.3 million	4.25%

Source: DFL

*The final issue size is TT \$63.3 million.

The issued amount of each individual tranche is fully secured by a pool of assets of equivalent value comprising of GORTT or GORTT guaranteed bonds. Further, the cash flows from the underlying bonds are the primary source of repayment of principal and interest payments for the bond 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 were established for each tranche into which the underlying GORTT and GORTT-guaranteed securities were deposited. The deposited assets were 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. First Citizens Trustee Services Limited serves as the Trustee and DFL serves as the Paying Agent responsible for managing 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 broker dealer and reporting 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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