

### RATING ANNOUNCEMENT

GCR affirms Shelter Afrique's international scale ratings and upgrades the national scale ratings with Stable Outlooks

#### Rating action

Ebene, 26 June 2025 – GCR Ratings (GCR) has affirmed Shelter Afrique Development Bank's international scale long issuer rating of B and the short-term national scale issuer rating of B, with the outlook accorded as Stable. At the same time, the following national scale issuer ratings have been upgraded:

- Kenyan national scale long and short-term ratings to AA<sub>(KE)</sub>/A1<sub>(KE)</sub> from AA<sub>-(KE)</sub>/A1<sub>+(KE)</sub> with outlook accorded as Stable.
- Nigerian national scale long and short-term ratings to AAA<sub>(NG)</sub>/A1<sub>(NG)</sub> from AA<sub>+(NG)</sub>/A1<sub>+(NG)</sub>, with outlook accorded as Stable.
- Mauritian national scale long and short-term ratings to BBB<sub>(MU)</sub>/A2<sub>(MU)</sub> from BB<sub>+(MU)</sub>/B<sub>(MU)</sub>, with outlook accorded as Stable.

GCR has also upgraded the Nigerian national scale long term issue rating on the Series 1 Tranche A and Tranche B Senior Unsecured Notes, issued under Shelter Afrique's NGN200billion Domestic Bond Issuance Programme, at the same level as the Nigerian issuer credit rating of AAA<sub>(NG)</sub>, with outlook accorded as Stable.

Rated entity / Issue	Rating class	Rating scale	Rating	Outlook/Watch
Shelter Afrique Development Bank	Long- and short-term issuer	International	B/B	Stable Outlook
Shelter Afrique Development Bank	Long- and short-term issuer	National	AA <sub>+(KE)</sub> /A1 <sub>+(KE)</sub>	Stable Outlook
Shelter Afrique Development Bank	Long- and short-term issuer	National	AAA <sub>(NG)</sub> /A1 <sub>(NG)</sub>	Stable Outlook
Shelter Afrique Development Bank	Long- and short-term issuer	National	BBB <sub>(MU)</sub> /A2 <sub>(MU)</sub>	Stable Outlook
Series 1 Tranche A Senior Unsecured Notes	Long term issue	National	AAA <sub>(NG)</sub>	Stable Outlook
Series 1 Tranche B Senior Unsecured Notes	Long term issue	National	AAA <sub>(NG)</sub>	Stable Outlook

#### Rating rationale

The ratings of Shelter Afrique Development Bank (Shelter Afrique or the bank) reflect improvements in risk management practices, status and efforts towards clearance of capital arrear. The ratings also reflect strong capitalisation, adequate liquidity, a diversified membership base, and building track record of mandate

execution. The ratings are restrained by exposure to high-risk operating environments, weak asset quality, and unresolved capital arrears.

Membership strength and diversity is ratings positive. We view the diverse membership base (on a regional basis) and treaty establishment as ratings positive. The bank has 46 shareholders and aims to admit new shareholders in the near future. The bank is strengthening shareholder relations evidenced by progress in steps to clear historical capital arrears. These steps include an agreement with one of the top DFIs aimed at assisting Shelter Afrique shareholders in paying their capital arrears. However, the historical delays in shareholder support and the existing capital arrears remains a ratings constraint until the position has materially improved.

Preferential treatment is ratings positive. Driven by evidence of improving capital arrears management, government-led non-performing loans (NPLs) resolution, and examples of sovereign support in recovery efforts, demonstrating enhanced private creditor treatment. Preferred Creditor Status (PCS) is embedded in revised statutes, but no uplift has been provided for PCS considering only seven (7) shareholders have ratified the statutes so far.

The business profile is ratings negative reflecting a good mandate constrained by a weak track record. The status of Shelter Afrique is improving, culminating from its transformational journey, but development related exposures have lagged behind projects, and the bank's effectiveness in meeting its mandate needs improvement, particularly in terms of lending volumes and asset quality management. The gross loan book was \$192.8M at 31 December 2024 (FY2024) down from \$223.2M at FY2023. The bank managed to disburse \$24M in 2024 out of projected \$96M, impacted by strategic restructuring and prioritization of quality lending. Shelter Afrique has a clear and strong mandate to provide financing for housing and urban infrastructure projects across its member countries, but a weak long-term track record remains a ratings constraint. The bank's business development operational plan for FY2025 has a target disbursement of \$130M. The successful execution of the mandate and consistent disbursement of funds aligned with the forecast can enhance the bank's credibility and performance.

Capitalisation is strong. The GCR leverage ratio (capital to assets) was a higher 82.2% at FY2024 from 68.2% at FY2023 driven by a 17.1% decrease in total assets from \$243.0M to \$210.5M relative to a 4.5% increase in GCR capital from \$165.7M to \$173.1M. The GCR leverage ratio is expected to remain at very strong levels above 50% over the next 12-18 months, supported by, good internal capital generation and capital injections from arrear clearances. Downside risks remain immaterial, underpinned by the strong capital buffer and robust loan loss reserve coverage of stage 2 and 3 loans of 60.2%.

The risk position is ratings negative. Improvements have been noted in underwriting, however, Shelter Afrique maintained poor asset quality demonstrated by a high non-performing loans (NPL) ratio due to failure to successfully address legacy (pre-2019) NPLs. The NPL ratio was 47.3% at FY2024 (FY2023: 50.6%) of which legacy loans contributed over 90%. As of FY2024, The NPL ratio for new loan book (excluding legacy loans) was 4.2%. Until the legacy NPLs are materially resolved, the risk score will remain constrained, albeit with a potential for gradual improvement as the bank executes its strategies effectively. Nevertheless, maintaining clean lending practices and demonstrating sustainable credit underwriting remains critical. Positively, the bank's exposure to market risk, particularly currency risk, has also been managed prudently.

Funding and liquidity are neutral to the ratings. The funding structure is modest, with notable steps to diversify through loans from commercial banks and DFIs. Liquidity management faces some challenges due to the concentration of liquid assets in local banks. Positively, liquidity is more than adequate to cover immediate refinancing requirements. Improving funding diversification and the quality of liquid assets may enhance the bank's funding and liquidity profile.

We have not factored callable capital given the non-investment grade ratings of shareholders and historical variability in capital inflows.

### **Shelter Afrique's Series 1 Senior Unsecured Notes**

The Series 1 Notes have been issued under Shelter Afrique's (the Issuer) NGN200Bn Domestic Bond Issuance Programme. The Issuer is permitted through a resolution of its Board of Directors dated 30th November 2021, to issue the Notes in various tranches, and under different terms and conditions as the board may deem fit, subject to the approval of the relevant regulatory authorities. Accordingly, the Notes constitute direct, unsubordinated and unsecured obligations of the Issuer.

Repayment of the Notes obligations ultimately depend on the performance of Issuer. Shelter Afrique irrevocably and unconditionally undertakes to the Trustee the due and punctual payment in accordance with the Trust Deed of the principal of and interest on all Notes and of any other amounts payable by the Issuer under the Trust Deed. As such, cognisance must be taken of the Issuer's credit profile.

The Notes rank *pari passu* with all senior unsecured indebtedness and the claims of the Issuer's creditors. Accordingly, the Notes have been accorded a public national scale long-term Issue rating of AAA<sub>(NG)</sub> in line with the Issuer's rating.

### **Outlook statement**

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The stable outlook reflects GCR expectations that 1) the bank will maintain high capitalisation over 50%, 2) growth in development exposures without a material deterioration in asset quality and 3) consistent collection of capital arrears. We also expect some funding diversification and adequate levels of liquidity.

### **Rating triggers**

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The ratings may be improved if there is 1) a sustained track record of strong development mandate execution without a deterioration in asset quality or liquidity, 2) material improvement in membership strength and relations, 3) material clearance of capital arrears, or 4) material improvement in asset quality. The ratings may be downgraded if 1) there is limited measurable proof that the bank is fulfilling its mandate, 2) there is migration of new loans into NPL, 3) deterioration in operating environment or credit quality of members, or 4) a strain on liquidity. We would also view any reduction in PCS negatively, even if in the context of broader pressure on MDBs globally. The rating triggers on the Programme and the Notes reflecting the rating triggers of the Issuer.

## Analytical contacts

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## Related criteria and research

Criteria for the GCR Ratings Framework, May 2024  
GCR Rating Scales, Symbols & Definitions, May 2023  
Criteria for Rating Supranational Institutions, May 2024  
GCR Country Risk Scores, June 2025  
GCR Financial Institutions Sector Risk Score, August 2024

## Ratings history

### Shelter Afrique Development Bank

Rating class	Review	Rating scale	Rating	Outlook	Date
Long and Short-Term issuer	Initial	International	B-/B	Stable	May 2021
	Initial	National	A <sup>+</sup> <sub>(KE)</sub> /A1 <sub>(KE)</sub>	Stable	May 2021
	Initial	National	AA <sub>(NG)</sub> /A1 <sup>+</sup> <sub>(NG)</sub>	Stable	May 2021
	Initial	National	B <sup>+</sup> <sub>(MU)</sub> /B <sub>(MU)</sub>	Stable	November 2021
	Last	International	B/B	Stable	June 2024
	Last	National	AA <sup>-</sup> <sub>(KE)</sub> /A1 <sup>+</sup> <sub>(KE)</sub>	Stable	June 2024
	Last	National	AA <sup>+</sup> <sub>(NG)</sub> /A1 <sup>+</sup> <sub>(NG)</sub>	Stable	June 2024
	Last	National	BB <sup>+</sup> <sub>(MU)</sub> /B <sub>(MU)</sub>	Stable	June 2024
Series 1 Tranche A Senior	Initial	National	AA <sub>(NG)</sub>	Stable	June 2022
Unsecured Notes	Last	National	AA <sup>+</sup> <sub>(NG)</sub>	Stable	June 2024
Series 1 Tranche B Senior	Initial	National	AA <sub>(NG)</sub>	Stable	June 2022
Unsecured Notes	Last	National	AA <sup>+</sup> <sub>(NG)</sub>	Stable	June 2024

## Risk score summary

Rating Components & Factors	Score
<b>Operating environment</b>	<b>8.50</b>
Country risk score	2.75
Sector risk score	2.50
Membership / Shareholder Base	2.00
Preferential Treatment	1.25
<b>Business profile</b>	<b>(1.00)</b>
Status and diversity	(2.50)
Mandate and track record	1.50
Sustainability	0.00
<b>Financial profile</b>	<b>3.50</b>
Capital and leverage	5.00
Risk	(1.50)
Funding and liquidity	0.00
Callable capital	0.00
<b>Comparative profile</b>	<b>0.00</b>
Peer comparison	0.00
<b>Total Risk Score</b>	<b>11.00</b>



## Glossary

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.
Callable	A provision that allows an Issuer the right, not the obligation, to repurchase a security before its maturity at an agreed price. The seller has the obligation to sell the security if the call option holder exercises the option.
Coverage	The scope of the protection provided under a contract of insurance.
Currency Risk	The potential for losses arising from adverse movements in exchange rates.
Deed	A legal document that is signed and delivered, especially one regarding the ownership of property or legal rights.
Downgrade	The rating has been lowered on its specific scale.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
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.
Market Risk	Volatility in the value of a security/asset due to movements in share prices, interest rates, currencies, commodities or wider economic factors.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
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.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Risk Management	Process of identifying and monitoring business risks in a manner that offers a risk/return relationship that is acceptable to an entity's operating philosophy.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Senior	A security that has a higher repayment priority than junior securities.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Tranche	A portion of an obligation, each of which has different terms.
Trust Deed	A deed of conveyance creating and setting out the conditions of a trust.
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 ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Audited financial results as at 31 December 2024
- Breakdown of loan book and funding as at December 2024
- Breakdown of facilities
- Other related documents

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