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DEFINITIONS AND RULES OF THE ASSIGNMENT OF SHORT-TERM CREDIT RATINGS

General definitions

Rating-Agentur Expert RA GmbH (The Agency) assigns long-term credit ratings according to the international scale with the time-horizon up to 3 years, attributing the rated entity to one of the rating classes of the “AAA rating scale” (see the correspondent parts of the methodologies).

In addition to the abovementioned credit ratings, the Agency can assign short-term credit ratings according to the international scale.

Short-term credit rating of an entity represents an opinion of the Agency on the ability of the entity to fulfill its short-term financial liabilities fully and in a timely manner. The Agency classifies the entity’s financial liabilities as a short-term, if they have the initial maturity up to 12 months. Under certain circumstances this period could be changed due to the characteristics of the debt obligation or local regulatory factors.

Rating scale

Depending on the level of the entity’s creditworthiness in the short-term horizon, it can be attributed to one of the following rating classes:

Short-term rating scale - Rating-Agentur Expert RA GmbH:

Rating	Name of the rating class	Definition of the rating class
RA1	The maximum level of short-term creditworthiness	The entity has an exceptionally high capacity to fulfill all its short-term financial liabilities
RA2	High level of short-term creditworthiness	The entity has high capacity to fulfill all its short-term financial liabilities
RA3	Adequate level of short-term creditworthiness	The entity has adequate capacity to fulfill all its short-term financial liabilities
RA4	Speculative level of short-term creditworthiness	The entity currently has the capacity to meet its short-term financial liabilities; however, it can be affected by negative market and macroeconomic conditions of the operating environment
RA5	Highly speculative level of short-term creditworthiness	The entity currently has the capacity to meet its short-term financial liabilities; however, it is very vulnerable to the market and macroeconomic conditions of the operating environment
C	Low level of short-term creditworthiness	The entity has low capacity to fulfill all its short-term financial liabilities
D	Default	The entity is in default according to the Agency’s definition

The rating class “RA1” can be supplemented with the “+” to denote exceptionally strong credit capacity within this rating class.

Correspondence between long-term credit ratings and short-term credit ratings

There is a strong linkage between long-term and short-term ratings assigned. Both ratings based on the set of factors used for the assessment of correspondent type of the entity according to the rating model. Therefore, the Agency does not have a separate methodology/methodologies for the assignment of short-term ratings, but uses the table of correspondence between two rating scales, in order to assign short-term credit rating based on long-term credit rating obtained in accordance with the rating model.

The scale of correspondence represents the asymmetry based on the following assumptions. The high probability of default in the short-run implies the high risk of default in the long-run as well. However, the elevated probability of default in the long-run, does not necessary correspond with the high probability default in the short-run, which can be offset by some temporary factors (for example, external support).

Rating correspondence table:

Long-term	Short-term
AAA	RA1+
AA+	RA1+
AA	RA1+
AA-	RA1+
A+	RA1+ or RA1
A	RA1
A-	RA1 or RA2
BBB+	RA2
BBB	RA2 or RA3
BBB-	RA3
BB+	RA4
BB	RA4
BB-	RA4
B+	RA4 or RA5
B	RA5
B-	RA5
CCC+	C
CCC	C
CCC-	C
CC	C
C	C
D	D

When the long-term rating corresponds to more than one short-term ratings according to the table described above, the final decision on the assignment short-term ratings shall be done by the rating committee on the basis of the assessment of the entity's short-term liquidity profile.