Creditreform Sovereign Rating

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Rating Object	Rating Information	
REPUBLIC OF AUSTRIA	Assigned Ratings/Outlook: **AA+ /stable**	Type: Follow-up Rating, 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:	29-07-2016 27-04-2018 “Sovereign Ratings”

Rating Action

Neuss, 27 April 2018

Creditreform Rating has affirmed the unsolicited long-term sovereign rating of “AA+” for the Republic of Austria. Creditreform Rating has also affirmed Austria’s unsolicited ratings for foreign and local currency senior unsecured long-term debt of “AA+”. The outlook is stable.

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Key Rating Drivers

1. Austria exhibits a very strong institutional framework; political risks have subsided after a snap election was held last October, with the new coalition proposing a reform-oriented program at the turn of the year
2. Wealthy and well-diversified economy; buoyant growth underpinned by vivid investment and export growth; favorable outlook for 2018-19, with its labor market representing a cornerstone of economic growth
3. Public finances continued to improve on the back of strong growth, declining interest expenditure and income resulting from the wind-down of bad banks; while debt levels remain elevated and fiscal sustainability challenges related to demographics and sizable public guarantees persist, debt remains affordable
4. Sustained current account surplus warrants that Austria retains its net external creditor position, providing some buffers against external shocks

Reasons for the Rating Decision

We affirm the Republic of Austria’s very high creditworthiness, which implies a very low risk of not meeting its financial obligations fully and on time. Our sovereign assessment continues to reflect a favorable macroeconomic performance profile which balances the somewhat subdued economic growth shown up to 2016 against the very prosperous economy, and the high degree of economic resilience and flexibility which we regard as key credit strengths.

Austria remains among the most prosperous economies in Europe. According to latest IMF estimates, per capita income amounted to USD 49,869 (PPP terms) in 2017, the fifth highest in the euro area and 21% above the EU-28 average. Austria stood well above AA-rated peers such as Belgium (USD 46,553) or Finland (USD 44,333), and only slightly

behind AAA-peers Germany (USD 50,425) and Denmark (USD 49,883). However, GDP p.c. has been growing somewhat slower than in higher-rated sovereigns, with Austrian per capita GDP increasing by 9.7% in 2012-17 as compared to a gain of 13.5, 13.9 and 15.4% in Denmark, Germany and the Netherlands respectively.

To be sure, population has increased significantly on the back of a brisk influx of migrants. Thus, the number of foreign citizens residing in Austria leapt by 25.6% between 2014 and 2017 – in particular due to refugees and labor migrants, predominantly from Eastern Europe. Notwithstanding, GDP p.c. was mainly dented by weak economic growth as real GDP averaged at a mere 0.8% per year in 2012-16. Last year, the spell of weak economic growth came to an end, with real GDP growth almost doubling from 1.5% in 2016 to 2.9%, the fastest growth since 2011. Total output was largely driven by domestic demand. While private household spending remained robust, up by 1.4%, investment gained further traction, growing by 4.8% on the year (2016: +3.7%) and contributing 1.1 p.p. to economic growth in 2017. Moreover, export growth surged from 1.9 to 5.7% in 2016-17, benefiting from intensifying international trade and the benign economic development in euro area members, as Austria is well positioned in Europe’s supply chains. Export growth was broad-based. External demand was particularly strong in countries from Central, Eastern and South-Eastern Europe (CESEE), but also in France (+32.3%), the Netherlands (+11.8%), Russia (+16.1%) and China (+11.6%). Exports to Germany, which is the single-most important trading partner (2017: 30.1% of total exports), rose by 6.8%. Hence, net exports supported economic growth, adding 0.4 p.p. to last year’s growth, after detracting 0.6 p.p. in 2016.

Concerning economic prospects, we expect that real GDP growth is set to remain broadly stable at 2.8% in 2018 and softening to a still solid 2.0% next year. Our expectations are mainly conditioned by strong export growth momentum which should carry over into the first half of 2018 before easing gradually thereafter, mainly due to decelerating economic activity in Austria’s main trading partners. Leading indicators such as the OeNB (Österreichische Nationalbank) export indicator do not signal an imminent slowdown in external demand. At the same time, we expect investment activity to expand vividly in 2018-19, albeit prospectively not being as supportive to economic growth as witnessed in 2017. Confidence indicators for the industrial and construction sectors, though having eased somewhat as compared to Q4-17, bode well for investment. Investment growth should benefit from brisk external demand and favorable financing conditions. We assume that the accommodative monetary policy will continue to support investment, mainly due to our belief that the ECB will hike interest rates in the second half, but not before the second quarter of 2019. Although the investment cycle appears to be entering a more mature phase, we believe that investment will ease only gradually going forward, as industrial capacity utilization was exceptionally high in the recent quarters. In Q1-18 capacity utilization stood at 88.8%, the highest level since Q4-2000 and well above the long-term average (2000-17) of 85.1%. Private consumption is likely to evolve robustly and bolster growth, fostered by high immigration coupled with the dynamic labor market development and rising wages. Besides a declining savings ratio, which fell from 13.4 to 12.0% in 2016-17, optimistic consumer sentiment, reaching its highest level since 2007, also points

to robust household spending. More recently, tighter labor market conditions (see below) have started to feed through to higher wages, thus outweighing inflation which drags down real wages. As measured by the 'Tariflohnindex' (index on collectively agreed wages, Statistik Austria), wages increased by 2.4% y-o-y in Mar-18, after standing 1.5% above the previous year's level in 2017 on the whole. We expect that HICP inflation, which increased from 1.0 to 2.2% in 2016-17, should remain broadly stable in 2018/19. Moreover, disposable household income should be buoyed by the proposed tax relief and lower social contributions.

As noted above, the Austrian economy benefits from its well-performing labor market. Buttressed by the pick-up in economic activity, employment gains brought down the harmonized annual unemployment rate from 6.0% in 2016 to 5.5% in 2017 (Eurostat data), the fourth lowest jobless rate in the euro area. Last year, total employment (domestic concept) rose by 1.7%, up from an increase of 1.2% a year before and significantly higher than the annual average of +0.9% in 2010-16. We note that employers have harnessed the labor market potential of elderly, female, and foreign workers from outside the EU-28. According to detailed LFS data, the employment ratio edged up by 3.9, 1.1 and 4.3 p.p. between Q4-15 and Q4-17 on that count. Still, in terms of unused resources, Austria has some room to improve as compared to economies such as Germany, the Netherlands, or Denmark. It has to be highlighted that Austria performs very well as regards the EU's Social Scoreboard as it scores better than average in most of the monitored indicators. Looking forward, we do not currently see any signs of a reversal on the labor market. To the contrary, the extraordinarily high number of vacancies and the vacancy ratio signal a further tightening in the labor market, the latter increasing to a quarterly average of 2.4% as compared to 1.9% in 2016 (Statistik Austria). In February, monthly average unemployment dropped to 5.2% of total employment, down from 5.8% in Feb-17.

The well-diversified economy and low levels of private sector debt corroborate our view that the Austrian economy is characterized by a high degree of economic resilience and flexibility. Austria's economy displays high value-added industrial and construction sectors which stand for 21.8 and 7.6% of total value added (Q4-17) – well above the euro area average of 18.6 and 5.4% respectively. In addition, wholesale and retail trade, transport, accommodation and food service activities comprise 22.6% of total GVA (EA-19: 18.6%), with the strong tourism sector making up for more than 5%.

Meanwhile, the risk-bearing capacity of the private sector is comparatively high. According to latest Eurostat non-consolidated financial accounts data, Austrian private households are among the least indebted in the euro area, with private debt broadly flat on the year, equating to only 51.0% of GDP in Q3-17 (EA-19: 64.4% of GDP), down from 51.6% Q3-16. As regards non-financial corporations (NFC), Q3-17 saw a slight increase in private debt, but at 108.8% of GDP (Q3-16: 107.9% of GDP) NFC debt stands well below the euro area average of 135.8% of GDP.

The very favorable institutional set-up remains supportive to our assessment of sovereign creditworthiness as reflected in the latest edition of the World Governance Indicators (WGI) compiled by World Bank. Austria outperforms the euro area average along all WGI dimensions and European AA-peers on most of the WGIs we assess. The sovereign

continues to be characterized by low levels of perceived corruption (rank 19 out of 209 economies) and a very reliable legal system (rank 10). Austria also ranks high in terms of freedom of expression (rank 15) and the quality of public services (rank 18). That being said, the gap towards Luxembourg, the Netherlands, or Denmark, AAA-rated sovereigns which define international best practices, still appears significant.

The sovereigns' effectiveness in policy formulation and implementation is further buttressed by government authorities who facilitate a sound and prudent fiscal and supervisory framework. While the 'Fiskalrat' (National Fiscal Advisory Council) monitors the conduct and target achievement of Austrian fiscal policy, the 'Finanzmarktaufsicht' (Financial Market Authority, FMA) is responsible for the supervision of all segments of the financial system. Monetary policy is conducted by the highly credible and accountable ECB. Although Austria's inflation rate posts somewhat above the euro area average (Feb-18: 0.8 p.p., moving 12-m average rate of change), trend inflation is closely aligned with the ECB's target and consumer price inflation tends to be less volatile than in other European economies. We also observe no sizeable interest rate differentials with the EA-19 average. In general, we believe that the Austrian economy continues to benefit from euro area membership, which entails broader and deeper capital markets as well as advantages associated with the euro as a reserve currency.

Compared to our last assessment, we think that political risks have waned after the early parliamentary election which was held in October 2017 due to the collapse of the governing coalition between the ÖVP and the SPÖ last May. Former foreign affairs minister Kurz has become Chancellor, as his center-right ÖVP won the majority of the votes (31.5%) and formed a coalition with far-right FPÖ, with 26.0% closely following runner-up SPÖ (26.9%). We believe that the current political constellation offers a window of opportunity as the last grand coalition did not implement wide-ranging reforms and failed to show a determined effort in addressing essential reform steps to overcome structural impediments to economic development. What is more, programmatic overlaps between FPÖ and ÖVP, in particular as regards economic and fiscal policies, appear to be given, and FPÖ has somewhat moderated its EU-skeptical tone. We note that the new government has affirmed that it holds Austria as an integral part of the EU and the euro area, and that the sovereign will remain an active and reliable partner in shaping the future development of the EU.

It has to be highlighted that the governing coalition has released a government program and budget 2018/2019 which contain encompassing and arguably ambitious fiscal and structural reforms. On the one hand, the newly formed government has envisaged addressing the long-standing challenge of fragmented fiscal competences and the highly complex fiscal framework. The authorities intend to simplify decision-making structures and increase transparency, committing themselves to a comprehensive administrative reform. Spending and financing responsibilities are to be reorganized across different levels of government. Moreover, overlapping competences are to be avoided, and the distribution of powers, as well as the current legislation, streamlined. To this end, the government plans to employ several initiatives such as spending reviews, greater use of one-stop shops, a more task-oriented financial equalization, and a reduction of transfers.

Furthermore, the government announced that it planned to implement measures to increase the attractiveness and business-friendliness of Austria. From this year on, start-ups and digital front-runners shall be exposed to lower VAT rates, a flat withholding tax of 10% is to be levied for property made available for infrastructure projects, and the Austrian Federal Fiscal Code is to be clarified by initiatives such as the so-called 'advance ruling' and 'horizontal monitoring'. In the medium term, the government plans a comprehensive reform of the tax structure in 2020, making fundamental changes to the legal structure, targeted towards lowering corporate taxation, as well as simplifying the tax law and enabling greater legal certainty.

While the 2016 tax reform provided for some relief, the tax wedge for Austrian single earners remains among the highest in Europe (2016: 47.1%, OECD data). Therefore, the government has committed itself to lower the tax ratio towards 40% of GDP. In its government program, the sovereign projects that the ratio will fall from 41.9% in 2017 to 40.9% in 2022. To achieve the proposed path, initial measures have been adopted. Beginning in July 2018, unemployment insurance contributions for low-income earners will be reduced. Further relief will be provided to families and single parents from 2019 onwards, the so-called 'family bonus plus'. In addition, VAT on accommodation will be cut from 13 to 10% as of 01-11-18. More generally, authorities have envisaged a wide-ranging re-codification of the income tax law, providing extensive relief to income earners. Further growth-friendly measures which have already been implemented include e.g. a higher research bonus, larger R&D funds for universities, and the 50% cut of the air travel levy.

We view the prospect for growth-friendly and structural fiscal reforms as credit positive, acknowledging that these measures point in the right direction and have the potential to raise efficiency gains and the quality of government spending, as well as Austria's growth and competitiveness. However, in some respects, the government program appears to be rather vague at this point in time and it has to be noted that structural reforms regarding the reorganization of public administration and spending powers involve several interest groups, which may significantly hamper the reform process going forward. To be sure, Austria exhibits a stable ranking in the World Economic Forum's Global Competitiveness Index, currently standing at 18 out of 137 economies (2016-17: 19/138). Still, the most problematic factors for doing business are inefficient government bureaucracy, tax rates and tax regulations. By the same token, the World Bank ranks Austria at 22 out of 190 economies, down from rank 19 a year before, with starting a business (rank 118), dealing with construction permits (rank 42) and paying taxes (rank 39) being identified as its main weaknesses.

Austria's assessment continues to be weighed down by its fiscal performance, albeit less so than in our last review. Public finances improved notably in 2017. Owing to last year's strong economic growth and favorable labor market development, general government revenue leapt by 3.1% to EUR 178.6bn in 2016-17. While revenues from taxes on income and wealth rose by 4.7%, VAT earnings increased by 3.7%. Net social contributions also evolved dynamically, with receipts posting an increase of 3.7%. By contrast, expenditure growth increased modestly by 1.3% in nominal terms, being curbed by substantially lower

interest payments which fell by 8.9%. Accordingly, the headline deficit narrowed from 1.6% of GDP in 2016 to 0.7% of GDP in 2017.

Hence, the sovereign's general government debt has entered a firm downward path, though still remaining elevated. After having peaked at 84.3% of GDP in 2015, government debt inched down to 83.6% in 2016 before decreasing to 78.4% of GDP last year. Besides the pick-up in economic growth, this significant decline was largely driven by the sale of the bad bank's impaired assets, as earnings equating to EUR 4.4bn were transferred to the general government, being used for debt reduction. What is more, the debt-increasing effect of pre-financing the wind-down of HETA in 2016 was only transitory (EUR 3.6bn or 1% of GDP). Additionally, the liquidation of KA Finanz and Immigon assets also contributed to lower debt-to-GDP.

At the same time, elevated government debt is balanced by the sovereign's affordable debt and favorable debt profile. By the latest count, interest expenditure accounted for 3.8% of general government revenue in 2017, edging down from 4.3% seen in 2016. To be sure, interest-to-expenditure thus stood well above the levels seen in AAA-rated peers Germany (2.3%), the Netherlands (2.2%) or Denmark (2.0%). Moreover, authorities are taking advantage of the low interest rate environment. According to OeBFA data, the effective interest rate on the Austrian federal debt portfolio fell to an average of 2.47%, down from 2.69% a year before, and the average maturity climbed from 8.8 to 10.0y in 2016-17. Meanwhile, 10y government bond yields continue to stand at historically low levels. At the beginning of the second quarter (06-Apr-18), bond yields stood at a low 0.73%, with a stable Bund spread of approx. 23bp (07-Apr-17: 19bp). What is more, Austria continues to feature a stable and diversified investor base, and a debt portfolio largely consisting of fixed rate debt (>95%).

Looking forward, we assume that government debt will remain on its downward trajectory, with an elevated probability that debt-to-GDP will fall below 70% by 2020, supported by solid nominal GDP growth, earnings from the liquidation of bad banks that is progressing faster than expected, and low interest expenditure. We expect interest payments to decline further while robust economic activity is likely to result in further relief in terms of unemployment benefits and to ensure rising tax revenues.

We expect the headline balance to improve to -0.5% of GDP in 2018 and move close to a balanced budget next year. On the revenue side, the above-mentioned measures, i.e. family bonus plus and reduction of unemployment contributions, should detract from tax earnings together with the tax relief measures already adopted in the last legislative term. The fiscal impact associated with the inflow of refugees and the threat of terrorism is forecast to diminish, declining from 0.4% of GDP in 2017 to 0.3% this year. On a side note: the number of asylum applications continued to subside in 2017, with 43% fewer applications than in 2016 and a further decrease in the year up to Mar-18 (-39% y-o-y, Federal Ministry of the Interior). Concurrently, the government plans to generate savings in the amount of EUR 2.5bn, which we regard as ambitious. According to the budget 2018/19, authorities intend to cut administrative expenses by up to EUR 1bn without having provided for a detailed overview yet. In addition, the recently enacted 'Beschäftigungsbonus' and 'Beschäftigungsaktion 20.000' (employment bonus, action 20.000) will be discontin-

ued. Another EUR 140m shall be saved at state-owned entities, and subsidies are to be reduced by EUR 190m. While the authorities appear to be somewhat vague on cost savings, they reinforced their commitment to honor all national and international obligations associated with the EU, in particular concerning the rules of the Stability and Growth Pact, which we view as positive in terms of policy continuity and predictability. This commitment is underscored by the government's stated goal for 2019 to realize its first surplus since 1954 and to sustain this surplus for at least five years.

In the medium to long term, demographics are likely to put pressure on the sovereign's fiscal sustainability and contingent liability risks continue to loom. Regarding the latter, public guarantees are estimated to have declined from 20.5% of GDP in 2016 to 17.4% last year, and are projected to fall to a still sizable 16.3% of GDP in 2018. Against this backdrop, we also assess the callable capital committed to the ESM (another 5.3% of 2017 GDP) as a contingent liability. At the current junction, there appear to be no imminent signs of a renewed upheaval in the banking sector, which might imply an adverse impact on public finances, as banking sector soundness continued to improve. As measured by EBA data, the CET 1 ratio remained virtually unchanged on the year, amounting to 13.9% (Q4-17, Q4-16: 13.8%), somewhat below the EU average of 14.8%. The Austrian banks' return on assets rose from 0.5 to 0.8% (EU avg. 0.4%), and non-performing loans fell by 1.4 p.p. to 3.7% of total loans. Foreign currency loans remain a concern, although financial stability risks have receded steadily over the last years. According to OeNB data, the share of foreign currency loans to households totaled at a still high 10.7% of the total loan stock to private households in 2017, after posting at 14.4% in 2016 and 23.9% five years ago. Despite a gradually declining market share, the Austrian banks' exposure to CESEE economies remains high, with higher market shares (>20%) of Austrian subsidiaries in rather mature markets such as Slovakia, Croatia and the Czech Republic. The asset quality of CESEE subsidiaries has continued to improve, with the NPL ratio dropping to 7.5% in Q2-17 (OeNB data, Q2-16: 8.6%). Meanwhile, house prices evolve dynamically, although the annual increase moderated in 2017, totaling at 5.3% (2016: 8.5%). However, real property prices now stand 24.9% above their long-term average (Q4-17), up from 22.2% a year before – the respective OeNB fundamentals indicator now deviates 8.5% from its long-term average (Q4-16: 4.9%). We assess risks related to the residential property market as elevated but largely contained, mainly due to sizeable risk buffers in terms of low private household debt and the vigilant FMA, standing ready to act in case of unfolding macro-imbalances pertaining to the housing market.

The prospective rise in age-related expenditure, continues to pose risks to Austria's public finances. In particular, public expenditure on pensions and healthcare are expected to increase significantly from already elevated levels due to a rapidly ageing population. With an increase of 1.2 p.p. GDP between 2013 and 2030, Austria is on par with the EU median increase. Nevertheless, the sovereign then faces the fourth highest age-related expenditure in Europe. While awaiting the outcome of the new simulations of age-related costs (EU Ageing Report 2018), preliminary information points to even more pessimistic estimates, implying more severe fiscal sustainability risks going forward.

Turning to the external sector, Austria's susceptibility to external shocks has continued to subside, as its net international investment position (NIIP) has ticked up to 6.0% of GDP in 2017 (Eurostat data), a slight increase as compared to 2016 (5.7% of GDP) – placing the economy in the field of international net lenders, but well below the stratospheric levels seen in Germany (59.1% of GDP), Denmark (54.5% of GDP), and the Netherlands (69.6% of GDP). Austria's net lending position has been bolstered by the persistent surplus in its current account, which has averaged at 2.4% of GDP since 2002, when the current account turned positive, and is almost entirely driven by its large and stable trade in services surplus. Last year, its current account remained broadly stable at 1.9% of GDP, slightly down from 2.1% of GDP in 2016, with the trade in services balance equating to 2.8% of GDP. On the other hand, 76% of general government debt is in the hands of non-residents, one of the highest shares among European countries. To be sure, gross external debt declined from 165.1 to 151.2% of GDP in 2016-17.

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 in the next 12 months.

We could raise Austria's sovereign rating to AAA if the government remains committed to a thorough implementation of its proposed fiscal consolidation plans and if public finances were to improve on a sustained basis. Upward pressure could also arise if we observe that wide-ranging reforms are being implemented and authorities are adhering to their envisaged path of policy-making while addressing structural shortcomings to its economic development and fiscal framework.

Downward pressure on the rating could arise if general government debt falls short of our expectations, i.e. fiscal slippages result in a reversal of government debt's downward path, or if Austria's medium-term growth deteriorated significantly. Downward risks to the medium-term outlook are particularly related to the external sector as the Austrian economy is significantly exposed to external trade flows (trade-to-GDP 104.7%). We expect no major impact of the UK's Brexit due to rather modest trade and FDI ties with the UK (exports to the UK, direct investment in AT: 2.2% of GDP). To be sure, we do not expect any significant impact to materialize in 2018-19. On the other hand, Austria would be hit hard if trading partners experienced a sharp deceleration in economic activity or adopted an increasingly protectionist trade policy stance, which could dent investment and growth severely. What is more, resurfacing geopolitical tensions could trigger further refugee inflows, creating significant challenges to labor market absorption, social cohesion, and fiscal consolidation.

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Ratings*

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

*) Unsolicited

Economic Data

	2012	2013	2014	2015	2016	2017	2018e
Real GDP growth	0.7	0.0	0.8	1.1	1.5	2.9	2.8
GDP per capita (PPP, USD)	45,466	45,935	46,778	47,328	48,014	49,869	51,936
HICP inflation rate, y-o-y change	2.6	2.1	1.5	0.8	1.0	2.2	2.0
Default history (years since default)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Life expectancy at birth (years)	81.1	81.3	81.6	81.3	81.8	n.a.	n.a.
Fiscal balance/GDP	-2.2	-2.0	-2.7	-1.0	-1.6	-0.7	-0.5
Current account balance/GDP	1.5	1.9	2.5	1.9	2.1	1.9	n.a.
External debt/GDP	195.1	185.1	182.9	171.7	165.1	151.2	n.a.

Source: International Monetary Fund, Eurostat, own estimates

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	29.07.2016	AA+ /stable
Follow-up Rating	30.06.2017	AA+ /stable
Follow-up Rating	27.04.2018	AA+ /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, Österreichische Nationalbank, Statistik Austria, Republik Österreich – Bundesministerium für Finanzen, Republik Österreich – Bundesministerium für Inneres.

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.

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