Creditreform Sovereign Rating

Creditreform Rating
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Rating Object	Rating Information	
REPUBLIC OF IRELAND	Assigned Ratings/Outlook: **A+ /stable**	Type: Monitoring, unsolicited
Long-term sovereign rating Foreign currency senior unsecured long-term debt Local currency senior unsecured long-term debt	Initial Rating Publication Date: Rating Renewal: Rating Methodologies:	25-11-2016 26-10-2018 “Sovereign Ratings”

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Rating Action

Neuss, 26 October 2018

Creditreform Rating has raised its unsolicited long-term sovereign rating on the Republic of Ireland to “A+” from “A“. Creditreform Rating has also raised Ireland’s unsolicited ratings for foreign and local currency senior unsecured long-term debt to “A+” from “A“. The outlook is revised to “stable”.

Key Rating Drivers

1. Very wealthy, productive and competitive economy; robust growth of underlying domestic demand should be sustained going forward; while outperforming most euro area peers, strength of the economy is somewhat overestimated by headline indicators due to significant MNE activities; ratings remain constrained by elevated macro-financial volatility and high debt levels in the private sector

2. Sovereign continues to be characterized by the very high quality of its institutional framework; business environment remains very favorable

3. Still elevated but declining general government debt; vulnerabilities associated with public debt somewhat tempered by prudent debt management operations and favorable financing conditions

4. Budget consolidation progressing faster than expected, with the sovereign targeting a balanced budget next year for the first time since 2007; narrow revenue base and contingent liability risks arising from financial sector legacies continue to represent budgetary risks

5. Volatile current account and highly negative NIIP stemming from business operations of MNEs and the International Financial Services Centre; risks associated with high external liabilities are mitigated by composition of external debt

Reasons for the Rating Decision

Creditreform Rating has raised its ratings on the Republic of Ireland to “A+” from “A“. The upgrade is underpinned by (i) GDP growth significantly above our expectations in 2016/2017; (ii) sustained progress on budget consolidation and debt reduction; and (iii) our expectation of durable and robust economic growth coupled with further improving fiscal sustainability metrics.

Our assessment of Ireland's macroeconomic performance incorporates high levels of wealth and productivity, as well as dynamic economic growth underpinned by a recovering labor market. These strengths are set against elevated private sector debt and a high degree of macro-financial volatility.

Ireland continues to exhibit a prosperous economy with GDP per capita estimated to post at USD 73,215 in 2017 (in PPP terms, IMF data), the sixth-highest per capita income in the world. Within the euro area, only Luxembourg (USD 105,148) had a higher GDP per capita last year. High levels of wealth are a result of a strong presence of high value-added industries in the Irish economy. At the end of 2017, ICT and financial services accounted for 9.9 and 7.7% of total gross value added respectively, as compared to 5.1 and 4.8% in the EU as a whole. Moreover, the economy featured a very productive workforce. Standing 89.3% above EU-28 levels, nominal labor productivity per person was the highest observed in any member state last year. To be sure, we are aware that GDP and labor productivity figures are generally overstated due to a very high degree of financial openness and a significant presence of multinational enterprises (MNEs), which hampers comparability across our country sample. Modified gross national income (GNI*), which strips out net factor income of redomiciled companies, depreciation on aircraft leasing, and R&D service imports, indicates that the underlying economy is about 40% smaller than suggested by GDP figures.

We observe that the Irish economy has continued to thrive. In 2017, the economic upswing gathered further momentum, with real GDP growth leaping from 5.0 to 7.2% - the highest growth rate in the euro area. However, as was seen in 2015/16, national account indicators were heavily distorted by business operations of Irish-based MNEs again, which arguably have limited links to the domestic economy. As a result, headline aggregates understated the growth contribution from domestic demand, while significantly overstating the impact of net exports.

Export growth almost doubled from 4.4 to 7.8%, mainly driven by rapidly rising service exports, which edged up by 16.2% y-o-y (2016: 11.0%). Export figures were inflated by contract manufacturing, which gained momentum in the second half of 2017, and by sizeable royalty payments on intellectual property. According to CSO data, financial outflows attributable to royalties and licenses increased by 19.3% (2016: 9.9%). At the same time, imports contracted sharply after having posted double-digit growth in 2014-16. The total volume of imported goods and services imports fell by 9.4% in 2017 (2016: +18.5%), resulting from declining business service imports (-24.2% y-o-y), which include among others the transfers of intellectual property from abroad (patent on-shoring) and aircraft leasing activities. These developments were also mirrored by weakly performing headline investment. After growing by 51.1 and 51.4% in 2015 and 2016, gross fixed capital formation contracted by 31.0% last year. While construction investment (dwellings, roads & other buildings) maintained its strong growth momentum and increased by 17.4% (2016: +18.3%) on the back of brisk demand for housing, capital expenditures related to R&D more than halved (-54.2%) from 2016 levels. By contrast, private consumption continued to show solid growth. Buttressed by the further improving labor market situation and rising real wages, household spending expanded by 1.6% last year.

To account for sizeable swings in investment and trade figures stemming from MNE-activities, the Central Statistical Office (CSO) has recently introduced alternative indicators, which appear more appropriate to assess underlying activity in the domestic economy. As illustrated by these metrics, domestic demand somewhat decelerated in 2017, nevertheless developing more dynamically than suggested by national accounts data. Underlying domestic demand, which excludes the volatile components of investment in intangibles and aircraft leasing, grew by 2.9% in 2017, down from 5.1% one year before. At the current juncture, domestic demand is not driven by excessive credit growth or substantial FDI inflows.

Looking ahead, economic prospects remain favorable. Notwithstanding our expectation of easing output growth, real GDP should expand by a still high 6.5 and 4.5% in 2018 and 2019. As opposed to last year, we expect headline figures to be more aligned with the underlying trends in the domestic economy. While net exports should continue to add to the economic expansion, domestic demand is set to become the main growth driver.

Although consumer confidence as measured by the ESRI/KCB index has somewhat weakened more recently, sentiment is still consistent with sustained growth in private consumption at current levels. More importantly, we believe that a rising net worth of households fueled by increasing house prices and further improving labor market conditions should provide tailwinds to consumption this year. Unemployment, which has been on a continuous downward path since 2012, dropped to 5.8% in Q2-18 (Q2-17: 6.6%) – the lowest level since 2008 (Q1-08: 5.4%). Going forward, redundancies should continue to fall, though at a somewhat slower pace, as the unemployed increasingly consist of harder-to-employ individuals. The tightening labor market should exercise an increasing upward pressure on wages. Posting an annual growth rate close to 3% in the first six months of the year, average weekly earnings recorded the strongest growth since 2009. Meanwhile, inflation prospects remain moderate. After having stalled in 2017 (+0.3%), partly reflecting the depreciation of the pound sterling, HICP inflation should tick up to 0.9% this year, mainly driven by increasing energy and service prices.

Rising consumer spending should coincide with stabilizing headline investment. While IP investment is expected to remain weak, the ongoing recovery in real estate prices coupled with governmental efforts to promote a higher supply of residential buildings (see below) should continue to buoy construction activity in 2018/19. Regulatory requirements applying to residential construction were eased in Mar-18 and the process of receiving construction permits on large-scale projects was also facilitated. A draft law intending to improve access to finance for real estate developers was presented in Jan-18 and is currently subject to parliamentary consultation. The bill provides for the establishment of a new entity “Home Building Finance Ireland” (HBFI), which should be funded with EUR 750m from Ireland’s Strategic Investment Fund. It is envisaged that HBFI will commence lending activity by the end of the year. Against this backdrop, we believe that construction investment will remain on its growth trajectory. While imports should evolve at a modest pace, exports should continue to experience robust growth over our forecast horizon. Drawing on balance of payments data, total exports (in nominal terms) were up 8.1%

y-o-y in the first half of 2018, with both merchandise (+9.8%) and service exports (+6.1%) performing well.

To be sure, our growth projection is contingent on the materialization of our baseline scenario, which assumes an orderly Brexit in March 2019 followed by a transition period, which ensures greater continuity for both corporate and consumers. Despite very difficult negotiations between the UK and the EU, we still believe that both parties will eventually reach an agreement, preventing a disorderly departure of the UK in March 2019. In view of Ireland's strong economic ties with the UK, the National Treasury Management Agency (NTMA) estimates, that a hard Brexit could dent GDP growth by almost 4% over a 5-year period. In the same vein, changes in the international tax-environment could dampen growth going forward. Against the background of the recently implemented US corporate tax reform and the upcoming adoption the EU's Anti-Tax Avoidance Directives (ATAD I and II), FDI inflows could turn out lower than in recent years.

Ireland's credit rating continues to be buttressed by the very high quality of its institutions. The sovereign outperforms its A-rated peers and the euro area median by a considerable margin along all dimensions of the World Bank's Worldwide Governance Indicators (WGIs). Ireland exhibits a high quality of policy formulation and implementation (Government Effectiveness rank 28/209), as well as a high degree of confidence in contract enforcement, property rights and courts (Rule of Law rank 24/209). This compares favorably with EA-19 median ranks of 33 and 32 respectively. Moreover, Ireland as a small, open economy with a trade-to-GDP ratio of 209.4% (2017) continues to greatly benefit from EU and euro area membership in our opinion. Although intra-EU exports made up for a moderate 47.4% (services) and 39.6% (goods) of total exports in 2017, we believe that the country is a main beneficiary of the Single Market. Thanks to its membership in the European customs union and relatively low corporate tax rates, Ireland serves as a hub for numerous MNEs (in particular from the US) to run their European business operations. Moreover, we regard Ireland's euro area membership as a credit positive. Given the economy's strong trade and financial interlinkages, we believe that advantages associated with the euro as a reserve currency outweigh the lack of monetary flexibility. In the past, Ireland often displayed notable inflation and interest rate gaps towards the euro area, pointing to some inefficiencies in monetary policy transmission.

In general, the Irish economy is characterized by a high degree of market flexibility and business sophistication, which we believe are vital competitive assets. The high level of competitiveness is indicated by the World Economic Forum's global competitiveness index. In the most recent report, the sovereign was ranked 23rd out of 140 economies, with the index components labor market (rank 7), business dynamism (rank 10), and skills (rank 15) standing out as particular strengths. The favorable business environment is also reflected by Ireland's ranking in the EU 2017 SME performance review. As regards entrepreneurship, innovation, and the responsiveness of the administration, Ireland outperforms the EU-28 average by far. Nevertheless, the Irish government is continuously working on fostering innovation and entrepreneurship. While the implementation of the "Enterprise Ireland Strategy 2017-20" is ongoing, the government launched a public sec-

tor reform in Dec-17 ("Our Public service 2020") which aims to accelerate digital delivery of administrative services and strengthen performance management in the public sector.

The sovereign's budgetary position continued to improve in 2017. On the back of brisk revenue growth and falling interest expenses, Ireland's fiscal deficit narrowed from 0.5 (2016) to 0.2% of GDP in 2017. Thus, the government slightly outperformed its deficit target (0.4% of GDP) as foreseen in the 2017 stability program. Excluding one-offs, namely the refund of water charges and statistical reclassifications (inclusion of Approved Housing Bodies into the general government sector), the budget was broadly balanced.

Taking into account that the actual tax outturn was on profile after the first three quarters of the year, Ireland appears to be on track to meet its fiscal target of -0.1% of GDP in 2018. This year's budget provides moderate tax relief for low to middle-income earners. Among others, the Universal Social Charge has been reduced, income tax brackets have seen some adjustments, and the Earned Income Credit has been raised. Turning to the expenditure side, the budget 2018 allocates additional funds to healthcare and education. Most importantly, public investment is set to expand vividly, reflecting the implementation of the National Development Plan 2018-27. However, costs stemming from additional spending and tax relief should be partly offset by an increase in the stamp duty on non-residential property from 2 to 6%, higher excise duties on tobacco, and the introduction of a sugar tax (effective from Apr-18).

Assuming no discretionary policy changes, we also expect the government to comply with its fiscal target in 2019. Thus, the budget should be balanced for the first time since 2007. Our expectation is underpinned by the fact that the government's budget projections have tended to be rather conservative in the past. Since 2011, the final budgetary outcome has outperformed the targets in the respective stability program in each year. In the absence of sharply decelerating GDP growth, we expect favorable revenue dynamics to carry over into 2019. While enduring growth in wages and employment should translate into higher PIT receipts, state revenues should also be boosted by a higher VAT rate on tourism-related activities (up from 9 to 13.5%). With regard to the expenditure side of the budget, we observe mounting spending pressure, with policy priorities remaining broadly unchanged. As laid out in the budget draft 2019, gross voted capital expenditure should expand sharply in 2019, at a rate of 23.6%. In particular, tackling the housing shortage continues to rank high on the government's agenda. Hence, spending of the Housing, Planning and Local government Group is set to increase by 14.7% next year. This funding should allow to deliver over 4,000 additional homes (through the Social Housing Current Expenditure Program) and to accommodate an additional 16,760 households under the Housing Assistance Payment scheme.

Notwithstanding our expectation of further improving budgetary metrics in 2018-19, Ireland still faces some challenges regarding the stability of public finances. Multi-annual expenditure ceilings on the departmental level were frequently revised in the past, while the tax base continues to be relatively narrow and tilted towards CIT and PIT receipts, which could fluctuate with the economic cycle. In 2017, taxes on income and wealth made up for 40.4% of total general government revenue as compared with 27.8% in the EA-19. Moreover, the composition of its CIT-revenue leaves Ireland vulnerable to a cycli-

cal downturn in the economy, MNE relocations, and changes in the international tax environment. As highlighted by the Irish Office of the Revenue Commissioners, foreign-owned MNEs accounted for 80% of CIT payments in 2017. The report also states that the already high CIT concentration continued to increase. Up from 37% in 2016, gross receipts from the ten largest payers equaled 39% of total CIT revenue last year. We note, however, that Irish authorities are aware of risks stemming from a strong reliance on corporate taxes. To improve the resilience of public finances in the event of an external shock, the government approved the establishment of a “Rainy Day Fund” in May-18. The fund will be capitalized with EUR 1.5bn from Ireland’s Strategic Investment Fund and receive annual capital injections in the amount of EUR 0.5bn from 2019 onwards.

On the back of brisk GDP growth, a lower-than-expected budget deficit and the sale of a EUR 3.4bn stake in Allied Irish Bank, Ireland made further progress on debt reduction in 2017. Public debt continued to decline for the fifth consecutive year, with the debt-to-GDP ratio falling from 73.4 (2016) to 68.4% in 2017. Debt-to-GNI* also remained on a downward trajectory, decreasing from 114.1 to 111.1% in 2016-17. Other fiscal metrics also continued to improve. The sovereign’s debt-to-revenue and interest-to-revenue ratio fell from 272.5 and 8.4% to 263.0 and 7.6% respectively. Nevertheless, debt levels remain elevated and compare unfavorably with A-rated peers.

Looking ahead, we believe that government debt should remain on a downward trajectory over the coming years, with the debt-to-GDP ratio approaching the 60%-mark by 2020. Deleveraging could proceed faster than anticipated, taking into account potential one-off receipts, which are currently not incorporated in our projections. In Sep-18, the Irish government stated that it has fully recovered EUR 13.1bn in disputed taxes from Apple (plus interest of 1.2 billion), which it will hold in an escrow account pending its appeal against the EU’s tax ruling. Should the Irish tax arrangement with Apple finally be found to be incompliant with EU state aid rules, these funds could be directed towards debt reduction. In the same vein, additional proceeds from the re-privatization of state-owned banks could be used to pay down government debt. Yet, the government is seeking advisors in order to realize the value of its remaining stakes in Allied Irish Bank, Bank of Ireland and Permanent TSB.

We view debt sustainability risks to be partly mitigated by prudent debt management operations, which helped to smoothen the sovereign’s redemption profile and lower its interest costs. In 2017, Ireland issued EUR 16.2bn in benchmark bonds with a weighted average maturity of 12.4 years and a weighted average yield of 0.89%. What is more, the NTMA made an early repayment to the IMF in the amount of EUR 4.5bn in Dec-17, paying off the last of its outstanding loans under Ireland’s EUR 22.5bn Extended Fund Facility. In addition, EUR 1.0bn in bilateral bailout loans provided to Ireland by Sweden and Denmark were also repaid ahead of time. In our view, improving investor confidence in Ireland’s economic prospects and steady demand by the ECB’s ongoing PSSP has helped to keep yields on long maturities at low levels. Net purchases of Irish government securities added up to EUR 6.7bn last year. As of Sep-18, the ECB held EUR 29.6bn of Irish government debt under its PSPP.

The Irish banking sector (assets-to-GDP: 133.7% in Q1-18) remains a contingent liability risk to the sovereign, in our view. Despite last year's partial re-privatization of AIB, the state remains heavily exposed to developments in the domestic banking sector, as it continues to hold significant stakes in Allied Irish Bank, Bank of Ireland and Permanent TSB. Admittedly, financial stability in the Irish banking sector has increased since the beginning of 2017. Banks' profitability continued to improve and capital buffers were further strengthened. While return on assets (RoA) increased from 0.8 to 1.1% between Q1-17 and Q2-18, the CET1 ratio of the Irish banking sector climbed from 18.6 to 20.0% over the same period. This compares relatively well to a RoA of 0.5% and a CET1-ratio of 14.5% in the EU-28 as whole. Meanwhile, the large share of impaired assets on bank balance sheets still represents a challenge to the financial sector. Although the NPL ratio decreased from 11.8 (Q2-17) to 7.0% in Q2-18, it remains significantly higher than in the EU-28 (3.6%).

We also note that the recent decline in NPLs was mainly attributable to improvements in the commercial property sector, while mortgage arrears decreased only moderately. In Q2-18, mortgage arrears came in at a still high 15.0% of the total volume of outstanding mortgages, down from 16.6% in the year before. Furthermore, there was only a slight decrease in long-term mortgage arrears. At the latest count, mortgages more than 720 days past due accounted for a high 57.3% of total arrears (Q2-17: 57.8%). This is particularly noteworthy considering that the dynamic recovery of house prices, which is currently underway, should have strengthened the repayment capacity of borrowers. House prices gained further momentum, edging up by 12.6% y-o-y in Q2-18, after growth rates of 6.6 and 9.5% were recorded in 2016 and 2017 respectively. Still, affordability metrics should be monitored closely, although they do not point to exuberance in the real estate market yet. At the beginning of 2018, the price-to-income and price-to-rent ratios stood 5.7 and 2.1% above their respective long-term (1995-2018) averages. Moreover, the recent increase in house prices is not credit-fueled. According to ECB data, the total volume of outstanding mortgages posted growth in the 2%-range at the beginning of the year. However, growth in mortgage lending turned negative again more recently, contracting by 0.7% y-o-y in Aug-18. Meanwhile, NFC credit is showing initial signs of stabilization. Having contracted since Mar-09, credit outstanding to NFC remained broadly stable in Aug-18 (-0.2% y-o-y). Subdued credit demand is mirroring the ongoing deleveraging in Ireland's private sector. Although household and corporate debt continued to decline over the last year, private indebtedness remains among the highest in the EU-28, constraining Ireland's economic resilience and flexibility. While NFC debt fell from 298.7 to 262.3% of GDP in the year up to Q1-18, the debt-to-disposable income ratio of Irish households declined from 145.5% to 135.8%.

Turning to the economy's external position, Ireland's current account continues to be highly volatile. After having dipped from +4.4 to -4.2% of GDP in 2015-16, the current account bounced back to 8.5% of GDP in 2017. Some deterioration in the economy's trade in goods and primary income balances was more than offset by a significant narrowing in the trade in services balance, which edged up from -23.3 to -6.2% of GDP. Last year's improvement in the trade in services balance was in particular a result of a sharp

decline in R&D-related intellectual property imports, which fell from 16.9 to 4.8% of GDP in 2016-17. The modified current account balance (CA*), which excludes the depreciation of foreign-owned domestic capital (such as net imports of IP and imports of R&D services), fell from 1.7% to 0.8% of GDP. Headline figures of Ireland's net international investment position should also be interpreted with caution, as gross positions are heavily inflated by business activities of MNEs and the International Financial Services Center (IFSC), which have limited links to the domestic economy. Thus, we believe that the economy's vast stock of external liabilities (2017: 1,905.2% of GDP), which is reflected in a still highly negative net international investment position of -149.3% of GDP (2016: -170.7%), does not present an immediate threat to the domestic economy. Importantly, risks in Ireland's domestic economy related to elevated external indebtedness are somewhat mitigated by the composition of the external debt stock. At the end of 2017, the bulk of external debt (64.9%) was concentrated in the IFSC, while intercompany lending (IMF data), which we regard as a relatively stable source of funding, accounted for 30.1% of external debt.

Rating Outlook and Sensitivity

Our Rating outlook on the long-term sovereign rating is stable, as we assume that the risk situation underlying the key factors affecting sovereign credit risk – including macroeconomic performance, institutional structure, fiscal sustainability, and foreign exposure – is likely to remain fundamentally unchanged over the next twelve months.

We could lower the rating if medium-term GDP growth falls significantly short of our current expectations. The high degree of trade openness leaves the economy susceptible to a slowdown of growth in the US and the EU. Given the economy's strong trade and financial linkages with the UK, a "hard Brexit" remains the main downside risk to our growth projections. In our view, an unorderly exit of the UK from the EU would likely have serious adverse effects on exports and investment and in turn on GDP growth. In the same vein, changes in global tax standards or rising protectionism could endanger the country's attractiveness for FDI and also have negative repercussions on the state's revenue base. That said, a downgrade could occur if we observe significant fiscal slippages or a renewed increase in public debt levels.

Conversely, we could raise the Irish Republic's sovereign rating to "AA-" if medium-term growth significantly outperforms our expectations, or if public finances improve on a sustainable basis, thus resulting in a steeper-than-anticipated downward trend of general government debt. Moreover, we could upgrade our rating if the still high NPL-ratio continues to fall towards EU-28 levels or if deleveraging in the private sector proceeds faster than anticipated.

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Ratings*

Long-term sovereign rating	A+ /stable
Foreign currency senior unsecured long-term debt	A+ /stable
Local currency senior unsecured long-term debt	A+ /stable

*) Unsolicited

Economic Data

	2013	2014	2015	2016	2017	2018e	2019e
Real GDP growth	1.3	8.8	25.1	5.0	7.2	6.5	4.5
GDP per capita (PPP, USD)	47,034	51,705	64,683	67,779	73,215	77,670	81,686
HICP inflation rate, y-o-y change	0.5	0.3	0.0	-0.2	0.3	0.9	1.1
Default history (years since default)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Life expectancy at birth (years)	81.0	81.4	81.5	81.8	n.a.	n.a.	n.a.
Fiscal balance/GDP	-6.1	-3.6	-1.9	-0.5	-0.2	-0.1	0.0
Current account balance/GDP	1.5	1.1	4.4	-4.2	8.5	n.a.	n.a.
External debt/GDP	924.1	949.1	866.9	817.6	724.9	n.a.	n.a.

Source: International Monetary Fund, Eurostat, own estimates

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	25.11.2016	A /stable
Monitoring	24.11.2017	A /positive
Monitoring	26.10.2018	A+ /stable

Regulatory Requirements

In 2011 Creditreform Rating AG (CRAG) was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

This sovereign rating is an unsolicited credit rating. Neither the rated sovereign nor a related third party participated in the credit rating process. Creditreform Rating AG had no access to the accounts, representatives or other relevant internal documents for the rated entity or a related third party. Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The rating was conducted on the basis of CRAG´s "Sovereign Ratings" methodology in conjunction with its basic document "Rating Criteria and Definitions". CRAG ensures that methodologies, models and key rating assumptions for determining sovereign credit ratings are properly maintained, up-to-date, and subject to a comprehensive review on a periodic basis. A complete description of CRAG´s rating methodologies and basic document "Rating Criteria and Definitions" is published on the following internet page: www.creditreform-rating.de/en/regulatory-requirements/.

To prepare this credit rating, CRAG has used following substantially material sources: International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Eurostat, European Commission, European Banking Authority, European Central Bank, World Economic Forum, Central Bank of Ireland, Central Statistics Office (CSO), Republic of Ireland - Department of Finance, National Treasury Management Agency.

A Rating Committee was called consisting of highly qualified analysts of CRAG. The quality and extent of information available on the rated entity was considered satisfactory. The analysts and committee members declared that the rules of the Code of Conduct were complied with. No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant quantitative and qualitative risk factors, the Rating Committee arrived at a unanimous rating decision. The weighting of all risk factors is described in CRAG´s "Sovereign Ratings" methodology. The main arguments that were raised in the discussion are summarized in the "Reasons for the Rating Decision".

As regards the rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the credit rating report. There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRAG website. In case of providing ancillary services to the rated entity, CRAG will disclose all ancillary services in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report; the first release is indicated as "initial rating"; other updates are indicated as an "update", "upgrade or downgrade", "not rated", "affirmed", "selective default" or "default".

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available on the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of each rating category and the definition of default are available in the credit rating methodologies disclosed on the website.

Disclaimer

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