

# Creditreform Rating AG

Objective. Transparent. Independent.





## ABOUT US

Creditreform Rating AG is part of the Creditreform International Group. We are one of the leading European rating agencies and committed to the principles of objectivity, transparency and independence.

We are specialists in the assessment of credit risks, providing investors and creditors with risk management solutions and rating services. Companies are using our ratings to gain confidence of their business partners and investors across the world. Financial institutions deploy our outsourcing solutions for their credit processes. Investors, financial institutions and corporations rely on our outsourcing solutions for their credit processes, our analyses and risk management tools.



The quality of our ratings and services is the guiding principle of our corporate philosophy. Way back in 2009, the German Financial Regulator – BaFin or Bundesanstalt für Finanzdienstleistungsaufsicht – accepted the Creditreform Rating AG as a rating agency under the Solvency

Ordinance (SolvV) and Basel II. We have also been registered as a EU Rating Agency in compliance with Directive 1060/2009. Institutional investors are using our ratings in accordance with their investment regulations.

## Creditreform Rating AG – products and services

RATING	OUTSOURCING OF CREDIT PROCESSES	RISK ANALYSES
<ul style="list-style-type: none"><li>• Corporate ratings</li><li>• Issue ratings</li><li>• Covered bonds ratings</li><li>• Structured finance ratings</li><li>• Bank ratings</li></ul>	<ul style="list-style-type: none"><li>• Credit services management</li><li>• Quantitative rating system</li><li>• Quantitative ratings</li><li>• Risk classification</li></ul>	<ul style="list-style-type: none"><li>• Identification of location-specific risk structures</li><li>• Industry analyses and market surveys</li><li>• Portfolio analyses und monitoring</li></ul>

The key drivers of our success are our employees with their long-term experience as well as our clients. We are fully aware about our role on the capital markets and the responsibilities, which we have towards our clients,

the community of investors and all other actors in the economy. Therefore, we have embraced a commitment to a strict catalogue of rules that governs our behavior as well as the independence and quality of our ratings.



## RATING

The consistently high quality of our ratings is the basis for the acceptance of national and international investors as well as the rated corporations themselves. We are the leading service provider on the European market for the rating of bonds, which have been issued by medium-sized companies. Our success is firmly based on a foundation of transparency, objectivity and reliability. Our long-standing commitment to these principles has been focused by the specific requirements of the EU Regulations. The rating process is systematically structured and considers the specific circumstances of companies and issuers. Independence, objectivity and the systematic deployment of the rating methods are – in addition to the financial stability of the rating agency itself – part of our compliance policy. Default rates and migration tables are used to verify and document the quality of the published ratings.

### Corporate ratings / issuer ratings

We offer several types of ratings for different target groups and asset classes. Corporate and issuer ratings evaluate the creditworthiness of a company on the basis of a comprehensive rating process, enabling potential investors and business partners to reliably assess the future capacity of the rated company to serve its debt. The rating is strongly future-oriented and reflects our assessment of the likelihood that the company will pay principal and interest on its financial liabilities fully and on time. We analyze in detail the financial situation as well as the current and future cash flows of the company. High importance is given to business plans based on various scenario. The rating process is conducted by a team of highly qualified analysts and is based on the assessment of both quantitative and qualitative criteria. Our analysts are engaged in a continuous dialogue with the enterprises and discuss all rating-relevant issues with management representatives. The rating result will be assessed



and subsequently monitored by the Rating Committee which is responsible for ensuring our quality criteria and that the rating results have been established in compliance with our internal process instructions. The monitoring of the rating follows up on the business development of the company and may take any relevant changes into account for the purposes of a possible review.

### Bank ratings

For bank ratings, we have developed a specific method that focuses on the financial strength of the institute under review, assessing the bank's capacity to safely and securely service its financial obligations. Bank ratings can be performed as full standalone ratings or as shadow ratings during assessments of industry-specific issues such as structured financing deals or covered bonds.

### Ratings of bonds and issues (specifically of covered bonds)

Ratings of corporate bonds are based on the corporate ratings of the issuing entity. Issue ratings additionally consider the specific conditions of the bond issue and assess the default risk of an investment. The ratings of covered bonds – the assessment of collateralized bonds that have been issued by either an enterprise or a special purpose vehicle – also involve the analysis of the legal relationship between issuer and other parties such as funds, trustees and initiators. Portfolio cash flows are subjected to stress tests under different scenarios, and the assets used as collateral to back up the issue are analyzed. Collaterals could be for instance real estate, ships, raw materials, shareholdings





or loan and receivables portfolios. Even highly specific forms of secured bonds such as fund-linked portfolio structures could be subjected to a rating.

### Structured Finance Ratings

Structured Finance Ratings involve the evaluation of each tranche of securitization structures, for example ABS or CLN transactions (Asset Backed Securities, Credit Linked Notes), on the basis of receivables from leasing deals, trade activities, or mortgage backed loans. As part of the rating process the relevant cash flows are subjected to various stress scenarios based upon "value at risk" simulations and techniques (such as the Monte Carlo method). Internal data of the originator are used for this as well as data from Creditreform Rating AG. The legal structures of the issue and the parties involved will be examined in order to assess risks of the issue's business environment.

### Ratings of investment shares and funds

Ratings of investment shares represent assessments of the financial strength of a wide range of assets in different funds such as bonds, receivables from loans, trade receivables and mortgage backed and infrastructure loans. The rating will also reflect an assessment of the skills and efficiency with which the fund has so far been managed and will forecast how likely full and timely payments of interest and principal for the capital employed can be made. The investments and

**AAA**

**AA+**

**AA**

**AA-**

**A+**

**A**

**A-**

**BBB+**

**BBB**

**BBB-**

**BB+**

**BB**

**BB-**

**B+**

**B**

**B-**

**CCC**

**CC**

**C**

**D**

underlying assets are analyzed on the basis of a "look through" approach.

### Rating scale

Rating results are displayed on the internationally established common rating scale (AAA to D or AAAsf to Dsf for structured finance deals and AAAF to DF for funds), allowing readers to assess the rated company's financial strengths promptly. Creditreform Rating AG combines the ratings with an ex-ante likelihood of default which is linked to certain percentage value.



In addition to corporate ratings and ratings for the capital market, our range of services includes the outsourcing of credit processes and risk analyses. We provide added value for the credit supplier management activities as well as assistance for the assessment of the stability and financial strength of business partners.

## OUTSOURCING OF CREDIT PROCESSES

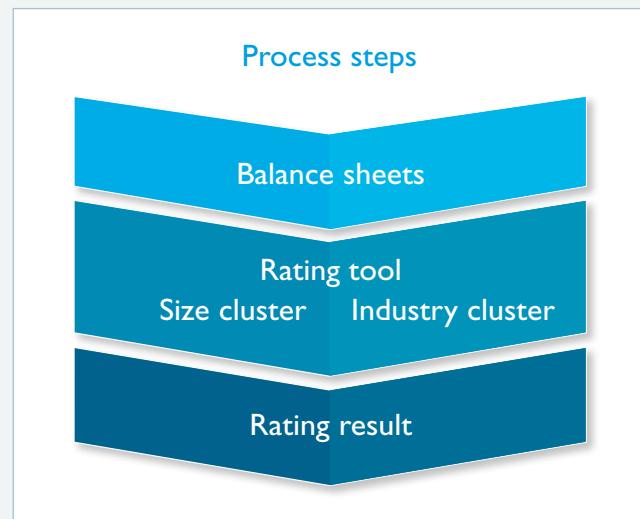
### Credit services management

Annual reports and balance sheet data provide important clues for the assessment of credit risks and the future stability of business partners. The integration of such information into internal assessment procedures, however, requires extensive know-how and ties up valuable capacities. Creditreform Rating AG supports customers by analyzing data from financial reports and balance sheets. We comply with all relevant regulatory requirements and the risk management minimum standards, customizing our services to our clients' business reporting processes and principles. Our range of services includes the full digitization of financial balance sheet data, the processing of these financial data in compliance with different accounting standards as well as financial information that has been delivered in the course of the business year, the customization of balance sheets to different national requirements (translation into foreign languages, conversion into other currencies under current rates of exchange) and system-based / manual plausibility checks as well as checks under the double-check principle.

### Quantitative rating system / quantitative ratings

In a lot of cases external ratings are not available. In order to assess the default probability and credit risk Creditreform provides a quantitative rating tool as a part of our credit management system. The tool essentially is based on financial ratios. Portfolio analyses and risk benchmarking are additional applications. The credit risk assessment of our clients'

business partners is also based on evaluations of historic payment behavior patterns, in addition to the analyses of balance sheet data and financial ratios. These evaluations will be accomplished depending on the size of the company, the industry in which it conducts its business activities and the level of depth of the information. The applied rating system is based on the latest statistical tools and characterized by high accuracy ratios and levels of predictive quality. In order to ensure consistently high quality standards over time, the rating system undergoes annual validation and, if necessary, recalibration procedures.

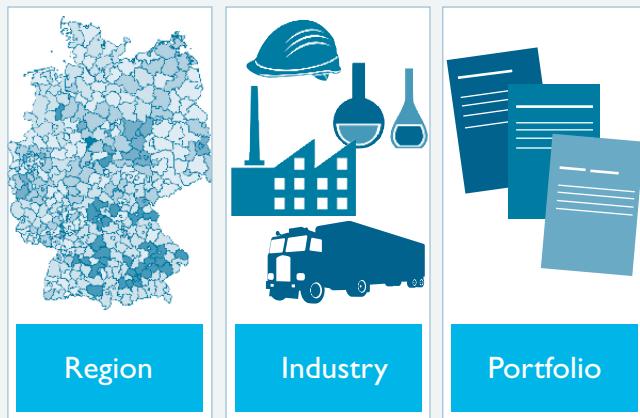


Risks are classified through assignment to one of 19 rating categories (CRI to CR19). Each of these rating categories represents a Basel-II-compliant Probability of Default over the course of several years.



## RISK ANALYSES

To round off our range of credit management services, we offer our clients customized risk analyses, focusing on the following three main dimensions of entrepreneurial risk:



We offer assessments in various degrees of detail: from standardized risk analyses in basic stages via more detailed assessments to individual project reports, for example in form of comprehensive market analyses. Region-specific and industry-specific analyses are based on data from the comprehensive Creditreform database that features financial information, historic payment patterns and structural details.

### Identification of location-specific risk structures

An analysis of the region in which a certain company operates can provide valuable information about the likely development of the risk situation and allow a direct comparison with reference regions. Risk structures as well as economic developments in certain areas and regions can be subjected to thorough and detailed analyses.



### Industry analyses and market surveys

Analyses of specific industries can provide assessments of individual companies with additional depth and important new angles. Enterprises are also given the opportunity of positioning and distinguishing themselves from their competitors in their target industry. The identification of industry-specific structures allows them to refine and to target their market entry strategies with the highest possible degree of precision.

### Portfolio analyses and monitoring

Analyses of their business partners' portfolios can provide enterprises with a fairly accurate overview of these companies' default risks. Comparisons with reference portfolios allow them to evaluate their own positions. We calculate specific default risks of receivables, sales or rental contracts. Our monitoring service helps our customers to keep a steady eye on all relevant developments.

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