

GCR

RATINGS

RATING SCALES, SYMBOLS AND DEFINITIONS

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Introduction

1. GCR's mission is to assign independent, transparent, and rigorous ratings.
2. GCR's ratings are forward-looking opinions that include expectations of future performance.
3. This guide has been created to improve the understanding of GCR's rating scales, symbols, and definitions.
4. Should there be any comments or questions, please contact GCR via www.GCRratings.com.

GCR Rating Principles and Use

5. GCR publishes opinions on a variety of scales. Credit ratings are the most common form of these opinions. GCR also publishes non-credit rating opinions, which are all described below.
6. GCR's Issuer Credit Ratings are forward-looking opinions on the relative ability of an issuer to meet its financial obligations as they fall due. GCR's Issue Credit Ratings are forward-looking opinions on the relative creditworthiness of a specific financial obligation, or a class of financial obligations issued by an entity.
7. GCR's credit ratings are assigned to legal and legislative entities, including but not restricted to corporates, financial institutions, insurance companies, public finance entities and their financial commitments such as interest payment, principal repayment, preferred dividends, and insurance claims. GCR's rating universe also includes structured finance securities backed by other assets which are identified using a specific "sf" suffix.
8. GCR's credit ratings do not directly address any risk other than credit risk. In particular, ratings do not deal with the risk of market value loss on a rated security due to changes in interest rates, liquidity and other market considerations. However, in terms of payment obligation/s on the rated liability, market risk may be considered to the extent that it influences the ability of an issuer to pay upon a commitment or due date.
9. GCR accords both Long-Term and Short-Term Credit Ratings. Long-Term Credit Ratings relate to financial commitments with maturities of longer than 12 months. Short-Term Credit Ratings are generally assigned to obligations considered short term in the relevant market, typically with an original maturity of no more than 365 days.
10. GCR accords both International and National Scale Ratings. International Scale Ratings compare entities and obligations globally. National Scale Ratings are exclusively an opinion of creditworthiness relative to issuers and financial obligations within a single country. Whilst national scales achieve greater differentiation than the international scale, they do not allow direct comparability outside that jurisdiction.

11. Credit ratings are expressed on the primary credit ratings scales featuring symbols “AAA” to “D” for Long-Term Credit Ratings, and “A1+” to “D” for Short-Term Ratings.
12. The primary credit rating scales may be used to provide Public or Private Ratings. Public Ratings are disclosed and published on the GCR website and surveilled on an ongoing basis. In the case of a Private Rating, the rating is not published, but only provided to either the issuer, its agents or a third party (when deemed necessary) in the form of a confidential rating letter and/or a confidential rating report. Private Ratings may or may not be surveilled.
13. Primary credit rating scales may also be used to provide other forms of opinions such as Credit Assessments. Credit Assessments are either a notch or category specific view using the primary rating scale.
14. GCR also produce published and unpublished opinions on non-credit rating scales, including Servicer Quality and Management Quality Ratings.
15. All GCR Credit Ratings, including outlooks, watches, and other products are opinions based on established and publicly available criteria.

Rating Scales & Definitions

16. GCR accord ratings on an international rating scale and a diverse number of national rating scales. These include credit ratings such as Long and Short-Term Issuer and Issue Ratings, Financial Strength Ratings and Structured Finance Ratings. They also include ‘non-credit’ ratings such as Servicer Quality Ratings, Asset Manager Management Quality Ratings and Funds Ratings.

International Scale Credit Ratings Scale and Definitions

17. GCR may assign both international and national-scale ratings. The underlying methodology is exactly the same for both ratings and they use the same rating categories to express GCR's opinion on relative risk.
18. International Scale Credit Ratings are comparable globally, across asset classes. There is no additional suffix. The “AAA” International Scale Long-Term Rating will be assigned to the lowest relative credit risk, while “CCC” demonstrates the highest level of relative risk. International scale ratings also use rating modifiers (+/-).

National / Regional Scale Credit Ratings

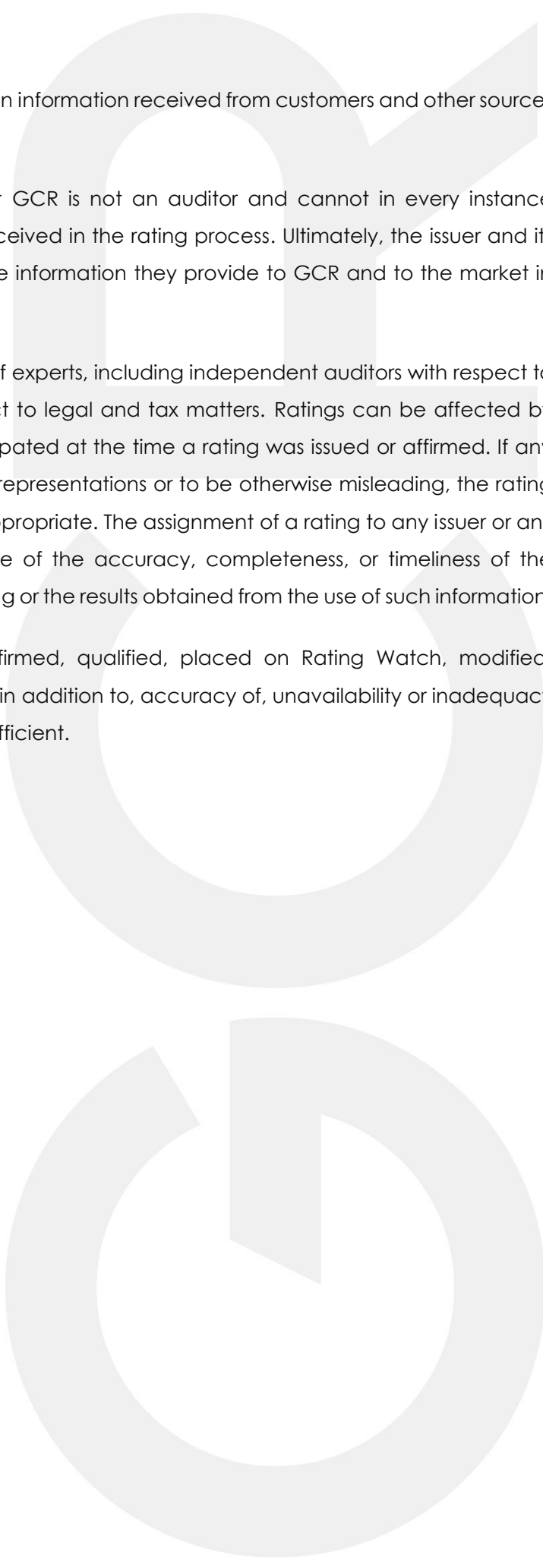
19. For GCR, National / Regional scale ratings adopt the following key principles:
 - a) National / Regional scale ratings reflect an opinion on the ability of an issuer to meet a financial obligation, relative to other issue(r)s in a single country or defined region.
 - b) Similar to the International Scale, the “AAA” National / Regional Scale Long-Term Rating will be assigned to the lowest relative credit risk, while “CCC” demonstrates the highest level of relative risk. National / Regional scale ratings also use rating modifiers (+/-).

However, the ratings will only be comparable within that single country or defined region. As such, a National / Regional scale "A-" accorded to an issuer or obligated to one country cannot be directly compared to an "A-" rating in another country or different region.

- c) In each country, a modifier (based on the ISO International country codes – alpha 2) is used to reflect that a rating is a national scale rating. The modifier identifies which country the rating relates (for example, "AAA_(ZA)" is used for national scale ratings in South Africa).
- d) GCR may assign national / regional scale ratings to entities domiciled in the country or non-domestic entities issuing in any given country.
- e) When the ratings are placed in the default category, the national scale ratings are no longer considered to be relative ratings. Instead, the "CC", "C", "SD", and "D" ratings envisage or have witnessed an explicit default scenario (see page 20 for more information).

Limitations and Use of GCR Ratings

- 20. All GCR Ratings, including outlooks and watches, are opinions based on established and publicly available criteria. Ratings are assigned by GCR, and no individual, or group of individuals, is solely responsible for a rating. Ratings are not facts and, therefore, cannot be described as being "accurate" or "inaccurate". Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, users should refer to the ratings definitions contained in this ratings Scales, Symbols and Definitions for clarity.
- 21. GCR credit ratings do not reflect any risk other than relative credit risk. GCR defines credit risk as the risk that an entity may not meet its contractual financial obligations as they come due. Credit ratings are not an assessment of any risk unrelated to credit risk, including but not limited to, currency risk, fraud, organized crime, the adequacy of market price or market liquidity for rated instruments. Credit ratings are forward-looking opinions and not statements of current or historical fact. GCR is not responsible for any underwriting, credit, loan, purchase, strategic or investment decision. Ratings are not a recommendation or suggestion, directly or indirectly, to any person to buy, sell, make, or hold any investment, loan, or security or to undertake any investment strategy with respect to any investment, loan, security or any entity.
- 22. Ratings do not comment on the adequacy of the market price, the suitability of any investment, loan, or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect to any investment, loan, or security. GCR is not an adviser to any party and does not provide financial advice to any party, or any legal, auditing, accounting, appraisal, valuation, or actuarial services. A rating should not be viewed as replacement for such advice or services. GCR does not have any fiduciary relationship with any issuer or its agents, the user of a rating or any other party. The use of any rating is entirely at the user's own risk.

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23. In issuing and maintaining its ratings, GCR relies on information received from customers and other sources GCR believes to be credible.
24. Users of GCR's ratings should understand that GCR is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to GCR and to the market in offering documents and other reports.
25. In issuing its ratings, GCR may rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed. If any such information should turn out to contain misrepresentations or to be otherwise misleading, the rating associated with that information may not be appropriate. The assignment of a rating to any issuer or any security should not be viewed as a guarantee of the accuracy, completeness, or timeliness of the information relied on in connection with the rating or the results obtained from the use of such information.
26. Ratings may be upgraded, downgraded, affirmed, qualified, placed on Rating Watch, modified, suspended or withdrawn as a result of changes in addition to, accuracy of, unavailability or inadequacy of information, or for any reason GCR deems sufficient.

Rating Definitions

Issuer Ratings

Long-Term and Short-Term International Scale Issuer Credit Ratings (LT ICR/ST ICR)

27. GCR's long-term international scale issuer credit ratings are assigned to legal and legislative entities. They assess, on a global basis, the relative ability of an entity to meet its long-term contractual financial obligations (see LT international scale definitions on page 11 for more information) as they fall due.
28. GCR's short-term international scale issuer credit ratings are assigned to rated entities. They assess, on a global basis, the relative ability of a rated entity to meet its short-term obligations (see ST international scale definitions on page 11 for more information).
29. Typically, issuer credit ratings are pari-passu to the senior unsecured ratings in the rated entity's credit hierarchy.

Long-Term and Short-Term National Scale Issuer Credit Ratings (LT ICR/ ST ICR)

30. GCR's long-term national scale issuer credit ratings are assigned to legal and legislative entities. They assess the relative ability of an issuer, within a single country, to meet its long-term financial obligations (see LT national scale definitions on page 12 for more information). Typically, issuer credit ratings on the national scale are pari-passu to the senior unsecured ratings in the rated legal entity's credit hierarchy.
31. GCR's short-term national scale issuer credit ratings are assigned to legal and legislative entities. They assess the relative ability of an issuer within a given country to meet its short-term financial obligations (see ST national scale definitions on page 12 for more information).
32. For both the national and international scale ratings, a link exists between the long-term and short-term issuer ratings. Whilst there are a large number of distinct factors that drive short-term ratings, the link between the two reflects the inherent importance of liquidity and near-term concerns within the assessment of the longer-term credit profile (see Table 1 and Table 2 for more detail).

Issue Ratings

33. An issue rating is a credit rating relating to a specific debt issue or a specific class of financial obligations of an issuer.
34. Issue ratings are opinions on both the underlying creditworthiness of the issuing obligor, as well as the specific characteristics of the notes being rated. As a result, it is possible that different obligations, issued by a single issuer could be accorded different ratings. For example, factors such as contractual subordination, or the increased default characteristic attributable to loss bearing capital instruments could attract lower ratings relative to senior unsecured issuances. Conversely, an issue could have higher ratings when security or collateral has been pledged or a guarantee is in place. When an issue is rated with any additional characteristics or methodologies, GCR may state the nature of the rating factors in its reports.

To view how GCR notch for factors in contractual subordination or hybrid debt characteristics please consult the sector specific instrument rating methodology. To read the secured issue rating methodology, please visit www.GCRratings.com. Issue ratings can only be assigned if an issuer rating has been assigned.

Long-Term and Short-Term International Scale Issue Credit Ratings

35. Long-term international scale issue ratings are assigned to specific debt obligations with an original maturity of 12 months or more.
36. Short-term international scale issue ratings are assigned to specific debt obligations due within 365 days such as commercial paper, bank borrowings, banker's acceptances (BA's) and negotiable certificates of deposit (NCD's).
37. Long-term and Short-term international scale issues are opinions on the creditworthiness of the issuer on a global basis. It includes an assessment of the specific terms and conditions of the issue, the relative seniority of the issue in the issuer's capital structure, and the existence of external support or credit enhancements (guarantee, insurance, collateral) that may affect credit performance and recovery expectations. As a result, it is possible that different issues by a single issuer could be accorded different ratings.

Long-Term and Short-Term National Scale Issue Credit Ratings

38. Long-term national scale issue ratings are assigned to specific obligations with an original maturity of 12 months or more. They are opinions on the creditworthiness of long-term financial obligations within a single country. They address relative creditworthiness in a particular country and are not comparable across countries.
39. Short-term national scale issue ratings are assigned to specific debt obligations due within 12 months such as commercial paper, bank borrowings, banker's acceptances (BA's) and negotiable certificates of deposit (NCD's). They are opinions of the creditworthiness of short-term financial obligations in a single country. They address relative creditworthiness in a particular country and are not comparable across countries.
40. Long-term and short-term national scale issues are opinions on the creditworthiness of the issuer, on a country specific basis. It may include an assessment of the specific terms and conditions of the issue, the relative seniority of the issue in the issuer's capital structure, and the existence of external support or credit enhancements (guarantee, insurance collateral) that may affect credit performance and recovery expectations. As a result, it is possible that different issues by a single issuer could be accorded different ratings.

Program Ratings

41. Program Ratings are assigned to entity specific note issuance programs issued by financial institutions, insurers, local governments, or corporates (medium-term note programs for example). The ratings on the program primarily reflect long-term issuer credit ratings (on both or either the international or national scales) of its issuing entity and the hierarchy of the notes. Typically, Program Ratings will rank alongside senior unsecured creditor claims. However, because programs often allow subordinated note issuance or more complex hybrid-style issuance, every issue released under the program may be assigned a specific rating at the time of issuance. Therefore, it cannot be assumed that an issue would have the same rating level as that of its program. Program Ratings may change over time as GCR's opinion of the issuer's creditworthiness changes. In addition, notes under the program may have different terms and conditions from those contemplated at the inception of the program due to statutory or regulatory changes, market practices or funding needs. Except for a structured finance transaction, GCR typically will not rate a Program without rating the issuer of the Program. Furthermore, GCR typically will not rate an issue without rating the Program (if applicable) and the issuer.
42. Program Ratings can be accorded on both the international and national scale.

Indicative Ratings (IR)

43. An Indicative Rating is assigned to an issue or program to indicate that a credit rating has been assigned based on a review of final draft documentation and expectations regarding pending final documentation. For instance, it can be assigned when waiting for the finalization of notes for a debt or program issuance.
44. An Indicative Rating may be public or private and is denoted by an "IR" suffix. Like all monitored credit ratings, Indicative Ratings are subject to reevaluation by GCR, and may be raised, lowered, or placed on Rating Watch or Withdrawn, in GCR's sole discretion.
45. Typically, once final documentation is received, the "IR" suffix is removed from the relevant issue or program rating, which indicates the change of the rating from an Indicative Rating to a final credit rating. However, should the documents fail to be finalized within a prescribed period, as detailed in the credit rating announcement or other rating release (as applicable), the Indicative Rating will automatically lapse.

Table 1: International Long and Short-Term Scales and Definitions

Long Term Rating Description	Long Term Rating	Short Term Rating	Short Term Description
Obligor/obligation has the highest international scale creditworthiness.	AAA	A1+	Highest likelihood of timely payment of Short-term obligations.
Very strong creditworthiness of the obligor/obligation.	AA+		
	AA		
	AA-	A1	Strong likelihood of timely payment of Short-term obligations.
Strong creditworthiness of the obligor/ obligation.	A+		
	A		
	A-	A2	Good likelihood of timely payment and Short-term obligations.
Adequate levels of obligor/obligation creditworthiness.	BBB+		
	BBB		
	BBB-	A3	Adequate likelihood of timely payment and Short-term obligations.
Moderate levels of obligor/obligation creditworthiness.	BB+		
	BB		
	BB-	B	Moderate to low levels of liquidity to repay Short-term obligations.
Low levels of obligor/obligation creditworthiness.	B+		
	B		
	B-	C	Short-term obligations are currently vulnerable to non-payment.
Obligor/obligation is vulnerable to non-payment.	CCC+		
	CCC		
	CCC-	C	Short-term obligations are currently vulnerable to non-payment.
The likelihood of liquidation / default / restructure or distressed exchange scenario to be material in the next one year.	CC		
Identify entities where liquidation / default / restructure / distressed exchange scenario has been announced or is expected in the short term (typically within 6 months)	C		
Selective defaulting on the obligations, but not experiencing a general default.	SD	SD	Selective defaulting on the obligations, but not experiencing a general default.
Generally defaulting on obligations as they come due.	D	D	Generally defaulting on obligations as they come due.

Note: Obligations may include structured finance ratings, which will be denoted with an "SF" suffix.

Table 2: National Long and Short-Term Scales and Definitions

Long Term Rating Description	Long Term Rating	Short Term Rating	Short Term Rating Description
Highest credit quality relative to other issues or obligations in the same country.	AAA _(xx)	A1 _(xx)	Highest likelihood of timely payment of Short-term obligations relative to other issuers or obligations in the same country.
Very high credit quality relative to other issuers or obligations in the same country.	AA ⁺ _(xx)		
	AA _(xx)		
	AA ⁻ _(xx)	A1 _(xx)	Very high likelihood of timely payment of Short-term obligations relative to other issuers or obligations in the same country.
High credit quality relative to other issuers or obligations in the same country.	A ⁺ _(xx)		
	A _(xx)		
	A ⁻ _(xx)	A2 _(xx)	High likelihood of timely payment of Short-term obligations relative to other issuers or obligations in the same country.
Average credit quality relative to other issuers or obligations in the same country.	BBB ⁺ _(xx)		
	BBB _(xx)		
	BBB ⁻ _(xx)	A3 _(xx)	Average likelihood of timely payment and Short-term obligations relative to other issuers or obligations in the same country.
Low credit quality levels of obligor/obligation creditworthiness.	BB ⁺ _(xx)		
	BB _(xx)		
	BB ⁻ _(xx)	B _(xx)	Low to vulnerable likelihood of timely payment of Short-term obligations relative to other issuers or obligations in the same country.
Capacity for timely payment is vulnerable relative to other issuers or obligations in the same country.	B ⁺ _(xx)		
	B _(xx)		
	B ⁻ _(xx)	C _(xx)	Timely payment of short-term obligations is considered to be highly vulnerable relative to other issuers or obligations in the same country.
Capacity for timely payment is highly vulnerable relative to other issuers or obligations in the same country.	CCC ⁺ _(xx)		
	CCC _(xx)		
	CCC ⁻ _(xx)	C _(xx)	Timely payment of short-term obligations is considered to be highly vulnerable relative to other issuers or obligations in the same country.
The likelihood of a liquidation / default / restructure or distressed exchange scenario to be material in the next 12 months.	CC _(xx)		
Identify entities where liquidation/default/restructure/distressed exchange scenario has been announced or is expected in the short terms (typically within 6 months)	C _(xx)		
Selective defaulting on the obligations, but not experiencing a general default.	SD _(xx)	SD _(xx)	Selective defaulting on the obligations, but not experiencing a general default.
Generally defaulting on obligations as they come due.	D _(xx)	D _(xx)	Generally defaulting on obligations as they come due.

Note: Obligations may include structured finance ratings, which will be denoted with an "SF" suffix.

Financial Strength Ratings

46. The International Scale Financial strength rating (IFSR) is an opinion on the financial security characteristics of rated entities that conduct insurance business, relative to other insurers, on a global basis. An IFSR assesses the ability to meet contractual minimum policyholder obligations, including guaranteed investment contracts (but excluding obligations where risk is passed directly to policyholders).
47. The National Scale Financial Strength Rating (NFSR) is an opinion on the relative financial security characteristics of rated entities that conduct insurance business relative to other insurers in a particular country.

Table 3: Financial Strength Ratings Scales and Definitions

IFSR	IFSR Rating Description	NFSR	NFSR Rating Description
AAA	The highest insurer financial strength rating assigned by GCR.	AAA _(xx)	Extremely strong financial security characteristics relative to other issuers in the same country.
AA+	Very strong financial security characteristics.	AA+ _(xx)	Very strong financial security characteristics relative to other issuers in the same country.
AA		AA _(xx)	
AA-		AA- _(xx)	
A+	Strong financial security characteristics.	A+ _(xx)	Strong financial security characteristics relative to other issuers in the same country.
A		A _(xx)	
A-		A- _(xx)	
BBB+	Adequate financial security characteristics.	BBB+ _(xx)	Adequate financial security characteristics relative to other issuers in the same country.
BBB		BBB _(xx)	
BBB-		BBB- _(xx)	
BB+	Moderate financial security characteristics.	BB+ _(xx)	Moderate financial security characteristics relative to other issuers in the same country.
BB		BB _(xx)	
BB-		BB- _(xx)	
B+	Modest financial security characteristics.	B+ _(xx)	Modest financial security characteristics relative to other issuers in the same country.
B		B _(xx)	
B-		B- _(xx)	
CCC+	Vulnerable financial security characteristics, with an elevated possibility of non-payment of policyholder obligations when due.	CCC+ _(xx)	Vulnerable financial security characteristics relative to other issuers in the same country, with an elevated possibility of non-payment of policyholder obligations when due.
CCC		CCC _(xx)	
CCC-		CCC- _(xx)	
CC	Impaired financial security characteristics, with a high possibility of non-payment of policyholder obligations when due.	CC _(xx)	Impaired financial security characteristics, with a high possibility of non-payment of policyholder obligations when due.
C	Without a currently unforeseen circumstance, policy holders are expected not to be paid.	C _(xx)	Without a currently unforeseen circumstance, policy holders are expected not to be paid.
SD	Selectively not paying policy holders.	SD _(xx)	Selectively not paying policy holders.
D	Generally not paying policy holders.	D _(xx)	Generally not paying policy holders.

Additional Ratings Definitions

Structured Finance Ratings (SF)

48. Structured Finance ratings are typically assigned to an individual security, or to a debt program but not to an issuer. Structured Finance ratings generally differ from issuer credit ratings (e.g., Corporate, Financial institution ratings) as they are based on the risks underlying the rated instrument as opposed to the Issuer itself. Such risks include the credit quality of the assets backing the rated security, the legal and tax environments, as well as the features of the funding structure. Structured Finance ratings consider the Issuer's relative vulnerability to default under its obligations related to the rated security as defined by the terms and conditions of the latter. The Structured Finance ratings are identified with a "SF" suffix. Structured Finance Ratings can be long and short-term and can be accorded on both the international and national scale.

Structured Bond Ratings (EL)

49. Structured Bond Ratings are assigned to issue ratings only. They differ from Issuer and Structured Finance Ratings as they provide an estimate of the expected loss under a specific issuance or debt program in the event of an issuer default. Structured Bond Ratings are the result of 1) an estimate of the relative likelihood of default of the Issuer's obligations under the rated issuance and 2) an estimate of the potential losses that may be incurred should such a default occur (i.e., loss given default). The Structured Bonds Ratings are identified with an "EL" suffix. Secured Bonds Ratings can be accorded on both the international and national scale.

Public Ratings

50. Public Ratings refer to [credit] ratings that are publicly disclosed and are therefore considered to be in the public domain and subject to specific requirements in terms of disseminating credit [rating] actions. Public Ratings are published on GCR's website.

Private Ratings

51. GCR also provides Private Ratings, i.e., credit ratings that are not made public. Private Ratings examples include ratings for entities with no publicly traded debt, or ratings required for internal comparison, regulatory purposes or as an input into another rating. These ratings are generally provided directly to either the rated entity, its agents or the third party that requested the rating and may be assigned on a monitored or point-in-time basis. These ratings are private and confidential to the requesting party and are not made public. Private Ratings are subject to the same analysis, committee process, and in the case of monitored private credit ratings, the same surveillance as Public Ratings. Private Ratings are generally communicated directly to either the rated entity, its agent or the third party which requested the rating, which may in turn disclose it to a limited number of agents, advisers, auditors, consultants and other parties, provided such disclosure is made subject to the terms of the private rating agreement (contract) and the private rating letter/rating report. Any party to whom the Private Rating is disclosed is updated when any change in the rating occurs.

Solicited Ratings

52. Solicited Ratings are [credit] ratings for which GCR may receive or expect to receive compensation. For Solicited Ratings, GCR may be compensated by the issuer, obligor, underwriter, sponsor of the transaction/security or by any other third party.

Unsolicited Ratings

53. Unsolicited Ratings are [credit] ratings for which GCR is not being, and has no expectation to be, compensated by a third party. This includes [credit] ratings for which GCR may have been compensated in the past but is now maintaining at its own expense for its own reasons.

Non-Credit Rating Definitions

54. The non-credit ratings mentioned below are assigned on a national scale basis, i.e., they are relative only within their jurisdiction.

Credit Assessments (ca)

55. A Credit Assessment is an unpublished opinion on the approximate credit quality of individual securities, financial contracts, issuers, corporate families, or loans. A Credit Assessment may be assigned either (a) at the request of an obligor or a third party or (b) during the rating process where GCR considers whether analysis involving a Credit Assessment is necessary in order to assign or monitor the requested credit rating(s).
56. A Credit Assessment is expressed on the primary rating scale as either a symbol or a range and includes a lower case "ca" identifier. Such assessments are typically point-in-time evaluations. However, they may be monitored in certain circumstances.
57. A GCR Credit Assessment is not equivalent to and does not represent a GCR credit rating. Therefore, if GCR were to conduct an analysis commensurate with a full GCR credit rating, the result may be significantly different.

Rating Scenario Service (RSS)

58. The Rating Scenario Service (RSS) is an analytical tool for rated or unrated entities that are contemplating one or more well defined strategic financial initiatives that could impact their creditworthiness. At the request of a rated or unrated entity, GCR will typically opine on the potential credit rating(s), or potential impact on the current credit rating(s), given a limited number of hypothetical and well-defined scenarios, presented by the entity.
59. The RSS is typically used to evaluate the potential impact of restructurings, mergers and acquisitions, divestitures, material changes in debt or capital structure or changes in the mix of assets supporting a secured transaction.

Typically, the RSS service can only be obtained once every six calendar months by any one rated or unrated entity. The Rating Scenario Service process and outcome is strictly confidential to the requestor and does not constitute financial or structuring advice. The analysis and report provided by GCR as part of a Rating Scenario Service is point-in-time and is not equivalent to and does not represent traditional GCR credit rating. However, RSSs are expressed on GCR's traditional rating scale, but in lower case, italicized and will be followed by the RSS suffix, for example, *bbb+* (RSS).

Management Quality Ratings (mq)

60. Management Quality (mq) ratings are forward-looking opinions on the management quality of asset management companies. The ratings assess an entity's organizational structure, risk management characteristics and operational controls, and provide an opinion on the overall quality of the organization, including management characteristics and operational practices. The ratings emphasize qualitative over quantitative factors and are expressed in the form of a scale ranging from "MQ1" (Excellent) to "MQ5" (Very Weak). Although the assessment incorporates a review of the firm's investment performance track record, the ratings are not intended to consider the prospective performance of specific funds managed by the company. The assessment also does not indicate the manager's ability to repay a fixed financial obligation or satisfy contractual financial obligations, neither those entered by the firm nor any that may have been entered into through actively managed portfolios. See Table 4 for the definitions of management quality by rating category.

Table 4: Management Quality Ratings	
Management Quality Rating Definitions	
MQ1	Entities rated MQ1 are judged to exhibit relatively excellent management and control environment, which meets or exceeds best international practice and benchmarks
MQ2	Entities rated MQ2 are judged to exhibit relatively good management and control environment.
MQ3	Entities rated MQ3 are judged to exhibit relatively adequate management and control environment.
MQ4	Entities rated MQ4 exhibit relatively poor management and a weak control environment, which leaves a high potential for investor or corporate losses.
MQ5	Entities rated MQ5 have very weak management and controls which have led to investor or corporate loss.

Fund Ratings (f)

61. Fund Ratings (f) are opinions regarding the fund's ability to preserve the principal value under varying market conditions which may be affected by credit risk, interest rates, and liquidity, as well as other market conditions.

62. The ratings emphasize qualitative over quantitative factors and are expressed in the form of a scale ranging from "AAA" (highest quality and lowest volatility) to "C" (expected to lose a high degree of principal). [The ratings are not opinions on the relative ability of a fund to repay principal and/or interest in a timely manner or on prospective performance of a fund with respect to asset appreciation, volatility of net asset value or yield.] See Table 5: Fund Ratings for definitions of fund ratings by rating category.

Table 5: Fund Ratings

Fund Ratings	
AAA _(f)	Funds rated AAA _(f) possess levels of risk at that of a portfolio comprised of the highest quality securities and demonstrate the lowest volatility.
AA+ _(f) AA _(f) AA- _(f)	Funds rated AA _(f) possess very low levels of risk and demonstrate low to moderate volatility.
A+ _(f) A _(f) A- _(f)	Funds rated A _(f) possess low levels of risk and demonstrate moderate volatility, although there is considerable variability in risk in periods of economic stress.
BBB+ _(f) BBB _(f) BBB- _(f)	Funds rated BBB _(f) possess reasonable levels of risk and relatively high levels of volatility, with a much lower ability to withstand future stress situations.
BB+ _(f) BB _(f) BB- _(f)	Funds rated BB _(f) possess high levels of risk and high volatility.
B+ _(f) B _(f) B- _(f)	Funds rated B _(f) possess high levels of risk and high volatility.
C _(f)	Funds rated C _(f) are expected to lose a high degree of principal.

Servicer Quality Ratings

63. GCR typically requires a servicer to be rated as part of its process of rating a structured finance transaction. A Servicer Quality rating considers the operational and operational stability of a servicer, as well as its ability to respond to changing market conditions. This assessment is based on a servicer's organizational structure and management strength, its financial profile, information technology and reporting capabilities, as well as its strategic goals. Currently, GCR's servicer ratings are confined to South Africa only, with Structured Finance ratings very limited throughout the rest of Africa. See [Table 6: Servicer Quality Ratings](#) for the definitions of Servicer Quality by rating category.
64. Servicer Quality ratings can be assigned to a Primary Servicer, Special Servicer or a Standby / Backup Servicer. See the [Criteria for Rating Servicers Quality](#) for more details.

Table 6: Servicer Quality Ratings

Servicer Quality Rating Definitions	
SQ1	Strong combined servicing ability and servicing stability.
SQ2	Above average combined servicing ability and servicing stability.
SQ3	Average combined servicing ability and servicing stability.
SQ4	Below average combined servicing ability and servicing stability.
SQ5	Weak combined servicing ability and servicing stability.

Where appropriate, a "+" or "-" modifier will be appended to the SQ2, SQ3, and SQ4 rating category and a "-" modifier will be appended to the SQ1 rating category. A "+" modifier indicates the servicer ranks in the higher end of the designated rating category. A "-" modifier indicates the servicer ranks in the lower end of the designated rating category.

Rating Direction Modifiers

65. GCR uses two types of modifiers to indicate the potential direction of ratings over different time horizons: Rating Outlooks and Rating Watches. Importantly, Rating Outlooks and Rating Watches are mutually exclusive.

Rating Outlooks

66. A Rating Outlook indicates the potential direction of a rating over the medium term, typically 12 to 24 months. It reflects financial or other trends that have not yet reached the level that would trigger a rating action, but which may be likely if such trends continue. The Outlook may be defined as being "Positive" (the rating symbol may be raised or unchanged), "Negative" (the rating symbol may be lowered or unchanged) or "Evolving" (the rating symbol may be raised, lowered or unchanged). The latter is utilized where the fundamental trend has conflicting elements of both positive and negative. An Outlook may be defined as "Stable" if there is nothing to suggest that the rating may change over a 12 to 24-month period. An Outlook is not necessarily a precursor of a rating change or future Rating Watch action.
67. Ratings in the "CC" category and below, including defaulted ratings, do not carry Outlooks since these ratings are highly volatile and an Outlook would not provide meaningful additional information.

Rating Watches

68. A Rating Watch indicates that a rating is likely to change in the short-term and the expected direction of such a change. The Rating Watch may be "Positive" to indicate that a rating could potentially be upgraded or stay at its current level, "Negative" signaling a heightened probability of the rating being downgraded or staying at its current level, or "Evolving" if the rating may be raised, lowered, or affirmed. It is important to note that ratings not on Rating Watch can be raised or lowered without being placed on Rating Watch first if circumstances warrant such an action. Additionally, a Rating Watch does not mean that a rating change is certain or will occur.
69. A Rating Watch is typically event-driven, and generally resolved over a relatively short period (typically 3 to 6 months). The event driving the watch may be anticipated or have already occurred, but in both cases the exact rating implications remain undetermined. The watch period is typically used to gather further information and to further analyze this information, with a view to determining a rating outcome. A Rating Watch is also used where rating implications are clear but a triggering event exists. The Rating Watch will typically be extended to cover a period until the triggering event is resolved or the outcome is predictable with a high enough degree of likelihood to resolve. A rated entity is usually taken off Rating Watch when the rating is upgraded, downgraded, affirmed or suspended/withdrawn.

Rating Actions

Assignment

70. A rating has been assigned or accorded to an issuer/issue for the first time i.e., the issuer/issue was previously not rated by GCR.

Affirmation

71. The rating has not been changed by the committee, although affirmations may include a change to the rating direction modifier (Rating Outlook or Ratings Watch).

Upgrade

72. The rating has been raised on a specific scale. Upgrades may include a change to the rating direction modifier (Rating Outlook or Ratings Watch).

Downgrade

73. The rating has been lowered on its specific scale. Downgrades may include a change to the rating direction modifier (Rating Outlook or Ratings Watch).

Outlook Affirmation or Revision

74. A Rating Outlook can be affirmed at its current level or revised, for example Rating Outlook to Stable from Rating Outlook Negative. Outlook affirmations and revisions are typically used in conjunction with another action on the issuer/issue rating such as affirmation, downgrade or upgrade.

Rating Watch on

75. The issue or the issuer rating has been placed on active Rating Watch status which can be "Positive", "Negative" or "Evolving".

Rating Watch Maintained

76. The issue or the issuer rating has been reviewed and remains on active Rating Watch status whether "Positive", "Negative" or "Evolving".

Rating Watch Revision

77. The issue or the issuer rating has been reviewed and the previous Rating Watch status has been changed to "Positive", "Negative" or "Evolving".

Rating Watch Resolution

78. The issue or the issuer rating has been reviewed and ceases to be on active Rating Watch status. This Rating action is typically used in conjunction with another action on the rating and the Outlook such as rating affirmation, rating downgrade, rating upgrade or Outlook affirmation or revision.

Withdrawn Ratings (WD)

79. When GCR no longer rates an obligation or an entity, which it once rated, the symbol “WD” is utilized. This would also include when a rated issue has been paid in full, when an issue has reached its redemption date, or when a rated program or special purpose vehicle is retired and rating coverage is discontinued. To view the GCR withdrawal policy please visit www.GCRratings.com/criteria.

Suspended Ratings

80. GCR may suspend a credit rating in cases where the information provided either directly or through publicly available information falls short of GCR's sufficiency standard, however there may be reasonable prospect that the information required will be provided in the near future. A credit rating suspension does not imply that the entity is not servicing its debt obligations or that its financial position has deteriorated. To view the GCR withdrawal and suspension policy please visit www.GCRratings.com.

Under Criteria Observation

81. A rating may be placed “Under Criteria Observation” (UCO) where a new or revised criteria has yet to be applied to the rating and where the application of the new or revised criteria could result in a rating change but the impact is not yet known. Where the application of the new or revised criteria is highly likely to result in a rating change in a particular direction, a Rating Watch may be considered more appropriate than the UCO to reflect the potential impact of the new or revised criteria. The application of new or revised criteria is expected to be completed within six months from the publication date of the new or revised criteria.

Criteria Observation Removed

82. A “Criteria Observation Removed” rating action will remove UCO status through a rating affirmation, downgrade, or upgrade within six months from the date of placing the rating on UCO. In some situations, the full rating portfolio may not be reviewed within the six month period, yet it can be determined that the ratings will not be impacted by the new or revised criteria based on the changes made in the new or revised criteria. In these situations, the “Criteria Observation Removed” does not affect the rating level of the existing Outlook or Watch status.

Ratings Review Extension

83. Failure to carry out a full review of a rated entity within the designated timeframe (typically 12 months), either due to the lack of information or delays in finalization, may lead us to place the rating under “Review Extension”. The rating status will typically extend for no longer than 1 month, until the review is finalized. A rating is then either taken off ‘Under Review’ when it is upgraded, downgraded, affirmed, or when the rating is withdrawn. GCR policies require that each rating (typically) undergo a rating action within a 12-month cycle. However, the following rating actions do not require GCR's minimum annual credit requirement: Outlook Revisions, Paid-in-full, Under Criteria Observation, Criteria Observation Removed and Under Review.

GCR Default Rating Definitions

84. GCR have four near or observed Default Ratings definitions, these are “CC”, “C”, “SD”, and “D”. Unlike the other rating categories, these ratings do not rely on the underlying risk scores and credit assumptions. They are comparable across international and national scale ratings.
85. **The “CC” rating** is used when GCR considers the risk of a liquidation/event of default/restructure or distressed exchange scenario to be material in the next 12 months. As such, no combination of risk scores should automatically lead to a “CC” rating. Instead, for a “CC” rating, GCR overrides the credit fundamentals with scenarios and timelines of a potential default based on GCR’s expectations on the entity’s immediate liquidity and solvency.
86. Examples of when the “CC” rating is appropriate include (but are not exclusive to) the following:
- Leverage and refinancing risks appear unsustainable within the next 6-12 months.
 - Funders have announced they may no longer support the entity and refinancing risk is high.
 - The issuer has or will breach meaningful covenants, even if there is a strong chance that the creditors may waive their rights to trigger an event of default or acceleration*.
 - A regulator has announced that a bank or insurance company (typically) is under regulatory forbearance or regulatory control, and there is no well-defined resolution process*.
- *Directly, post waiver or upon exiting regulatory forbearance, the ratings may return to a non-near default grade rating, depending on the nature of the conditions and financial sustainability of the company.
87. **The “C” rating** is used solely to identify entities where a liquidation/default/restructure/distressed exchange scenario has been announced or is expected in the short term (typically within 6 months) but has not yet occurred. In essence, analytics in the “C” ratings focus more on the ‘when’ and ‘how’ of default than the ‘if’.
88. Examples of when the “C” rating is appropriate include (but are not exclusive to) the following:
- The entity has told GCR, or other stakeholders confirmed by GCR, that it may miss one of more of its next interest or principal payments.
 - There is an intention to file a bankruptcy petition or take similar action.
 - A blanket deposit freeze or currency control is announced.
 - An exchange offer, credit standstill or similar restructuring of debt has been announced, which reduces the creditworthiness or value of the instrument (such as changing coupon, or principal amount of debt or lengthening term).
 - GCR views the refinancing or repayment of an issue, on or off-balance sheet facilities, large bilateral placement or deposit to be extremely unlikely in the short term.
 - A covenant has been breached and GCR expects an event of default to be called.
89. **The “SD” and “D” rating** can only be used once a default has been recorded, either witnessed by GCR or described by the issuer.

90. "SD" ratings indicate that an entity that has defaulted on one or more of its financial commitments but continues to meet its general obligations. Typically, the 'SD' ratings will be applicable only for Long-Term Issuer, Short-Term Issuer and Program Ratings only.
91. Conversely, "D" ratings are applicable for Long-Term Issuer, Short-Term Issuer, Program Ratings and Issue Ratings. A "D" issuer rating denotes a default on general obligations as they come due. A "D" Program rating denotes all obligations defaulting within that Program. A "D" issue rating denotes the default on that specific obligation. A rating will stay in the default category until a resolution has been established or the company is liquidated, presuming the rating is not withdrawn by the issuer.
92. It is possible to move an issuer to a default rating and then immediately upgrade to an improved credit rating, if GCR believe the default of selective debt leads to an improved credit position for the issuer.
93. GCR defines a default as an occurrence of one or more of the following:
- Either the principal or interest of a contractual obligation (potentially excluding hybrids) has not been paid in full or in time, even under a credit standstill.
 - The entity has undertaken a distressed exchange offer or similar restructuring of debt, which reduces the creditworthiness or value of the instrument. There may be occasions when bilateral creditors choose to allow the exchange offer or restructuring, which is of mutual benefit to both parties, when GCR does not default the issuer or instrument, but this cannot include a missed payment of principal or interest.
 - An event of default has been called by creditors.
 - An entity is bankrupt or insolvent.
 - A financial institution has stopped or limited cash withdrawals, interbank transactions, exchange operations, Western Union money transfers, use of credit or debit cards or any debt transactions.
 - Policyholders have not been paid out in full and in line with the terms of the contract.
94. For the above and where relevant, GCR abide by the grace period of payment, which unless otherwise stated explicitly in the documents or statutory law, will be no longer than five business days.

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