

Symbols and Definition of Dagong’s Credit Rating Scale

Dagong has two sets of rating scale symbols and definitions. The first set of symbols and definitions is applicable to Dagong’s Corporate and Financial Institution Issuer Credit Rating, Corporate and Financial Institution Issues Credit Rating, (that includes Enterprise Bonds), and Borrowing Companies Credit Rating¹ (hereinafter referred to collectively as “Long-term Debt Facility Credit Rating”). Long-term Debt Facility Credit Rating results are classified as the following nine rating scales, which are shown in Table 1.

Table 1 Credit Rating Scales and Definitions of Corporate and Financial Institution Issuer, Borrowing Companies, and Long-term Debt Facility Credit Ratings

| Credit Rating Scales | Definition |
|----------------------|---|
| AAA | <p>Highest Credit Quality:</p> <p>“AAA” ratings denote the lowest expectation of default risk. It indicates that the issuer has exceptionally strong capacity for payment of financial commitments. Although the debt protection factors may change, this capacity is highly unlikely to be adversely affected by any foreseeable event. 'AAA' is the highest issuer credit rating assigned by Dagong.</p> |
| AA | <p>Very High Credit Quality:</p> <p>'AA' ratings denote expectations of very low default risk. It indicates that the issuer has very strong capacity for payment of financial commitments. Although due to its relatively higher long-term risk, this capacity is not significantly vulnerable to any foreseeable event.</p> |
| A | <p>High Credit Quality:</p> <p>'A' ratings denote expectations of relatively low default risk. The capacity for payment of financial commitments is considered sufficient. However, this capacity may be more vulnerable than those of the higher ratings to adverse business or economic conditions due to any foreseeable event.</p> |

¹ The symbols and definitions used for the Borrowing Companies are determined by the People’s Bank of China (PBoC) and they are slightly different from the symbols and definitions used for the other four categories of rated targets. However, substantively, the symbols used for Borrowing Companies credit ratings are the similar to the symbols used for Dagong’s Long-term Debt Facility. Generally, the definitions are slightly different in Chinese, but when translated into English, they are almost identical.

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|------------|---|
| BBB | <p>Medium Credit Quality:</p> <p>'BBB' ratings indicate that expectations of default risk are currently low and it has medium default risk. In normal conditions, the capacity for payment of financial commitments is considered adequate, whereas under adverse business or economic conditions risks of default are more likely to exist under this scale.</p> |
| BB | <p>Low Medium Credit Quality:</p> <p>'BB' ratings indicate that the issuer faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.</p> |
| B | <p>Relatively Low Credit Quality:</p> <p>'B' ratings indicate that expectations of default risk are relatively high but a limited margin of safety remains. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments. This is a lower scale than that of the 'BB' rating and an obligor rated 'B' is more vulnerable to adverse developments than the obligors rated 'BB'.</p> |
| CCC | <p>Low Credit Quality:</p> <p>'CCC' ratings indicate very high default risk. The issuer is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Some practical risks exist and this will impair the obligor's ability to meet its financial commitments.</p> |
| CC | <p>Very Low Credit Quality:</p> <p>'CC' ratings indicate that the issuer is currently highly vulnerable and entities with this rating have a seriously high risk of default.</p> |
| C | <p>Lowest Credit Quality:</p> <p>'C' ratings indicate the highest default risk and the issuer is currently unable to meet its financial commitments or may even be in the process of compulsory debt reconstruction, or a takeover by regulatory organizations or in bankruptcy liquidation.</p> |

Note: Except the ratings 'AAA' and 'CCC', each rating scale can be modified by the addition of a plus or a minus, expressed as a (+) or (-), indicating a higher or lower rating scale than its current rating level.

The second set of symbols and definitions is applicable to debt with a term of repayment of one year or less (the “Short-term Debt Facility Credit Rating”). Dagong’s Short-term Debt Facility Credit Rating results are classified as six rating scales that are shown in Table 2.

Table 2 Credit Rating Scales and Definitions of Short-term Debt Facility Credit Rating

| Credit Rating Scales | Definitions |
|-----------------------------|---|
| A-1 | Highest Short-term Credit Quality: 'A-1' ratings indicate that the obligor's capacity to meet its financial commitments on the obligation is very strong and security is high. |
| A-2 | Good Short-term Credit Quality: 'A-2' ratings indicate that the obligor has good intrinsic capacity for timely payment of financial commitments and its capacity to meet its financial commitments on the obligation is relatively strong and security is relatively high. |
| A-3 | Fair Short-term Credit Quality: 'A-3' ratings indicate that the obligor has adequate intrinsic capacity for timely payment of financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation and default risks are relatively higher than other ratings in the same 'A' category. |
| B | Significant Speculative Short-term Credit Quality: 'B' ratings indicate that the obligor has significant speculative characteristics and minimal capacity for timely payment of financial commitments. Adverse changes in financial and economic conditions could lead to the obligor’s inadequate capacity to meet its financial commitment on the obligation and default risks are higher than the 'A' category. |
| C | High Default Risk Short-term Credit Quality: 'C' ratings indicate that the obligor is currently vulnerable to nonpayment and default risks are very high. The obligor depends upon favorable financial and economic conditions to meet its financial commitment on the obligation. |
| D | Default: 'D' ratings indicate the default of a specific short-term obligation for an entity. The obligor is not able to make its payments on an obligation. This rating also could be used upon the filing of a bankruptcy petition. |

Note: The credit rating scales of the Short-term Debt Facility Credit Rating are not subject to any adjustment like that of the Long-term Debt Facility Credit Rating described herein.