



PANAFRICAN CREDIT RATING AGENCY

**Public Limited Company with a Board
of Directors with a share capital of
CFAF 200,000,000**

**Accredited by the Capital Market
authority (CMA) of Rwanda
Ref/CMA/July/3047/2015**

**Accredited by the CREPMF of WAEMU
NA001/2012**

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PRESENTATION

❑ Skills and activities

Bloomfield Investment Corporation is a Credit risk assessment agency operating in West and Central Africa. The agency offers various types of services:

- Credit rating through **Bloomfield Ratings**
- Economic and financial intelligence through **Bloomfield Intelligence**
- Counterparty risk management solutions for SMEs through **Bloomfield PME**
- Training and seminars,

Bloomfield Investment Corporation is based in Abidjan, Côte d'Ivoire and operates in West and Central Africa. Bloomfield Investment Corporation is a subsidiary of Bloomfield Financial Group.

Our teams include a permanent staff with substantial experience in the field of credit risk management and consultants with international expertise in our areas of competence.

This expertise is the result of their work experience in institutions such as the World Bank, National Bank of Detroit, the International Economics Institute, Shell Oil Products Africa, Deloitte & Touch, the African Development Bank, Moody's, Fitch and the French Development Agency.

BLOOMFIELD RATINGS

Bloomfield Ratings is responsible for all of Bloomfield Investment Corporation's credit rating activities. The work is carried out using methodologies that strongly take into account the local environment and its impact on the credit quality of the rated entity or operation.

Scores assigned by Bloomfield Investment Corporation reflect the insolvency risk of any entity (businesses, banks, public institutions or countries) raising funds on the market or from banks. This helps to rank borrowers according to their risk quality.

The need for quality information requires collecting useful information through the most certain channels. This is also achieved through a team of professionals with a wide range of experience and academic training.

As a result, **Bloomfield Ratings'** credit rating activities mainly consist of solicited or regulatory ratings.

❑ What is the interest of credit rating in Africa ?

In West Africa as elsewhere, customer insolvency assessment techniques are rapidly developing.

On the other hand, credit risk assessment is not common practice for African financial markets, while investors all over the world resort to financial rating to measure the insolvency risk of securities issuers.

Banks also assess counterparty risks through credit rating, which has become a banking regulation tool since the introduction of « Basel 2 ».

West and Central Africa are the only regions in the world where local finance operators do not conduct credit rating. Bond certificate issuers currently have to pay high fees as part of the guarantee prescribed by WAEMU regulation to have access to market, which increases borrowing costs and delays local market development.

In addition, lack of information on borrowers' risks makes it difficult for a number of economic operators to have access to credit and makes the region less attractive to foreign investors.

Now, credit rating would enable to eliminate or at least to reduce the need for a guarantee, thus leading to significant decrease in borrowing costs.

In addition, this would improve information on bond certificate issuers' credit risk, thus contributing to higher market efficiency.

As a response to the needs of financial markets and banks in Africa, Bloomfield Investment proposes a rating system for borrower and bond certificate issuer credit risks.

Bloomfield Investment's rating system shows the insolvency risk of companies, banks, public institutions or countries raising funds on the market or from banks.

This enables to grade borrowers based on their credit risk, which is essential for the determination of interest margins – or risk premium – applied by lenders, whether these are banks or bond market investors.

Therefore, Bloomfield Investment's approach meets the needs of both bond market investors and financial institutions.

□ **Our rating scale**

Rating is done through a risk scale consisting of 20 levels divided into 8 classes of risk. The higher score is, AAA, corresponds to an extremely low risk level; it is assigned to low-risk entities in the WAEMU / CEMAC Zone. The lowest score, D, corresponds to confirmed insolvency on debt service. The scale includes two categories: investment grades, from AAA to BBB-, and speculative grades, from BB+ to D.

Borrowers rated in the investment grade category have an extremely low to medium risk level whereas those rated in the speculative grade category have a high risk level or are in an insolvency condition

Bloomfield Investment Long term Rating Scale

INVESTMENT GRADE		SPECULATIVE GRADE	
AAA	Extremely Low Risk	BB+	Fairly High Risk
AA+		BB	
AA	Very Low Risk	BB-	
AA-		B+	High Risk
A+	B		
A	Low Risk	B-	
A-		CCC	Probable Insolvency
BBB+	CC		
BBB	Moderate Risk	C	
BBB-		D	Noted Insolvency

Although Bloomfield Investment is not empowered to rate companies operating outside Africa, the agency has harmonized its rating scale, intended for African companies, with that of international rating agencies such as Fitch, Moody's and Standard & Poor's.

This is done on the basis of the top score assigned by international agencies to WAEMU and CEMAC zones, knowing that best performing borrowers in both zones are assigned a BBB- on their international scale.

The indicative correspondence table below provides investors with an approximate score on the international scale for entities rated on Bloomfield Investment's scale.

Bloomfield Investment Scores & International Agency Scores

Bloomfield Investment	International Agency (Fitch / Moody's / Standard & Poor's)
AAA	BBB- / Baa3 / BBB- et au-dessus
AA+ à AA- [classe AA]	BBB- / Baa3 / BBB- à BB / Ba2 / BB
A+ à A- [classe A]	BB / Ba2 / BB à B+ / B1 / B+
BBB+ à BBB- [classe BBB]	B+ / B2 / B+ à B- / B3 / B-
BB+ à BB- [classe BB]	B / B2 / B+ à B- / B3 / B-
B+ à B- [classe B]	CCC / Caa1 / CCC à CC / Caa2 / CC
CCC à C [classe C]	C / Caa3 / C à RD / Ca / SD
D	D / C / D

❑ Our Methodologies

Drawing on the approach followed by development banks and international rating agencies, Bloomfield Investment has developed a credit risk assessment methodology appropriate for African companies. The firm's know-how lies in its expertise in risk assessment and knowledge of the local African context. Based on these both qualitative and quantitative criteria, the approach involves five major issuer categories:

- industrial and commercial,
- financial and insurance institutions,
- public organizations,
- sovereign borrowers
- structured finance (securitization).

1. Industrial and commercial

The assessment approach used for companies is based on a study of the environment, supplemented by an analysis of the strategy followed and an evaluation of management team quality. This is followed by a study of the company's financial condition; this aims at evaluating the company's ability to service its debt. Financial statement analysis is done through a review of certified accounts for the last five years and on the basis of cost accounting elements. Forward budget and business plan analysis is also conducted

Major qualitative criteria:

- Risks and opportunities related to the industrial environment, i.e. sector growth, competition, legal risks;
- Coherence of the strategy followed;
- Quality of management team;
- Shareholder and/or State support.

Major quantitative criteria:

- Revenue growth;
- Operational profitability;
- Rise in cash flow in relation to investments;
- Financial indebtedness in relation to equity capital and cash flow;
- Coverage of interest expenses by the earnings;
- Identification of liquid asset requirements;
- Alternative sources of liquid assets.

2. Financial and Insurance Institutions

Similarly to industrial and business concerns, an analysis of the environment, strategy and management is conducted. However, the analysis is more focused on the institutions' ability to cope with risks and on the support mechanisms available to them in difficult circumstances. Bloomfield Investment also conducts forward budget and business plan assessments. Risk management procedures are thoroughly reviewed, especially with regards to financial institution rating; a detailed analysis of the commitment portfolio (loans, guarantees, and shareholding) is conducted.

Major qualitative criteria:

- Regulations;
- State and/or financial community support;
- Shareholder support;
- Internal risk management procedures.

Major quantitative criteria:

- Commitment portfolio quality;
- Portfolio bunching ratio;
- Market risk exposure;
- Outstanding payments and other risks provisioning level;
- Capitalization;
- Profitability;
- Liquid assets.

3. Public Organizations

For public organizations – local governments or public corporations – the rating procedure is based on an analysis of the institutional context and a socioeconomic study of their geographical area. This is followed by an analysis of financial statements, which involves a budget review, including off-budget receipts and expenditures and commitments received or made on behalf of associate institutions ("satellites institutions"). Public organization rating is largely focused on State support, while taking into account common corporate financial analysis criteria

Major qualitative criteria:

- Legal and regulatory framework;
- Support from State and other public organizations;
- Organizational structure and expertise;
- Socioeconomic profile of the territory, i.e. population's income, job types, population growth, infrastructure requirements, existence of a local business community.

Major quantitative criteria:

- Tax flexibility: potential income in relation to the tax handle
- Pattern of expenditures: investment, operation (including staff costs);
- Status of budget balance and intermediate balances (management saving, gross saving);
- Overall debt (including guaranteed debt) related to revenue and patrimony;
- Off-budget commitments received and made (annex budgets and "satellites institutions");
- Analysis of short-term needs and treasury trends.

4. Sovereign Borrowers

Sovereign borrower rating involves an evaluation of risks in relation to the State's default on payment of debts incurred before private creditors – banks or debenture bond owners – as debts incurred before public lenders are subject to State-to-State negotiations. Bloomfield Investment's approach consists in a separate evaluation of the State's capacity to repay its debt, based on an analysis of the country's economy and public finance, willingness to make payments, which may be influenced by political factors..

Major qualitative criteria:

- Internal political environment: government stability, risk of political crisis;
- External relations: risk of conflict or crisis;
- Social patterns: demography, educational level, health infrastructure, poverty level;
- Competence of ruling authorities;
- Economic patterns; distribution of production by sector, investment rate, openness to the outside world, industrial development level;
- Consistency of economic, budgetary and monetary policies.

Major quantitative criteria :

- Rise in Gross Domestic Product (GDP) and per capita GDP;
- Budget balances: trend of budgetary balance and other main balances;
- Pattern of expenditures and receipts;
- State debt (including guaranteed debt) related to budgetary revenue and GDP;
- Trend of trade balance and payments on current account;
- External debt related to GDP and exports earnings;
- Trend of foreign exchange reserves by months of importation.

5. Structured Finance / Securitization

Bloomfield Investment will take an active part in the development of the West African securitization market that should be established as a result of the law authorizing the establishment of Common Credit Funds (FCC). This will enable companies and banks to transfer some of their assets to ad-hoc structures (FCCs) to be refinanced by the latter through debenture bonds. The placement of these securities before investors will be highly dependent on scores assigned to them, as ad-hoc structures are unknown to investors.

Securities rating is based on the assessment of two types of risks:

- **Risk relative to the quality of assets transferred to the FCC** : As these assets are generally loans or other credit instruments, risk assessment involves an evaluation of the risk of credit loss on the transferred portfolio. Therefore, all assets have to be rated and the risk of loss on the entire portfolio has to be evaluated based on the probability of default attached to each rating level and on correlations between assets. The score also takes into account possible credit enhancements.
- **Risk relative to the legal and operational soundness of the structure created** : On the legal front, the agency makes sure that assets transferred to the FCC are unlikely to be seized as part of a possible liquidation affecting the transferor. The agency conducts an assessment of all risks relative to the FCC's management and to relevant contracts, such as litigation risks and outstanding debt recovery. The score also takes into account market risks – interest or exchange rate – to which the FCC may be exposed.

Scores are assigned by a rating committee including, in addition to Bloomfield Investment's analysts, experts internationally approved in their respective areas of competence. After each assessment process, a report is written and posted on Bloomfield Investment's website. Scores are subsequently reviewed on an annual basis and close contact is maintained between the agency and rated entities.

Bloomfield Intelligence is in charge of producing the information needed to make investment decisions. It is responsible for making analyses that enable Bloomfield Investment Corporation to take position on risk inherent in a financial product, a branch of industry or a geographical area. **Bloomfield Intelligence's** analyses are intended to support the decision-making processes of the rating agency's clients.

Bloomfield Intelligence supports Bloomfield Ratings with the development of credit ratings. Indeed, the analyses carried out complement the team's knowledge of risks caused by factors external to rated entities (country risk, sector risk, etc.).

Bloomfield Intelligence's approach consists of an in-depth analysis of information collected from data agencies, supplemented by interviews with key players. This approach helps to compare the agency's positions with the reality on the ground, so as to make Bloomfield Investment Corporation's opinion more reliable. It ensures the accuracy of the position taken on short-, medium- and long-term investment risk and outlooks.

For all opinions expressed, **Bloomfield Intelligence** provides an evaluation grid based on parameters aiming to monitor dynamics over time. Elements justifying the opinions and anticipated outlooks are summarized in evaluation sheets enabling the user to make effective decisions.

❑ Information available with Bloomfield Intelligence

Our research is published on our website and is also available via subscription for access to our database. The information available is:

1. GOLD Package

The offer includes the following elements:

1. Bloomfield Investment Corporation's credit rating reports and notes
2. Weekly stock market reports (including biannual monitoring of market trends and monthly alerts on industry news)
3. Country risk reports and notes
4. Industry evaluation reports and notes



5. Community risk reports
6. Continental risk reports
7. Results of the Bloomfield Private Index, a private sector performance index in Cote d'Ivoire

**Non-restricted list*

Description of the GOLD Package:

The elements listed above are available on our website or made available via private access to our subscribers

- Reports and notes available in English and French
- Semi-annual updating of industry reports, country risk reports, community risk report and continental risk reports
- Two (02) reviews of market trends (every six months)
- Monthly alerts on industry news
- A monthly event in the form of working sessions with Bloomfield Investment Corporation analysts (30 min to 1 hr)
 - Presentation of risk in one of the sectors analyzed
 - Explanation of trends and opinions expressed in the report
 - Review of industry news

2. SILVER Package

The offer includes the following elements:

1. Bloomfield Investment Corporation's credit rating reports and notes
2. Weekly stock market reports
3. Country risk reports and notes
4. Industry evaluation reports and notes
5. Results of the Bloomfield Private Index, a private sector performance index in Cote d'Ivoire

**Non-restricted list*

Description of the SILVER Package:

The elements listed above are available on our website or made available via private access to our subscribers

- Reports and notes available in English and French
- Annual updating of industry reports and country risk reports



3. AD-HOC Options

- Market analysis of a specific African stock exchange
- Market analysis of multiple stock exchanges (benchmarking of the performance of African stock exchanges)
- Ad hoc country and sector risk analyses
- Specific thematic studies

Ad-hoc options are charged according to the scope of work



CREDIT MANAGEMENT BEYOND NUMBERS
