

INTERNATIONAL GROUP OF RATING AGENCIES



Frankfurt



RAEX EUROPE

RATING & RESEARCH SOLUTIONS

March 2019

About RAEX-Europe

Rating-Agentur Expert RA GmbH (RAEX-Europe) is an **independent CRA** based in Frankfurt am Main, officially registered by ESMA with an ECAI (External Credit Assessment Institution) status and rating mapping equivalent to leading EU CRAs. The Agency is affiliated with the **International Group “RAEX”**, distinguished provider of analytic solutions in Russia and the CIS markets with over 20 years of experience in the credit rating industry.

We have an advanced multinational rating service team with diverse academic and professional background supported by a reputable advisory board, stringent compliance procedures and experienced review function.

The main aim of the Agency is to assign ratings in accordance with the most stringent regulatory regimes and codes of ethics providing additional transparency for financial markets and investment decisions.

Our partners

RAEX-Europe has established a strategic partnership with leading Chinese rating agency China Chengxin International Credit Rating Co., Ltd. (CCXI), the Islamic International Rating Agency (IIRA) and the VIS Group in order to cooperate on research and analytical solutions for the Belt and Road initiative projects.



What we offer

Four main product types:

1. Credit and reliability ratings*

- > Corporates
- > Regions
- > Banks
- > Insurance companies
- > Sovereigns

2. Sustainability products

- > Corporate ESG ratings
 - o Non-financial corporates
 - o Financial corporates
- > Regions ESG ratings
- > Green Bond Second Opinions

3. Tailor-made research products

- > Ad-hoc counterparty research
- > Regional feasibility and macroeconomic studies
- > Industry research

4. Events with informational coverage highlighting our products

- > Road-show in Germany for regions and local enterprises covering ratings
- > B2B meetings and matchmaking
- > Know-how seminars and round tables

* All types of credit ratings can also be complemented by an issue-specific rating. I.e. a rating linked to a specific debt issuance.

Our sovereign ratings



Key sovereign ratings:

Georgia	Russia
Germany	Kazakhstan
Azerbaijan	Armenia
Belarus	Uzbekistan
Tajikistan	Kyrgyzstan

What makes our products different?

> **Client-oriented communication**

The Agency conducts a thorough rating assessment, which is based on a direct and close communication with the rated entity at every stage of the process. At the final stage, the Agency coordinates the report with the rated entity where the assigned rating is explained and justified.

> **Extensive experience with entities in transition economies**

Vast experience in Central and Eastern Europe as well as in the CIS region underpins our expertise to understand the challenges faced by companies in transition economies. We channel this knowledge towards a professional and accurate rating assessment process and tailor-made research products.

> **Presentation of results in the financial center of Europe**

The rating assignment and research studies can be complemented by the presentation of the results on events in Frankfurt am Main and other cities in Germany with participation of representatives from European companies and financial institutions as well as the publication of the materials in the media and the credit rating on the official European Rating Platform.

> **Transparency**

Unlike internal rating systems, our methodologies clearly disclose the criteria used for evaluation. This helps all stakeholders to thoroughly understand the risks.

> **Suitable methodologies to fit the entity's size**

Our methodologies are especially developed to fit the entity's size and industry. We focus on the particular factors, which are significant for the mid-cap businesses, yet often omitted by other rating agencies.

> **Centralized assessment**

Contrary to large international CRAs the rating assessment is fully done by employees of the Agency and not distributed among different offices and jurisdictions. At the same time, communication with the issuer can be conducted in English, German, Russian, Spanish or Polish languages.

> **Ad-hoc research products meeting the client's specific needs***

Our unique experience and database of information allows us to provide specific research on entities and/or regions located in the CIS region. From macro-economic studies to specific industries in certain locations, we hold enough information collected over a long time-span to provide our clients with the most detailed research in order to help their decision making process.

* As an ESMA registered CRA we do not provide any type of consultancy services.

The Rating Process



Signing rating agreement

The rated entity signs a rating agreement according to which the Agency shall provide rating services.



Information submission

The rated entity provides the Agency a completed questionnaire, the requested financial statements and other information required for carrying out the rating assessment.



Analysis of information

The Agency conducts the analysis of information provided by the rated entity in accordance with the valid applicable version of the rating methodology. When necessary, the Agency can request additional information or clarifications from the rated entity. (This includes possible additional information requests and interviews with senior management of the rated entity)



Discussion of the results on the Rating Committee

A collegial decision regarding the level of the rating is taken through a voting procedure. Representatives of the rated entity are not allowed to participate in the rating committees.



Decision of Rating Committee

The rated entity receives a full version of the rating report, which includes a full set of key factors identified during the process of the rating analysis, positively or negatively affecting the rating of the entity.



The rated entity **agrees** with the results of the rating assessment

Both parties sign the Disclosure agreement permitting public disclosure of the rating and the Agency discloses the information of the rating in form of a press release and a news publication on the official website of the Agency.



The rated entity **disagrees** with the results of the rating assessment

If the rated entity disagrees with the results, it has a right to appeal.



Appeal process

The rated entity provides reasoned objection in written form and any additional information, which might affect the results of the assessment.



Consideration of an appeal

The decision on the appeal is made by the Rating Committee in accordance with the internal regulations.



Final decision

After the Rating Committee takes place, the rated entity receives a letter with the results of the appeal and an updated rating report.



The rated entity **agrees** with the results of the rating assessment

Both parties sign the Disclosure agreement permitting public disclosure of the rating and the Agency discloses the information of the rating in form of a press release and a news publication on the official website of the Agency.



The rated entity **disagrees** with the results of the rating assessment

The parties sign a Non-disclosure agreement, which assures confidentiality of the rating assessment. If such agreement is signed, the resulting rating grade and rating assessment become confidential and shall not be disclosed to any third parties.

The Research Process



Signing the contract

Official contract with the client is signed specifying targets of the research, applied methodologies, used sources, deadlines and expected results to be reached. The Agency verifies that its obligations according to this contract do not create potential conflicts of interest with its credit rating activities.



Data collection and structuring

The Agency collects the data for the specific research using its internal sources and when required using external databases.



Analysis of information

The Agency's experts make an analysis of the data collected using available statistical tools and based on their experience in CIS and CEE markets, attracting external expertise when needed.



Interviews with market participants, experts and regulators

In order to reach deeper information on the industry and market risks, the Agency can conduct interviews with key stakeholders and market experts.



Additional analysis

Based on the interviews, the Agency can reassess the key results obtained from the desk research.



Issuing structured report on the conducted research

At this stage the Agency usually issues a structured comprehensive report for the client containing all data obtained, results of the interview as well as the findings from the research.

Credit & Reliability Ratings at a glance

Credit and reliability ratings represent the opinion of the Rating Agency on an entity's ability to fulfil its financial obligations (this includes debt obligations and policyholder's claims) in full amount and in a timely manner.

Why do you need a credit rating?

Financing

They reduce the cost of funding whether an entity is planning to issue bonds or look for other financing options such as loans.

Listing

Ratings can help to attract more investors. Issuers and, in some cases, specific sectors are required to be rated in order to be listed on some stock exchanges.

Transparency and credibility

Ratings increase the entity's transparency, credibility and reliability among stakeholders.

Market entry

In order to operate in some markets (i.e. public funds' transaction in the case of banks), entities are required to have ratings.

Public relations

They provide more public recognition and media attention. Our ratings are regularly published in electronic and print media as well as in databases (e.g. Factset, Cbonds, European Rating Platform, etc.)

Investor relations

A rating is one of the key factors to assess investment attractiveness, which is used by the majority of foreign investors in their strategies. It also reduces investors' decision making time and costs.

Counterparty assessment

Using credit ratings can be helpful to avoid unexpected counterparty credit risk realizations.

Compliance

For regulated entities, such as banks and insurance companies, counterparties' credit ratings are used for regulatory purposes and using them causes capital relief.

Banks

Rating for your Bank

Bank ratings are key to increase trust of depositors: from individuals to SMEs and big corporations

Bank Rating Assessment		
Market Position of the Bank	Financial Risks	Corporate Governance
<ul style="list-style-type: none">> History and reputation> Specialization and captivity> Geographical reach> Competitive position	<ul style="list-style-type: none">> Capital adequacy assessment> Sensitivity of capital> Concentration of credit risks> Provision policy> Quality of assets> Profitability> Liquidity> Market risks	<ul style="list-style-type: none">> Corporate governance, business processes and transparency> Ownership structure> Risk management> Strategy of development

Insurance

Rating for your Insurance Company

Insurance reliability ratings ensure policyholders the company's capability of fulfilling potential claims

Insurance Rating Assessment		
Stability and Corporate Governance	Insurance Business	Financial Indicators
<ul style="list-style-type: none">> Size factor and market position> Corporate management and business processes	<ul style="list-style-type: none">> Insurance portfolio> Client base> Reinsurance policy	<ul style="list-style-type: none">> Liquidity and solvency> Structure of financial results> Asset quality

Credit ratings for Banks and Insurers' assets

ECAIs play a significant role in the standardized approach established in the **Basel III** agreement and securitization framework of prudential regulation as well as in the **Solvency II** standardized formula through the mapping of credit assessments to the corresponding risk weights.

An external credit assessment (ECA) of your clients will help you to **release the burden of operating costs in internal credit risk assessment** and will provide your financial institution with **capital relief**.

Our mapping performed and disclosed by the European Banking Authority (EBA) can be compared to that assigned by the big three rating agencies:

Credit quality step	RAEX-Europe	Fitch	Moody's	S&P
1	AAA, AA	AAA, AA	Aaa, Aa	AAA, AA
2	A	A	A	A
3	BBB	BBB	Baa	BBB
4	BB	BB	Ba	BB
5	B	B	B	B
6	CCC, CC, C, D, E	CCC, CC, C, RD, D	Caa, Ca, C	CCC, CC, R, SD/D

Sustainability products at a glance

An Environmental Social Governance (ESG) rating provides companies of all types and sizes an opportunity to measure their ESG exposure and demonstrate to investors how well the relevant practices are executed. It also gives the regional authorities the chance to understand and show their ESG strengths and opportunities.

Green bond second opinions is an independent opinion focused on assessing how the framework of the green bond issued complies with the Green Bond Principles (ICMA). It also assesses the issuer's environmental performance related to the eligible projects and the environmental impact of these projects.

Why do you need ESG rating or Green Bond Second Opinion?

Green financing

These products can be used by banks or other credit providers as a preliminary assessment of the green or social impact of a company.

Green & social bond listing

ESG ratings and Green Bond Second Opinions can be used as informational criteria on green exchanges, for example LGX (Luxembourg).

Green & social transparency

ESG ratings and Green Bond Second Opinions increase the entity transparency, credibility and reliability in regards to the companies' environmental and social responsibility among stakeholders.

Green & social tag

Both products work as an important signal for the market. They help the public to build up vital awareness about the entity; thus, playing an important role in consumption decisions regarding products and services offered.

Responsible investment portfolio inclusion

Foreign investors and international financial institutions are increasingly guided by the "responsible investment" principle in their investment strategies, in particular social responsibility and governance quality.

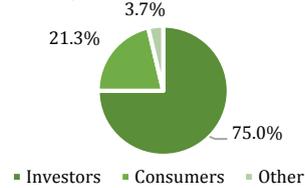
Corporate ESG ratings

ESG Rating for your Company

Investors as well as consumers are each day more interested in companies which have high social responsibility and environmental awareness

Our experience in different environmental and social programs with companies in Russia supported the creation of a methodology created especially to rate small and mid-caps.

Primary Users of ESG Products



ESG Corporates Rating Assessment

Environment

- > Environmental risks and opportunities
- > Environmental performance
- > Environmental programmes

Social

- > Human capital
- > Social responsibility
- > Investment responsibility

Governance

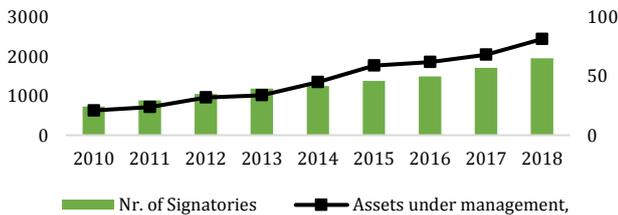
- > Board of directors
- > Ownership
- > Business ethics
- > Risk management
- > Anti-competition practices
- > Accounting and taxation disclosure

Regions ESG ratings

ESG Rating for your Region

Our understating of the current needs of foreign investors alongside our vast knowledge of environmental and social issues at the regional level led us to develop a unique ESG methodology for sub-sovereign entities.

UNPRI Signatories



The Agency is a signatory of the ESG in Credit Rating Statement maintained by the UNPRI

ESG Regions Rating Assessment

Environment

- > Environmental risks and opportunities
- > Environmental performance
- > Environmental programmes

Social

- > Performance of social metrics
- > Social responsibility
- > Investment responsibility

Governance

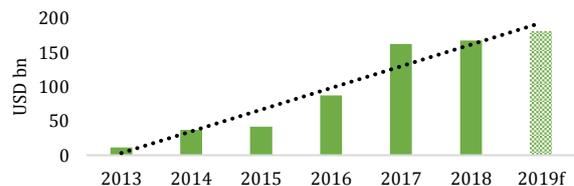
- > Presence of political risks and support to the government
- > Investment attractiveness and business-support
- > Transparency and corruption
- > Quality of the budget management

Green Bond Second Opinion

Green Bond Second Opinion for your specific green bond issue

The Agency issued Second Opinion to the first Green Bond on the Moscow Stock Exchange and verified bond's compliance with the GBP 2018

Green bond issuance in USD



Green Bond Second Opinion Assessment

- > Alignment with Green Bond Principles
- > Environmental performance

- > Impact of proceeds from the Green Bond issuance
- > Alignment of the eligible projects with the Sustainable Development Goals (SDG)

Research products at a glance

RAEX Group's experience in providing analytical products to some of the most important companies in Russia guarantees the provision of quality synthesised information, which will provide your entity with the necessary tool to make strategic decisions.

Why are research products relevant?

Localization of facilities

The macro and investment risk assessment at the regional and municipal level provided by RAEX-Europe will help your company to develop further in the Russian Federation and other CIS countries.

Risk controlled deal-making

With our thorough and independent analysis of counterparties in the CIS region, you can be sure to deal with entities that maintain a risk profile which you can tolerate.

Successful Partnerships

Our analysis of regions and potential clients/partners will give you the required information to make smart decision in terms of potential partnerships both in public and private sectors.

Market understanding

We provide a unique market capacity and risks analysis that will make you understand the state of the market and industry of your interest as well as its risk. Thus, contributing to the design of your expansion strategy.

Better decision-making process

All our research products are specifically made and carefully prepared to meet your needs in order for you to have enough tools to improve your decision making process when deciding to do business in the CIS region.

> **Knauf**

Analytical assessment including market volumes, production and sales of different construction materials types, export and import data, as well as key market players. This analysis was essential for the company to develop its strategy in the Russian market.

> **Siemens**

Analysis of macroeconomic and financial risks in Russia. As a result, a short-list of potential niches for Siemens products was selected. This report and information were used as support to prepare Siemens' strategy to enter the Russian market.

> **Vopak, ROTOBO, Henkel, BASF, Akzo Nobel and ATKearney**

Marketing researches in the sphere of chemistry and petrochemistry, including: collection and analysis of specific market information vital for the client (prices, volumes of production, export and import data, key competitors, etc.)

> **ITT Goulds Pumps**

Analysis of Russian regions risks and opportunities for the localization of an industrial facility. Tailor-made analytical report including interviews with local enterprises and a short-list of regions, specifying pros and cons, was prepared for the new company facility localization decision.

> **BMW Russia**

Revision of the "distribution network strategy" of BMW Russia which included the analysis of sales volumes per region, per sales point and new potential regions to enter. On the basis of the provided solution, the company optimized its dealers' network.

Events at a glance

With over 20 years of experience gained from RAEX Group, the Agency is active in the organization of tailor-made events for clients which aim at attracting investments and promoting their ratings across Europe. Also, the Agency serves as a local link between international entities looking for funding and European top-tier financing providers. The key point of the event is the coverage and distribution of our analytical products.

Why are events relevant?

Financing

These types of events are generally used by entities to meet local investors as well as retail and institutional financing providers.

Networking

The nature of such events allows market participants with different backgrounds and goals to meet and discuss potential cooperation.

Partnership & engagement

Investment events and conferences typically attract parties, which are ready to engage with the organizing entity and explore potential business opportunities.

Ratings & standards disclosure

Entities use these events to disseminate their credit and ESG ratings as well as to disclose their performance and business standards among interested parties.

Market recognition

These events can be used as a platform to increase the positioning and recognition of an entity among the European public.

* In these events, the Agency presents objective results based on the assessment of our credit and/or ESG rating products. We are a provider of clear, transparent and objective data. In this sense, we avoid all potential conflicts of interest between the Agency and the client.

Main Events in Russia



Russian Regional Investment Congress

At this event representatives of the federal and regional authorities discussed with top businessmen the most relevant problems of interaction between the authorities and entrepreneurs, as well as the most effective tools for improving the business climate in the regions.

RAEX 600

Main communication platform between the largest business in Russia and top authorities from the Russian government

Events in Europe



Presentation of ratings assigned by the Agency and diverse topics by the client

Clients use such events to disclose the ratings assigned by the Agency. Also, they can choose to present any topics they might consider relevant (e.g. a region can present their investment potential).

Helping regions or companies to arrange encounters with desired counterparties through B2B meetings and networking events

The Agency can organize meetings between clients and entities or individuals to create potential mutually beneficial partnerships.



Examples of recent events

06.11.18	Tashkent	The use and regulation of credit ratings in the European Union
11.07.18	Minsk	The use and regulation of credit ratings in the European Union
29.05.18	Frankfurt	Investment business forum for the Lipetsk Region
05.10.17	Frankfurt	Export and investment potential of the Chuvash Republic



**Rating-Agentur Expert RA GmbH
Walter-Kolb-Strasse 9-11,
60594 Frankfurt am Main, Germany
Tel: +49 (69) 3085-45-00 ext 1214
E-mail: sales@raexpert.eu**

**Managing Director:
Svetlana Grishankova
Tel: +49 (69) 3085-45-00 ext 1210
E-mail: grishankova@raexpert.eu**

www.raexpert.eu