



PREMIER RATING SERVICES

COMPANY PROFILE

CREDIT RATINGS INVESTMENT ADVISORY DUE DILIGENCE





Introduction

Premier Rating Services Limited (PRS) initially operated as Credit Rating Agency Limited (CRA) and was granted a license to operate in the Zambian market on 24 September 2014 by the Securities and Exchange Commission of Zambia (SEC). In May 2019, CRA underwent a name change to Premier Rating Services Limited (PRS). Following the formulation of specific credit rating agency regulations by SEC, PRS was granted a credit rating agency license on 4 June 2021. PRS is the first and only entity licensed by the Securities and Exchange Commission (SEC) to provide credit rating and related advisory services to institutions in Zambia.

<https://www.seczambia.org.zm/list-of-capital-market-operators/>

PRS rating services cover institutional ratings and ratings specific to debt instruments issued by institutions. PRS provides independent and objective assessments in accordance with international best practices. PRS is internationally affiliated and its ratings are globally recognised.

PRS's corporate values are: Integrity, Independence, Analytical Rigour, Commitment and Innovation.

Who we serve

PRS is available to serve any registered entity that seeks a credit rating or related advisory service (listed under Section 4.0).

The entity could be a body corporate - whether listed or not listed, international or local, large or small or medium sized, startups or established, financial or non-financial, private or public sector. The entity could also be a non-corporate - such as a municipal council, government agency or registered society.

Why get a credit rating

Credit is the lifeline of business! This is a fact that has long been acknowledged by society. A quote from Daniel Webster in the US Senate in Washington DC, March 1834:

“Credit is Man’s Confidence in Man. Commercial credit is the creation of modern times and belongs in its highest perfection only to the most enlightened and best governed nations. Credit is the vital air of the system of modern commerce. It has done a thousand times more to enrich nations than all the mines of the world.”

A corporate credit rating is a measure of credit worthiness and can bring about immense benefits to your institution. The benefits can be summed up into three broad categories (the three E's):

Elevates Institutional Profile, Enhances Stakeholder Engagement, Elucidates Areas for Improvement.

Elevates Institutional Profile

A rated entity attains a heightened status by the mere fact that it is rated. It projects a positive image of good governance as independently assessed by a rating agency. The entity is seen as embracing important governance attributes such as transparency, accountability and stewardship by the public at large.

Enhances Stakeholder Engagement

Probably the most tangible benefit a rating brings about is improved business relationships with key stakeholders. Most prominent are the following:

a) Financiers:

These could be of debt or equity finance. A rating can help achieve the following:

- Easier access to local and international finance:

Financiers are more receptive and confident dealing with a rated entity. It is a well-established fact that financiers typically ask for a credit rating as soon as they are approached for financing.

Reduces the cost of financing:

- Because financiers are clearer about the business and financial risk embedded in a rating, it becomes easier for the rated entity to negotiate better interest rates and financing terms. For instance, terms such as personal guarantees on facilities can be excluded on the strength of a good credit rating.

b) Depositors:

Depositors in financial institutions will be better informed of the relative risks and this will aid them in discriminating between various financial institutions. Thus, well rated institutions will be able to increase the quantity and quality of deposits, and on more favourable terms.

c) Suppliers:

Suppliers and contractors to a rated entity will be more confident of settlement of outstanding dues. The rated entity may accordingly enjoy better credit terms with the suppliers and contractors.

d) Customers:

The impact on customers is twofold: First, is that the reduced cost of financing (as mentioned in item a above) can enable the rated entity pass on the benefit to its customers through lower pricing, and therefore increase its market competitiveness. Second, is that customers may voluntarily opt to deal with a strong rated company because they believe that (i) the company has the capacity to perform and deliver (especially for huge or long term projects) and (ii) they can get better credit terms. Either way, a good rating is likely to increase the volume of business with customers.

e) Regulators:

Regulators derive direct benefit from a rating in that they are able to rely on it as an independent assessment of the institution. This not only assists in reducing regulatory oversight time and resources, but also enhances the relationship between the institution and regulator. For financial institutions, guidance for regulators is specifically provided for under frameworks such as Basel II.

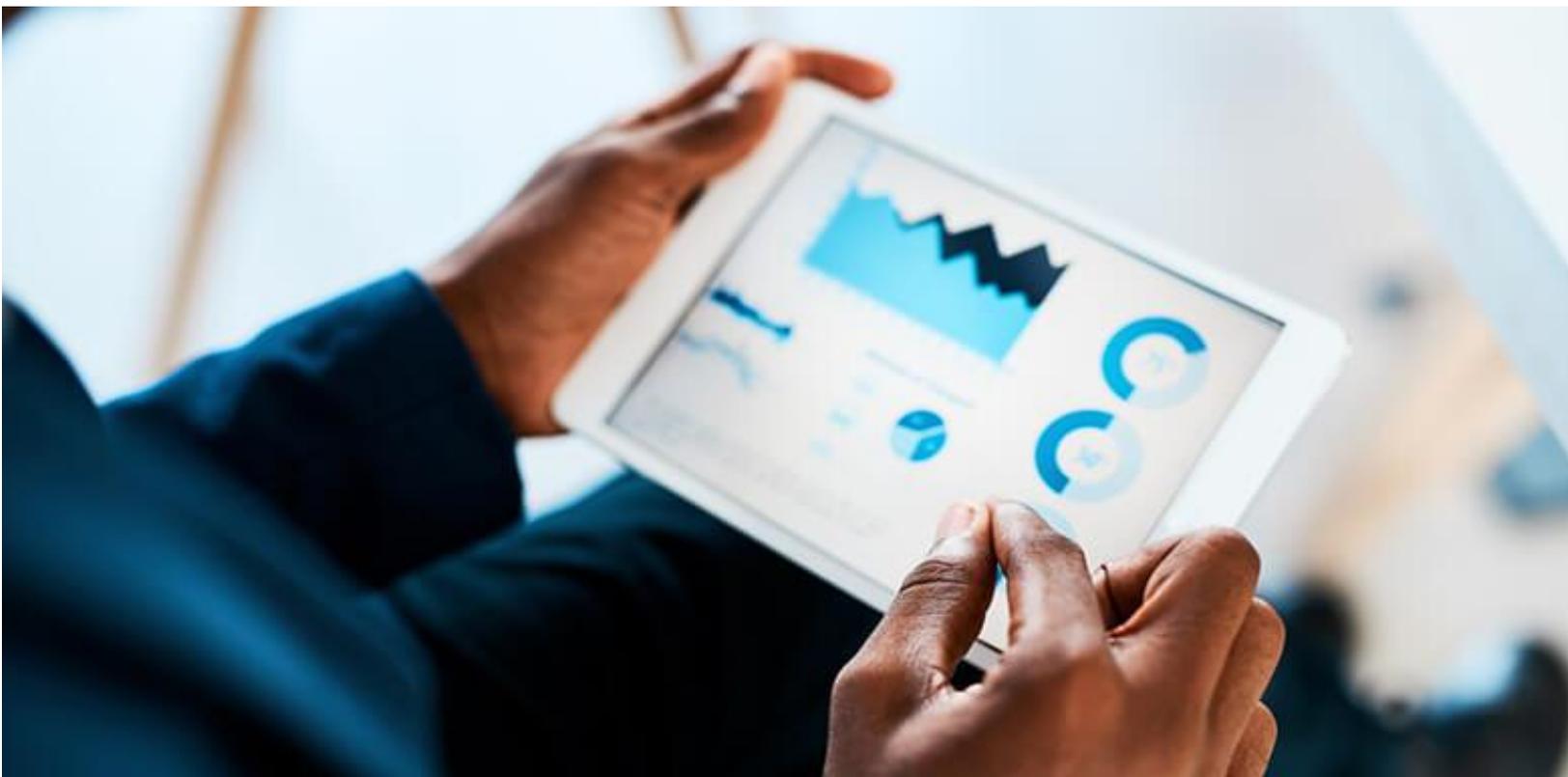
f) Government and Government Departments:

Government will find credit ratings very useful in their assessment of the capacity of contractors to perform, meaning that projects would not be awarded to contractors with a high credit risk profile without taking adequate mitigation of the risk.

Elucidates Areas for Improvement

A corporate rating report is an independent comprehensive analysis of the business and financial risk, as seen in the present and future. The report substantiates in a transparent manner the scores on all key attributes. This provides a basis for articulating improvement actions in the annual operating plans and medium term strategic plans. Furthermore, it allows for benchmarking against other industry participants on the specific attributes scored in the rating report.

Similarly, institutions that prefer to undertake a rating advisory service (refer to Section 5.0) before a full credit rating also benefit from specific recommendations as are typically contained in a credit rating report.



Other services offered by PRS

Pursuant to its mandate, PRS provides a number of ancillary services to ratings. These are:



Investment/Credit Advisory

On the flip side, we also advise investors seeking to place their funds in institutions or financial instruments. Similarly, we provide credit reviews on clients for prospective lenders. Our integrated knowledge of the market and borrowers gives us a unique bird's eye view, which individual lenders may not possess on their own.



Due Diligence

We assist clients with conducting due diligence on entities and individuals. We typically aid investors, banks, donors and cooperating partners overcome information asymmetry and make the best money placement decisions. Our information networks are vast and reliable.



Project Appraisal

We do examine the viability of prospective and existing projects. Our knowledge of industries and markets empower us with the necessary insights to appraise projects well beyond the numbers.



Structured Finance Products

We assist clients with packaging efficient financing solutions for medium-large size business proposals including green field investments, for which we also provide credit ratings.



Designated Financial Advisor

We are approved by the Lusaka Stock Exchange Limited (LuSE) as a Designated Financial Advisor to SMEs. This means that PRS is qualified to be appointed as DFA by SMEs that desire to list on the Alternative Market (i.e. Alt-M) at the LuSE for purposes of guiding such SMEs through all the procedures necessary to get listed on LuSE's Alt-M.



Social Performance Assessments

We conduct Social Performance Assessments (SPAs) on entities providing social impact. Our SPAs are conducted in accordance with Moody's methodology and enable clients benchmark globally. SPAs serve important internal and external needs of clients and can open up opportunities for new sources of financing.



Public Policy Analysis

We provide analysis of public policy pronouncements and how they specifically affect the financial markets and credit environment. This also serves as an input into our credit rating reports.



Research and Training

Our ratings and all other assessments are conducted using transparent methodology. At PRS we believe our clients have to understand our methods in order to value our work. Training is conducted for prospective ratees, researchers and other interested parties.



Mergers and Acquisitions

We assist clients with decisions involving business sale or purchase, merger or acquisitions and business valuations.

Credit Ratings Services in More Depth

Our Rating Philosophy

PRS rates entities and financial instruments following the proprietary rating methodology. The methodology incorporates the latest frontier knowledge in corporate finance, strategic management and management philosophies and it presents our standardized approach to the rating process used within PRS and therefore limits subjectivity and improves the objectivity of the rating outcomes. It explains our approach to the assessment of credit risk and is intended to be a reference tool for evaluating the credit profiles of companies thereby helping our credit risk analysts, concerned entities, investors and other interested market participants understand how the key qualitative and quantitative risk characteristics are likely to affect rating outcomes.

Another key objective of the methodology is to be an accurate and stable measure of relative credit risk which will be correlated with subsequent default and loss. We aim to ensure that our ratings represent independent opinions on the future ability of the borrowers to make payments on their financial obligations on time and in the manner agreed. These ratings are through the cycle forward looking opinions or assessments of a firms' ability to repay debt.

Since credit profiles of companies are not identical each (broad) ratings category is further differentiated by notching up or down represented by the signs (+) or (-) respectively to ensure that credit risk ratings assignments are as accurate as possible and reflect the fundamental differences in the credit profiles of companies between high, medium and low risk within each rating category.

Types of Credit Ratings Services

PRS professionally undertakes the following types of credit ratings:

1. **Institutional Ratings:**
This type of rating encompasses the entire institution and its ability to service debts it contracts. It is essentially a rating of the institutional viability. This rating is useful to not only potential lenders to the institution but also providers of equity and other stakeholders.
2. **Debt Instrument Ratings:**
This type of rating focuses on a particular debt instrument issued by an institution. These would include long term instruments such as corporate bonds and short term instruments such as commercial paper. The debt instrument would be assessed in light of the institution's projected cashflows and its specific ability to service the contracted debt.
3. **Bank Loan Ratings:**
These ratings are specific to banks and other financial institutions that advance credit. Bank Loan Ratings are used by banks to determine risk weights for their

loan exposures, in line with the Bank of Zambia's guidelines for Implementation of the New Capital Adequacy Framework under Basel II framework. PRS rates all type of fund-based and non-fund based facilities sanctioned by Banks. This would include cash credit, working capital demand loans, Letter of Credit, Bank guarantees, Bill discounting, Project loans, Loans for general corporate purposes etc.

Ratings Advisory Services: In addition to the above specific ratings, PRS provides rating advisory services. We are aware that many of our clients contemplating the first credit rating would in the first place like to have initial non-rating assessment. For such clients, we assess the likely outcome of the rating process by conducting confidential and non-public credit ratings. The clients use such a report for internal consumption. The report contains recommendations on how the clients can improve future rating outcomes. This report documents details about all the major weaknesses that significantly impact the rating outcomes and the major measures that the client is required to take to prepare for the actual credit rating. For clients about to undergo a credit rating or other financial assessments with another rating agency, PRS supports such clients throughout all stages of the process. PRS assists its clients by directly engaging with the rating agencies, preparing the clients for rating agency interviews and ensure that all supporting information and analysis of that information is presented to agencies in the best possible light.

Rating Process

In order to perform a rating we first identify the key quantitative and qualitative rating factors which are generally most important in assigning credit ratings in the particular industry and consequently seen as critical in the determination of a company's credit worthiness or credit risk profile. Each key rating factor also encompasses sub-rating factor each of which drives the rating of the related key rating factor. We analyse the issuer's organisational effectiveness, financial standing and operational performance using renowned management techniques such as SWOT Analysis, PESTLE Analysis and competitive rivalry using Michael Porter's 5 Forces Model.

Our methodology also recognizes that relevant factors affect the credit profile of companies differently and that some rating factors may have a stronger bearing on the outcome of the rating process than other rating factors. In recognition of this possibility we always attempted to assign weights to rating factors to closely mirror circumstance existing at the time of the rating process.

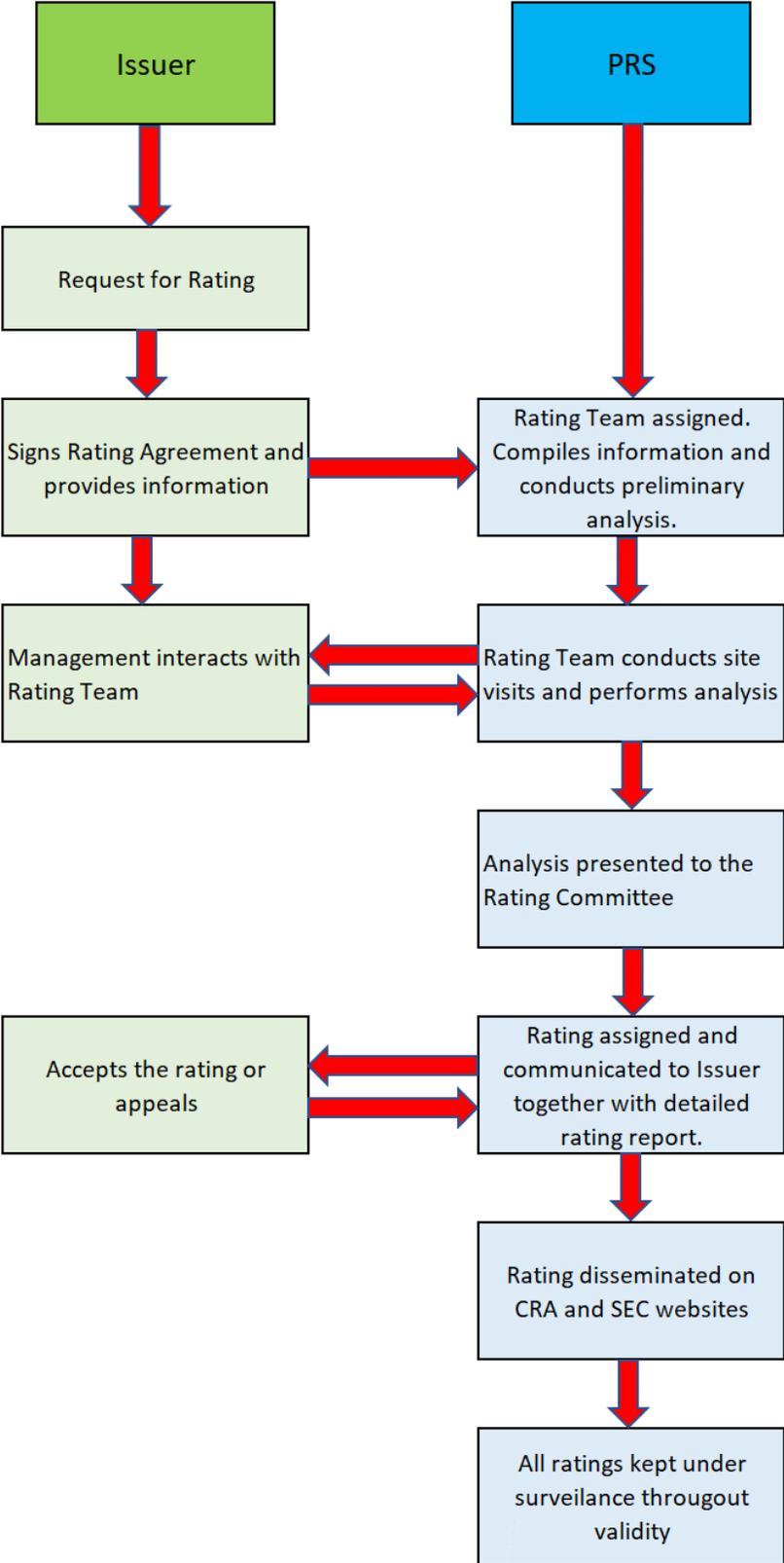
We also recognize that the factors and related weights are indicative only and in some instances it may be necessary to assess whether they can still hold, at the time of the rating exercise, in the light the peculiarities as well as recent developments around the factors, the entity being rated or the industry in which that entity operates.

The rating process followed by PRS is presented diagrammatically in Figure 1 below:

Ratings and the Rating Scale

The ratings available under our rating framework together with a detailed explanation of what each rating means is provided by in Table 1 below. Ratings falling in the rating category of AAA to BBB represent investment grade i.e. of acceptable level of risk whilst ratings below BBB represent investments of a riskier or speculative type. The ratings are a result of both quantitative and qualitative risk assessments and review of the Rating Advisory Committee recommendations to the Board Rating Committee. The final ratings are announced by the Board Rating Committee.

The rating methodology applies a very narrowly defined overall rating range to 1 decimal points for aggregate weighted total factor score (i.e. the sum of the product of sub-factor numerical scores and the sub-factor weights) to recognize that credit risk profiles of entities are not identical and to reflect the unique characteristics of each entity or debt issue. This means that two entities or debt instruments may be rated in the same broad credit risk category of say BBB category, but there are likely to be peculiar circumstances that differentiate one entity or debt instrument from the other hence assigning an identical credit risk rating becomes inappropriate hence the need to notch up or down the initial rating.



NOMENCLATURE	LONG-TERM RATING	SHORT-TERM RATING
AAA	Highest quality, minimal credit risk	Prime
AA+ AA AA-	High quality, very low credit risk	Prime
A+ A A-	Upper-medium, low credit risk	Prime/Subprime
BBB+ BBB BBB-	Medium grade, moderate credit risk	Subprime
BB+ BB BB-	Substantial credit risk	Not prime/speculative
B+ B B-	High Credit Risk	Not investment grade, Not prime/very speculative
C+	Very High Credit Risk	Not investment grade, very high risk/extremely speculative
C	In default or near default, some recovery prospect	Not investment grade, Loss/extremely speculative
C-	In default or operating under administrative order	Loss or no prospect of recovery

What this means for businesses

Your board and management have worked extremely hard to get your business to its current level. You still see the potential for further growth, but are trapped by lack of financial resources needed to leap forward. Without financial resources this potential remains a dream. You may be considering listing on LuSE's Main Exchange or on the newly introduced Alternative Investment Market in order to tap into the local capital market or access foreign capital. You wonder how to escape the financial trap? PRS is here to help you access capital locally and internationally. So simply get a credit rating from PRS and see how the world of funding opportunities unfolds to enable you attract funds at competitive interest rates.

Board and Senior Management of PRS



CHISHIMBA YUMBE - CHAIRMAN

Chishimba is a Moody's Certified Corporate Credit Rating Analyst and Harvard University graduate with a Masters Degree and Edward Mason Fellowship in Public Policy and Management. Chishimba also has an MBA degree from Edinburgh Business School and is a Fellow of the Association of Chartered Certified Accountants (ACCA) and the Zambia Institute of Chartered Accountants (ZICA), under which he previously served as Vice President. In addition, Chishimba is a Chartered Global Investment Analyst.

Chishimba brings over 30 years of experience in financial management, audit and risk assessments. He is currently with the International Finance Corporation (IFC) of the World Bank Group (WBG) as the Regional Financial Controller for Africa, based in Johannesburg. He served as Director Finance at the Bank of Zambia for ten years up to 2014. Chishimba earlier worked as audit senior at KPMG.



DIONYSIUS MAKUNKA - VICE CHAIRMAN / CHIEF EXEC OFFICER

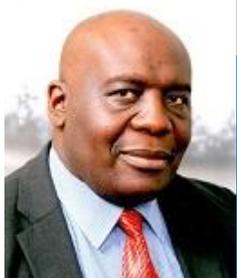
Dionysius has over 25 years of experience in regulating financial markets and institutions, in risk management, advanced financial analysis and financial stability assessments. He has worked for a diverse range of institutions including Bank of Zambia (Economics Department and Financial Institutions Supervision Department), Credit Rating Agency (as Chief Executive Officer). He served as board member of Kwacha Pension Trust Fund. He has also sat on the board and board committees of Zambia National Building Society and Higher Education Loans and Scholarships Board. Dionysius holds a Bachelor's degree in Accountancy (with merit) from the Copperbelt University and an MSc in Finance and Economics (with merit) from the University of Manchester in the United Kingdom. Dionysius is a Chartered Financial Analyst (CFA) charter holder. He is ACCA qualified accountant and a member of ZICA.



MWIZA MBEWE - NON-EXECUTIVE DIRECTOR

Mwiza has had a career spanning over 20 years in the financial markets. He has worked for a diverse range of organisations including the Bank of Zambia (Financial Markets Department and Financial Institutions Supervision Department), ZCCM Investments Holdings plc (Investments Department), Institute for Finance and Economics (Associate) and Credit Rating Agency Limited (former Chief Executive Officer). He has previously served on the boards of Ndola Lime Company Limited and Chambeshi Metals plc.

Mwiza's qualifications include a Bachelor of Arts (Economics) from the University of Zambia, a Master of Science (Financial Economics) from the University of London and he is a Fellow of the Association of Chartered and Certified Accountants.



PROFESSOR PINALO CHIFWANAKENI - NON-EXECUTIVE DIRECTOR

Professor Pinalo Chifwanakeni- Founder and Vice Chancellor of the University of Lusaka. Professor Chifwanakeni has a strong track record in both academia and industry. He holds Bachelors and Masters of Science degrees in accounting and finance, and is a fellow of the Chartered Institute of Management Accountants (CIMA), Zambia Institute of Chartered Accountants (ZICA) and the Zambia Institute of Banking and Financial Services (ZIBFS). He is also a member of the Association of Corporate Treasurers. Professor Chifwanakeni has in the past served as Chief Executive of ZICA and ZIBFS and as Chief Financial Officer in commercial banking. At the inaugural ZICA awards in 2012, Professor Chifwanakeni was awarded as the Most Innovative Accountant in Zambia.



OBED MBUZY - DIRECTOR - OPERATIONS

Obed has with over 25 years of experience in the areas of Enterprise Management and Operations, Finance, Corporate engagements and Partnerships, CSR Management, Project appraisal, Risk Management and Compliance.

He has experience in Sub-Saharan African countries involved in high level engagement in development projects and business advisory support assignments. He is also an ILO Certified Start and Improve Your Business (SIYB) and Expand Your Business (EYB) trainer. He is a part-time guest lecturer at University of Calgary, CANADA.

Professional Qualification: Diploma in Financial Administration (DFA), MBA and advanced training in Accounts and Business studies, Entrepreneurship skills development; Project Organization and Management; Internal audit and investigations; Insurance (CIP); Project financial, Environmental and social risks analysis.

Contact Information

Premier Rating Services Limited
4 Broads Road
Rhodes Park
PO Box 320445, LUSAKA
Telephone: +260 978961060/977123539
E-mail: info@premier-ratings.com

www.premier-ratings.com