

Organization

1. What proportion of your total rating revenue comes from structured finance related activity?

Currently CPR has no revenues generated from structured finance transactions. CPR revenues are currently generated by rating financial commitments of commercial entities (including corporates and financial companies) and public finance. This fact does not indicate that in the future CPR will not be engaged in rating structured finance transactions.

2. Do you offer non rating "ex post" services related to structured finance products (i.e. pricing or valuation models,)? If yes, what proportion of your total structured finance derived revenue comes from those ancillary/advisory services?

CPR is exclusively dedicated to the rating activity, for which purpose it is registered with the Comissão do Mercado de Valores Mobiliários (CMVM) (Portuguese Securities Market Commission).

3. Please describe any specificities of the way you determine your fees for the rating of structured finance products as compared to the fees charged in corporate ratings.

Following CPR's Manual of Organization and Procedures the fees for the rating of structured finance products will be determined using the same procedures for determination of fees for corporate and public finance ratings. This means that the fees will be calculated based on the complexity of the work and consequently on the estimated human and technical resources required to perform the work.

4. How are the fees you charge for any "ex post" ancillary/advisory activities determined - are they determined separately from fees relating to the actual rating?

Not applicable (see 2 above).

5. How is staff remuneration determined for structured finance ratings analysts? Is this different staff from staff that work on related ancillary/advisory services?

The remuneration of all CPR's employees, and therefore of those involved in the rating process, depends on the following factors:

- applicable salary scales, which provide minimum and maximum values for each function, the position of each individual person depending on his/her experience and commitment shown;
- productivity;
- target achievement, which, it should be stressed, is not related to the ratings assigned or to be assigned or to the amount of compensation received or to be received from the entities whose financial commitments are rated.



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Rating Process

6. Is the organization of the rating process similar for corporate and for structured products? If not, please explain the differences.

Yes, it is similar.

7. Which parties does your firm liaise with directly as part of the rating process? Are there clear policies governing how this relationship is conducted?

Under a rating process CPR liaise mainly with the entity which financial commitments are subject to rating and its auditors, supervisors and regulators. For structured finance transactions these liaise will include the originator, the servicer, the back up servicer, and the respective auditors, supervisors and regulators.

CPR's Manual of Organization and Procedures and Code of Conduct of CPR and its Employees, which applies to CPR, to all its employees, and to all persons and entities that provide services to CPR and which, by reason of that provision of services, may have access to confidential information held by CPR, establishes clear policies governing how this relationship has to be conducted, in order to avoid conflicts of interest and incorrect use of confidential information.

8. What information about the remuneration for providing the rating is provided to the various parties to the deal?

The CPR remuneration is provided by CPR only to the entity which financial commitments are subject to rating.

9. Please describe any specificity regarding your policy of publication of ratings in the structured finance segment.

CPR has no specific policy for publication of ratings in the structured finance segment. All ratings assigned by CPR once approved by issuer of the financial commitments subject to rating are disclosed through the following media:

- www.cprating.pt web site;
- www.negocios.pt portal (the reference website in Portugal for financial news), which routes this information to dozens of specialised web sites;
- written press (currently the Expresso, weekly newspaper which has the largest print run in Portugal);
- e-mail to all persons/entities included in a mailing list, with subscription available through CPR's web site;
- indenture of the operations subject to rating, namely in the case of operations subject to public offering;
- Financial Times Credit Ratings in Emerging Markets;

In all the above cases, the information provided does not replace consultation of the respective reports. These reports (in Portuguese and English) are sent to a group of entities indicated by the issuers, to all CPR subscribers who registered for this purpose, and to any person or entity wishing to purchase separate copies.

Rating Methodologies

10. How do you adapt your methodologies to market developments? Have you changed them recently? How do you apply the changes to the surveillance of rated transactions?

Following CPR's Manual of Organization and Procedures, CPR's Executive Board is responsible for ensuring the adequacy of the rating methodologies and related procedures used by CPR, as well as for approving any changes to these methodologies and procedures.

CPR's Executive Board is constantly alert to the eventual necessity to adapt the rating methodologies to relevant market developments. Accordingly, CPR's methodologies are reviewed on a regular basis.

When CPR's Executive Board approves methodology changes, CPR evaluates the impacts of that changes in outstanding ratings. However, methodologies updates rarely imply, by themselves, changes in ratings.

11. Do you consider that the track record of your ratings of structured finance products supports the appropriateness of your models?

Not applicable (see 1 above).

12. To what extent can another rating agency's underlying ratings be incorporated into a structured finance rating by your firm? Are they treated in the same way as your own underlying ratings? Are there any risks emerging from the use of another agency's ratings?

It is possible that another rating agency's ratings will be incorporated into a structured finance rating by CPR, but the treatment of these incorporation will depend on the judgment made by CPR regarding the quality and type of rating assigned by the other rating agency in order to evaluate the risks associated with this incorporation.

On-going Surveillance of the Transactions

13. How do you monitor rated structured products? What are the main inputs into your review process?

Ratings assigned by CPR are reviewed at least every six months, in the case of short-term financial commitments (maturity of up to one year) and at least annually, in the case of medium to long-term financial commitments (maturity of more than one year). The final validity date of each rating corresponds to the final maturity of the operation subject to rating. However, CPR monitors the evolution of the entity whose financial commitments are rated on an ongoing basis for the entire period of validity



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of the ratings. To this end, the entity whose financial commitments are rated is asked to inform CPR, as promptly as possible, of any situation, even if not yet known to the public, which could influence the capacity to honour in due time the financial commitments subject to rating. Hence any material change detected in the management strategy of the entity whose commitments are rated or in the markets where it operates may make it advisable to shorten the period after which the follow-up is made, leading to an early follow-up.

The follow-up process at CPR is very similar to the rating process, in so far as it involves requesting updates on the quantitative and qualitative inputs used for rating. The follow-up process is more expedite since CPR already knows the entity whose financial commitments are reviewed. As a rule, the same CPR staff are engaged in the rating and follow-up processes of the same entity.

14. Is there any difference between corporate credit ratings and structured finance ratings in terms of the frequency (ie. happen more often) and magnitude (ie. are larger) of rating amendments?

Accordingly to CPR procedures there is no difference between the frequency of corporate credit ratings and structured finance ratings. Both types of ratings are subject to follow-ups semi-annually for short term financial commitments and annually for medium / long term financial commitments. Throughout the entire period during which ratings are valid, CPR monitors the issuer's performance on a constant basis, and may even anticipate the date of the follow-up.

15. Is the internal process for amending a structured finance rating similar to the one for amending a corporate rating?

Yes.

Potential Conflicts of Interest

16. Do you think that the iterative process inherent in rating structured finance transactions may involve additional conflicts of interest compared to those arising in corporate ratings? If yes, how your firm is organised and what additional measures do you have in place to manage those potential conflicts?

We believe that for rating agencies which follow the Code of Conduct Fundamentals for Credit Rating Agencies, issued in December 2004 by the International Organization of Securities Commissions, and in cases that rating agencies do not provide non rating "ex post" services related to structured finance products (which is CPR's case) there are no additional conflicts of interest compared to those arising in corporate ratings.

17. Do you perceive any potential conflicts of interest between the structured rating activity and any ancillary/advisory services mentioned in question 2?

Not applicable (see 2 above).