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DEFINITIONS OF DEFAULT

General definition of default

The non-fulfillment of any type of financial liabilities (for all types of entity) or insurance liabilities (only for insurance companies) on time and in a full amount by the rated entity is considered as default by the Agency.

This general definition of default can be supplemented by additional cases depending on the specific characteristics of the type of the rated entity (such as banks, non-financial non-holding companies, insurance companies, regions and municipalities, sovereign and other). Additional cases of default for each type of the rated entity are provided below.

Banks

Any of the following cases shall be considered as default by the Agency:

- Non-fulfillment of financial liabilities on bonds after the end of the period of technical default (more than 10 business days), including: failure to pay interest (coupon) on bonds; non-redemption of the nominal value of bond; non-fulfillment of liability to purchase bond (if such liability included to the issuing covenants (offer to purchase));
- Non-fulfillment of other financial liabilities bearing interest and which shall be repaid (for more than 10 business days);
- Non-fulfillment of other financial liabilities formally not bearing interest, but which are overdue for more than two months and the rating committee considered that there is a high probability that the court can oblige the rated entity to pay penalties for non-fulfillment of such kind of liabilities (for instance, overdue debt on salaries payments);
- License withdrawal or non-prolongation of the license, issued for the term period, and the rated entity cannot provide its key service without such license. If the rated entity legally initiated the process of license revocation and the bank fulfilled all its financial liabilities on time and in a full amount, this case is not considered as default by the Agency;
- If the rated entity's debt liabilities were restructured within the last two months, and after this creditors have worse conditions comparing with the initially mentioned in the agreements (for instance, if the current agreement on subordinated debt includes the option of transferring this debt to shares of the entity, this is not considered as default by the Agency);
- If the court recognized the bank as a bankrupt.

According to the Agency's definition, the date of default is the date of the end of corresponding period after the first case of non-fulfillment of liabilities listed by the Agency.

If the Agency did not state the default of the entity before the date of license withdrawal, the date of license withdrawal shall be considered as the date of default.

Non-financial non-holding companies

Any of the following cases shall be considered as default by the Agency:

- Non-fulfillment of financial liabilities on bonds after the end of the period of technical default (more than 10 business days or shorter period if such period is defined by the covenants of bonds issuance), including: failure to pay interest (coupon) on bonds; non-redemption of a nominal value of bond; non-fulfillment of liability to purchase bond (if such liability included to the issuing covenants (offer to purchase));
- Non-fulfillment of other financial liabilities bearing interest and which shall be repaid (for more than 30 business days);
- Non-fulfillment of other financial liabilities formally not bearing interest, after 10 business days from the day when the court decision entered into force;
- If the rated entity's debt liabilities were restructured within the last two months, and after this creditors have worse conditions comparing with the initially mentioned in the agreements (for instance, if the current agreement on subordinated debt includes the option of transferring this debt to shares of the entity, this is not considered as default by the Agency);
- If the court recognized the company as a bankrupt.

According to the Agency's definition, the date of default is the date of the end of corresponding period after the first case of non-fulfillment of liabilities listed by the Agency.

Insurance companies (non-life insurance)

Any of the following cases shall be considered as default by the Agency:

- License (licenses) withdrawal, and the insurance company cannot provide insurance service without such license (licenses). If the insurance company legally initiated the process of license revocation and the Agency considers that the company will fulfill all its insurance liabilities on time and in a full amount, this case is not considered as default by the Agency;
- The company is in default on one or more of its insurance policy obligations;
- If the court recognized the company as a bankrupt.

According to Agency's definition, the date of default is the date of the first case happened (or the only one of the above mentioned cases happened).

Regions and municipalities

Any of the following cases shall be considered as default by the Agency:

- Non-fulfillment of financial liabilities on bonds after the end of the period of technical default (more than 10 business days or shorter period if such period is defined by the

covenants of bonds issuance), including: failure to pay interest (coupon) on bonds; non-redemption of a nominal value of bond; non-fulfillment of liability to purchase bond (if such liability included to the issuing covenants (offer to purchase));

- Non-fulfillment of other financial liabilities bearing interest and which shall be repaid (for more than 30 business days);
- Non-fulfillment of other financial liabilities formally not bearing interest, after 10 business days from the day when the court decision entered into force;
- If the rated entity's debt liabilities were restructured within the last two months, and after this creditors have worse conditions comparing with the initially mentioned in the agreements.

According to the Agency's definition, the date of default is the date of the end of corresponding period after the first case of non-fulfillment of liabilities listed by the Agency.

Sovereign

Any of the following cases shall be considered as default by the Agency:

- Non-fulfillment of financial liabilities on bonds after the end of the period of technical default (more than 10 business days or shorter period if such period is defined by the covenants of bonds issuance), including: failure to pay interest (coupon) on bonds; non-redemption of a nominal value of bond; non-fulfillment of liability to purchase bond (if such liability included to the issuing covenants (offer to purchase));
- Non-fulfillment of other financial liabilities bearing interest and which shall be repaid (for more than 10 business days);
- If the rated entity's debt liabilities were restructured within the last two months, and after this creditors have worse conditions comparing with the initially mentioned in the agreements.

According to the Agency's definition, the date of default is the date of the end of corresponding period after the first case of non-fulfillment of liabilities listed by the Agency.