

Policy on

**Performing and
Issuing
Unsolicited Credit
Ratings**

April 2016

The product range of GBB-Rating encompasses both solicited and unsolicited credit ratings. The subject matter of the present policy is the performance and issuing of unsolicited credit ratings.

Unsolicited credit ratings are opinions formed and published by GBB-Rating, but not on the basis of any contractual relationship between GBB-Rating and either the rated entity or a third party (e.g. investor).

For its employees and other persons involved in the credit rating process, GBB-Rating has established internal guidelines and procedures for the purpose of identifying, eliminating, disclosing and preventing conflicts of interest.

In addition, the process must be designed to ensure compliance with the following overriding goals:

- objectivity,
- quality,
- independence,
- impartiality, and
- confidentiality.

GBB-Rating is well endowed with an appropriately skilled and experienced workforce capable of issuing, monitoring and updating credit ratings. By way of proper planning, GBB-Rating makes certain that analyses are performed giving due consideration to the material, time and personnel resources required by the individual rated entity's circumstances.

Unsolicited credit ratings are usually based exclusively on publicly available data and information. The entity being assessed can actively assist with the unsolicited credit rating process. In such cases, the actual support provided is indicated by GBB-Rating when it publishes individual results on its website (www.gbb-rating.eu).

When support is provided by the entity being assessed, due regard is paid to the aspects of data security and protection, as well as the confidential treatment of corporate data, by way of organisational measures (e.g. physical access restrictions, password protection, data protection official) and regulations (e.g. IT policy, clean desk policy, and locking-up rules).

In order to ensure independence, GBB-Rating applies a rotation procedure for the lead analyst and the second rating analysts. The lead rating analyst is allowed to oversee the credit assessment of an entity on no more than four consecutive occasions before observing a cooling-off period spanning at least two credit rating campaigns. The second rating analyst is allowed to participate in the credit assessment of an entity on no more than five consecutive occasions before observing a cooling-off period spanning at least two credit rating campaigns. As far as possible, the lead analyst and the second rating analyst overseeing the credit assessment of an entity are not to be rotated at the same time. A credit rating campaign period coincides with the calendar year.

The rotation policy for the lead analyst and the second rating analyst applies not only in respect of a single entity, but also to affiliated groups. An affiliated group in this sense is one in which a senior entity is known directly to hold a capital share or voting rights of 20% or more in at least one junior entity.

The managing directors and employees of GBB-Rating are prohibited from exerting an influence on a rated entity with a view to inducing same to conclude an agreement with GBB-Rating concerning the issue of a solicited credit rating. The managing directors and employees must issue a personal undertaking to this effect.

If a solicited credit rating has been issued, a cooling-off period spanning at least one campaign is to be observed upon expiry or termination of the relevant agreement before an unsolicited credit rating can be undertaken.

The individual rating methodologies of GBB-Rating encompass the analysis and assessment of specified indicators of the financial position, cash flows and financial performance on the one hand, and the evaluation of criteria more appropriately described as qualitative on the other. The relevant credit rating system produces a rating result from the aggregated evaluations.

The second analyst checks and validates the individual evaluations and the accuracy of the indicators. This work is always performed in compliance with internal directives and process instructions.

The lead analyst and the second rating analyst are responsible for issuing the rating. Once the lead analyst and the second rating analyst have issued the provisional rating result, the analyses, substantiations and evaluations are electronically protected against tampering by way of a digital lock.

In order to ensure the quality of its credit ratings, GBB-Rating bases its analyses and assessments on a broad array of information. Among the principal sources are publications such as annual reports and communications issued by investor relations departments. If the overall range of available information is insufficient, the credit rating concerned is not published or, if previously published, withdrawn. If the scope of information concerning individual criteria of the rating methodology is not entirely satisfactory, the criteria concerned are assessed more conservatively.

The wholesale adoption of third-party credit ratings is precluded as a general rule. For benchmarking purposes, however, consideration is given to credit ratings issued by other agencies. In this connection, only credit ratings issued by agencies registered according to Regulation (EC) No. 1060/2009 or a comparable order are consulted.

The sources underlying the credit rating are stated in the rating report. If management meetings take place in connection with the credit rating process, these are declared as a source as well.

The methodologies applied for credit rating purposes are available for viewing and downloading on the GBB-Rating website (www.gbb-rating.eu).

Unsolicited credit ratings are performed once a year and continuously monitored.

The credit rating committee of GBB-Rating finally determines each rating, using the most recently revised version of the rating scale, on the basis of the proposal submitted by the lead analyst and the second rating analyst.

Rating scale:

Rating	Rating category for unsolicited ratings*
AAA _u	highest financial standing
AA ₊ _u AA _u AA ₋ _u	very high financial standing
A ₊ _u A _u A ₋ _u	high financial standing
BBB ₊ _u BBB _u BBB ₋ _u	good financial standing
BB ₊ _u BB _u BB ₋ _u	satisfactory financial standing
B ₊ _u B _u B ₋ _u	financial standing scarcely adequate
CCC ₊ _u CCC _u CCC ₋ _u	financial standing no longer adequate
CC _u C _u	inadequate financial standing
D _u	moratorium, insolvency proceedings

* In addition to the forenamed categories, the following assessments are also possible:
 WD (withdrawal) Rating withdrawn,
 SP (suspension) Rating temporarily suspended pending communication and/or discussion with the rated entity

The credit rating committee also makes a final decision on the withdrawal of a previously published rating and on aborting a current credit rating procedure. The committee serves the purpose of

ensuring not only the absence of personal influence on the credit rating assessments, but also the quality of the ratings' content and formal quality. If a decision is made to abort or withdraw a rating, the information that is released also contains a detailed explanation of the reasons.

The credit rating committee currently consists of two experienced auditors and the competent managing director of GBB-Rating. The principles underpinning the work of the credit rating committee are described in internal regulations.

As a general rule the result of an unsolicited credit rating consists of a rating grade (AAA_u to D_u) and a rating outlook ("stable", "positive", "negative", "indeterminate"), and is reported to the rated entity in writing promptly once finally confirmed by the rating committee. In the interests of clarity, unsolicited credit ratings are identified on the website of GBB-Rating by the index "u" (e.g. A_{-u}), and the rating is presented in blue. GBB-Rating further points out that the credit rating was unsolicited, and indicates whether and to what extent the rated entity assisted with the rating process, typically by furnishing additional information or data.

A reasonable delay is to be observed between informing the entity and publishing the result. The entity is to be notified of the rating result at least one full working day (within business hours) before publication, so that it has an opportunity to draw attention to factual errors or ambiguities.

Technical access restrictions are not imposed in connection with publication. Neither the entity nor interested third parties are charged in connection with publication (no fee, publication or access charge or similar).

Typical disclosure on the website of GBB-Rating (<http://www.gbb-rating.eu/de/ratings/ratings/Seiten/default.aspx>):

Entity ▼	Rating ▼	Outlook ▼	Date ▼	Analyst ▼	Download ▼	Methodology/Information
XYZ Bank GmbH Town, Country	A _{-u}	stable	4/5/16	Sauter		3.0.01 Banks unsolicited credit rating without participation of the rated entity
ZZZ Bank AG Town, Country	BBB _{+u}	negative	4/6/16	Pflitsch		3.0.01 Banks unsolicited credit rating with participation of the rated entity (additional information or data)