

## **Description of CIS ratings methodology**

The Regional Rating Scale of Credit-Rating is intended for evaluating creditworthiness of obligors that operate in CIS countries and for evaluating certain debt instruments of such obligors. A rating by the regional rating scale allows for comparing creditworthiness of economic entities with different nature (sovereign governments, local authorities, banks, insurers, other financial institutions, industrial companies) within a certain region. A region in this context is represented with a number of countries which are closely linked with economic and commercial ties, comparable level of transition processes and social and economic development.

Unlike the national scale ratings, the credit ratings assigned by the regional scale are intended for use in a number of countries in the region rather than in a single country. At that the rating by the regional scale allows for using virtually the entire range of the scale and contains more valuable information for regional investors than credit ratings of international rating agencies.

The peculiarity for determining creditworthiness of an obligor within a region is that the rating captures features of economic development and national peculiarities of different countries, with no consideration to general risks pertaining to every single country in the region. Credit-Rating has conducted creditworthiness evaluation of sovereign governments, which are members of CIS. The sovereign credit ratings may be indicators allowing for comparison of creditworthiness of companies domiciled in different countries of the region.

The ratings assigned to the governments of the CIS countries are based on analysis of their budget, monetary, banking systems, and financial market, of debt-related policy, level of transition, political factors, and geopolitical situation in the region and of key events that may affect their creditworthiness in future.

The agency's methodology-related approach used for issuing credit ratings for sovereign governments is in comprehensive and in-depth research of social and economic state of the region's countries, analysis and summarizing of indicators that reflect capacity and willingness of a sovereign government for making payments on its debt obligations, and in determining factors that affect their creditworthiness. The survey includes pace of key indicators and comparative analysis with a median level in the region and with optimal indicators within which the most favourable conditions are created for economy recovery, balanced financial and budget system, and stability in case of realization of internal and external risks.

Due to the fact that that the object of the rating analysis was not only statistical data but also a number of qualitative characteristics of sovereign governments reviewed both retrospectively and prospectively, high social and economic, and financial indicators not always ensured highest ratings.

The outcome of the rating survey, based upon publicly available statistical data provided by national statistical services of CIS countries, Interstate statistical committee of CIS, central banks, ministries of finance, and other authorities of CIS countries, is distribution of credit ratings by the regional scale.

While performing evaluation of creditworthiness of governments in CIS countries, the downturn in global economy in 2008-2009 was considered by the agency as realization of possible crisis scenario in CIS economies. Consequently, the negative changes in the majority of macroeconomic indicators of the countries analyzed with the retention of their relative indicators on the sufficient level, in the agency's opinion, were not the reasons for the ratings' downgrades.

The agency notes that the level of sovereign ratings reflects creditworthiness of a sovereign government and is not an evaluation of conditions for conducting business activities in the given country. The agency reserves a right to change key rating criteria in the event of changes in economic, political, and market environment in the region.

**Current credit ratings of Credit-Rating Ltd. according to the Regional Rating Scale of CIS States**

<b>Borrower's name</b>	<b>Assignment date</b>	<b>Credit rating</b>	<b>Outlook</b>
Russian Federation	23.03.2010	cisAAA	stable
Azerbaijani Republic	23.03.2010	cisAA	stable
Republic of Kazakhstan	23.03.2010	cisAA	stable
Ukraine	23.03.2010	cisA	stable
Republic of Belarus	23.03.2010	cisA	stable
Republic of Armenia	23.03.2010	cisA	stable
Republic of Uzbekistan	23.03.2010	cisBBB+	stable
Turkmenistan	23.03.2010	cisBBB	stable
Republic of Moldova	23.03.2010	cisBBB-	stable
Republic of Tajikistan	23.03.2010	cisBB	stable
Kyrgyz Republic	23.03.2010	cisBB	stable

*Source: Credit-Rating Ltd.*

## Regional Rating Scale for CIS Countries

### Long-term credit ratings (over 1 year)

#### *Investment grade*

<b>cisAAA</b>	An obligor or a debt liability with <b>cisAAA</b> credit rating is characterized with the highest creditworthiness as compared to other CIS obligors or debt liabilities.
<b>cisAA</b>	An obligor or a debt liability with <b>cisAA</b> credit rating is characterized with the very strong creditworthiness as compared to other CIS obligors or debt liabilities.
<b>cisA</b>	An obligor or a debt liability with <b>cisA</b> credit rating is characterized with the strong creditworthiness as compared to other CIS obligors or debt liabilities. This level of creditworthiness is susceptible to adverse changes in commercial, financial and economic conditions.
<b>cisBBB</b>	An obligor or a debt liability with <b>cisBBB</b> credit rating is characterized with the sufficient creditworthiness as compared to other CIS obligors or debt liabilities. This level of creditworthiness is affected by adverse changes in commercial, financial and economic conditions.

#### *Speculative grade*

<b>cisBB</b>	An obligor or a debt liability with <b>cisBB</b> credit rating is characterized with the lower than sufficient creditworthiness as compared to other CIS obligors or debt liabilities. This level of creditworthiness is strongly affected by adverse changes in commercial, financial and economic conditions.
<b>cisB</b>	An obligor or a debt liability with <b>cisB</b> credit rating is characterized with the low creditworthiness as compared to other CIS obligors or debt liabilities. This level of creditworthiness is extremely susceptible to adverse changes in commercial, financial and economic conditions.
<b>cisCCC</b>	An obligor or a debt liability with <b>cisCCC</b> credit rating is characterized with the very low creditworthiness as compared to other CIS obligors or debt liabilities. There is a default possibility.
<b>cisCC</b>	An obligor or a debt liability with <b>cisCC</b> credit rating is characterised with the very high possibility of default.
<b>cisC</b>	An obligor is expected to default on its debt liabilities.
<b>cisD</b>	Default on obligor or debt liability
<b>cisLD</b>	Default on certain debt liabilities of an obligor. Payments on other obligor's debt liabilities are expected to continue.

### The ratings may be modified by the following:

<b>Modifier</b>	<b>Meaning</b>
<b>cis</b>	Ratings assigned by the Regional Rating Scale of CIS countries

- or +	Indicate intermediary categories compared to the standard categories (grades).
Rating Watch List	The rating placed on Rating Watch List denotes that the agency is currently considering its change as a result of events or ongoing trends, which may affect creditworthiness of a rating's bearer. The rating's removal from the Rating Watch List is performed simultaneously with the rating's change or affirmation.
Withdrawn	The rating is withdrawn (becomes invalid), if an obligor does not furnish necessary information for the revision of the rating or by any other reasons.
Suspended	The rating is suspended (becomes temporarily invalid). The suspended rating may be revised or withdrawn.

### **Credit rating outlooks**

<b>Outlook</b>	<b>Meaning</b>
<i>Stable</i>	A stable outlook indicates that there are no anticipated reasons to change the rating in the course of the year.
<i>Positive</i>	A positive outlook indicates that there is a possibility to upgrade the rating in the course of the year, on the condition that positive tendencies are maintained and that current risks are mitigated.
<i>Negative</i>	A negative outlook indicates that there is a possibility to downgrade the rating in the course of the year, on the condition that negative tendencies are maintained and that current risks are realized.
<i>Developing</i>	A developing outlook indicates that there is a high possibility for a rating to be changed in the course of the year.