

Rating Update:

Creditreform Rating revises Greece's outlook to "stable" as Covid-19 weighs heavily on economic and fiscal prospects; credit rating affirmed at "B+"

Rating Action

Neuss, 19 June 2020

Creditreform Rating has revised its outlook on the Hellenic Republic to "stable" from "positive" and affirmed the unsolicited long-term sovereign rating of "B+". Creditreform Rating has also affirmed Greece's unsolicited ratings for foreign and local currency senior unsecured long-term debt of "B+".

Reasons for the Outlook Revision

The outlook on the Hellenic Republic has been revised from positive to stable, reflecting

- (i) that Covid-19 and the government's response see Greece's economy heading for a sharp, though transitory recession, sending shock waves through its tourism industry; the return to sustainable solid economic growth is shrouded with uncertainty, as this is also dependent on a reinvigorated structural reform momentum, which has inevitably suffered in the wake of the corona crisis
- (ii) the prospective reversal in the sovereign's declining public debt ratio on the back of a crisis-related surge in public spending and fully operating automatic stabilizers; while there are considerable cash reserves, flexibility accorded to achieving fiscal targets in 2020 and the ECB's decision to include Greek bonds in its monetary operations mitigate concerns for the near term. Nevertheless, risks abound, making medium-to-long-term fiscal prospects all the more uncertain, also due to the possibility of insolvencies causing NPLs to rise again.

Extreme shock dealt by Covid-19 and the concomitant confinement measures will shake Greece's economy

The dramatic events witnessed over the last few months have led us to adjust our assessment of the sovereign's macroeconomic perspectives amidst the outbreak of the novel coronavirus. The confinement measures seized will, together with the repercussions of Covid-19 on the international economic environment, have a devastating impact on economic prospects this year, and have stirred an extraordinarily high degree of uncertainty regarding developments beyond 2020.

Authorities appear to have been quite successful in terms of limiting the spread of Covid-19 and preventing the collapse of its healthcare system, having taken initial action as early as the end of February. Measures had been gradually intensified, culminating in a lockdown of the Greek economy on 22 March. Mirroring the receding infection headcount, containment measures have been gradually lifted from the beginning of May, following the plan envisaged by PM Mitsotakis which foresaw an unwinding in three stages (commencing on 04, 11 and 18 May). Whilst hotels

have started to re-open since the end of May and restrictions on international travel have been eased from mid-June, full normalization shall be achieved by 01 July.

Taking into account the latest available information, we expect that Covid-19 will see the Greek economy slide into a harsh but short-lived recession, with real GDP contracting by 8.9%, followed by a more or less pronounced rebound to the tune of 4.5% in 2021. Our baseline scenario is subject to an extraordinarily high degree of uncertainty, reflecting the lack of timely data for the second quarter and the unclear path of the corona pandemic going forward. At this stage, we expect that the Covid-19 pandemic should gradually abate through the second half of this year, so that economic disturbances will be concentrated mainly in the second quarter.

The outbreak of Covid-19 already had a significant impact on Greece's economic performance in Q1. Real GDP fell by 0.9% compared with the first quarter of the previous year, with gross fixed capital formation nose-diving by 6.4% y-o-y and private consumption declining by 0.7%. Considering that the shutdown had only been initiated on 22 March, Q1 data provides a glimpse of how dramatic the decline in Q2 will likely be.

This is all the more so, as Greece's economy is dependent on industries that will be severely affected by Covid-19, above all the tourism industry. Its paramount importance is underscored by a contribution to GDP and employment of 21% and 26% respectively (direct and indirect, 2018 WTTC data). Total travel receipts amounted to approx. EUR 18.2bn in 2019, 13% above the previous year's level. In Q1-20, travel receipts were already in free fall, down by 17.1% to EUR 619m, thus plummeting by 71.0% in March alone. Whilst Q3 usually accounts for approx. 60% of total travel receipts, we would call into doubt that these receipts will be realized in full this year. Although it is assumed that normalization will be achieved from July, tourism should recover only gradually, as international travel is contingent on respective measures in other jurisdictions, and people may be reluctant to travel in absence of tested vaccines. In the event of a second Covid-19 wave, tourism would be depressed to an even larger extent. Of equal importance to Greece's exports, shipping should also be hit heavily, alongside plunging goods exports more generally, given disrupted supply chains. As a result, export growth should decline significantly.

Nevertheless, net external trade's growth contribution should only be moderately negative, as imports will also be seriously dented, mainly due to collapsing domestic demand. The beginning recovery of the Greek labor market and the so far disappointing household spending will be severely disrupted. Although somewhat mitigated by the government's crisis response (see below) and falling prices, unemployment is likely to jolt and incomes are about to fall, leading to a large contraction in consumption, meaning that household spending lost during the shutdown is unlikely to be recovered in full. Volatile investment growth will likely experience a further decline. Dragged down by extreme uncertainty as to the further development and somewhat tighter financing conditions, the majority of corporate investment plans should be delayed or even cancelled. Public consumption expenditure, by contrast, should continue to grow decisively, driven by governmental support measures, thereby contributing positively to this year's growth.

In order to mitigate the worst effects of the corona pandemic, the Greek government has thus taken numerous support measures geared towards aiding businesses, sectors, and employees hit by Covid-19, as well as providing liquidity support to the corporate sector. The government enacted a number of liquidity measures such as deferrals for tax and VAT obligations, social security contributions, and the provision of EUR 2bn in cash collaterals and interest subsidies.

Furthermore, wage earners and self-employed affected by the Covid-19 outbreak receive an EUR 800 allowance, and social security contributions of employees with suspended labor contracts are temporarily paid by the state. Additionally, measures targeted at strengthening the health care system have been taken, such as the provisions of comprehensive medical supplies and financial support, e.g. for payroll costs.

We believe that the government's support measures will cushion the worst Covid-19 effects and set the stage for a recovery next year. Arguably more important, however, is Greece's medium-term growth path and underlying potential growth. Against this background, reigniting the structural reform momentum, which has also inevitably suffered in the wake of the corona crisis, will be vital to putting the Greek economy back on a sustainable, solid growth path. While we acknowledge that policy-makers remain firmly committed to structural reforms, many important policy actions have experienced delays or had to be suspended amid the outbreak of Covid-19, as large parts of the public administration's capacities had to be diverted.

Indispensable discretionary Covid-19 measures further weaken Greek public finances, possibly rekindling concerns over medium-to-long-term debt sustainability

Prior to the corona crisis, we would have expected the sovereign to remain on track in terms of fiscal sustainability, achieving a headline surplus for the fifth consecutive year and meeting the stipulated primary fiscal balance targets of 3.5% of GDP (enhanced surveillance method). We are aware that the fiscal policy response to Covid-19 is imperative in view of the key priority to save lives and safeguard the viability of the health system, and may be deemed as largely appropriate, as we assess the measures as transitory and targeted to the need at hand.

Notwithstanding, Covid-19 will likely have dramatic effects on Greece's public finances. Besides fully-operating automatic stabilizers, the fiscal outturn will be dented by comprehensive governmental support measures (see above), which total roughly 11.5% of GDP (including budgetary neutral items). Among the key budgetary discretionary measures are the allowance for employees and self-employed affected by Covid-19 (approx. 1.2% of GDP), the payment of social security contributions (0.8% of GDP), and the payment of repayable advances (0.8% of GDP). Greek authorities have announced support for the most affected industries. Among others, PM Mitsotakis envisaged a support package for the tourism sector of approx. EUR 24bn and EUR 115m for the air transport sector. We took note that the Greek parliament passed a supplementary budget of around EUR 5bn at the beginning of April.

Thus, the recovery of the sovereign's public finances will very likely suffer a substantial setback this year. We tentatively forecast an elevated headline deficit of approx. 7.2% of GDP in 2020 before softening to more moderate levels next year, facilitated by the prospective economic recovery and as the discretionary Covid-19 measures cease to drag on the sovereign's fiscal performance. Accordingly, we expect that the primary surplus will shift into a deficit this year. Most recent state budget execution data for the first four months of the year buttress the unfavorable fiscal prospects for 2020. Total revenues from January to April fell significantly short of the 2020 estimates (communicated in the 2020 Budget introductory report), coming in 7.5% lower than the target, while expenditure was 6.2% higher than targeted.

As a corollary of the primary deficit and collapsing economic growth, general government debt will likely rise to even higher levels, soaring from 176.6% of GDP in 2019 to some 194% of GDP in 2020. The reversal in the sovereign's public debt ratio will further dent the sovereign's weak fiscal sustainability performance. Although we expect the public debt ratio to narrow again next

year and resume its downward trajectory beyond 2021, fiscal risks abound which may eventually lead to resurfacing questions on medium-to-long-term debt sustainability, especially if the Covid-19 pandemic turns out more protracted or if a second infection wave hits. While this year's economic contraction may see insolvencies rise, leading to increasing NPLs, tax revenues may come under pressure if authorities begin to take a tighter fiscal stance in the medium term, potentially curbing economic growth. In addition, public guarantees are likely to rise given extensive financial support to the corporate sector.

However, and informing our stable outlook for the Hellenic Republic, coordinated measures on behalf of the European institutions cater for the fiscal headroom needed to tackle the adverse impact of Covid-19 on the Greek economy and its healthcare system. Thus, not only did the European Commission activate the general escape clause from the SGP, the Eurogroup has suspended the primary surplus target of 3.5% of GDP, allowing for full fiscal flexibility in 2020. Moreover, fiscal risks are alleviated by the sizeable cash buffers, which equal approx. EUR 33.5bn up to end of May.

Above all, it has to be highlighted that the ECB decided to include Greek government bonds in its Pandemic Emergency Purchase Program (PEPP) with an initial envelope of EUR 750bn, which was eventually ramped up to EUR 1,350bn, and loosened collateral requirements, allowing for Greek securities to be included in its repurchase operations. Our concerns on debt sustainability in the short to medium term are thus allayed at this stage. Hence, the Hellenic Republic should retain its access to market financing at low funding costs, while debt servicing needs should remain low over the next years (see also below). The ECB announcement helped keeping bond yields compressed after these had spiked in March. Indeed, the Hellenic Republic was able to raise EUR 2bn in April from the issuance of a 7y bond with a coupon of 2%, and drew another EUR 3bn from the markets with a 10y bond issued in June (1.57%).

Reasons for the Rating Decision

The Greek macroeconomic performance profile continues to be rather weak, reflecting a subdued per capita income, as well as modest and rather volatile economic growth. Though being addressed by policy-makers, structural shortcomings persist, in particular with a view to labor market conditions, rather limited diversification, and dim medium-term growth prospects related to anemic labor productivity growth - which has been virtually flat over the last three years (2019: -0.1%) - and a rather unfavorable business environment. In this vein, Covid-19 represents a severe setback, somewhat diluting the reform success which had been observed amid its long-term economic recovery.

In 2019, the Greek economy was able to sustain its growth momentum, with real GDP increasing by 1.9%, after 1.9% and 1.5% in 2018 and 2017 respectively, and compared to 1.3% in the euro area as a whole. Last year's economic expansion was largely driven by domestic demand, while the growth contribution of net foreign trade fell markedly to 0.8 p.p. (2018: 1.5 p.p.) amid an increasingly challenging external environment. Export growth thus almost halved from 8.7% in 2018 to 4.8% in 2019 as goods exports slumped (2.2%, 2018: 8.4%), whereas services exports were more resilient (8.0% after 9.0%). Household spending disappointed again, growing by a lackluster 0.8%, but volatile gross fixed capital formation bounced back strongly, rising by 4.7% as compared to a decline of 12.2% in 2018, aided by brightening sentiment, lower funding costs, and lifted capital controls as of September 2019. Against this background, GDP per capita is

estimated to have risen to USD 30,252 (PPP terms, IMF 2019 data), although still relatively low from a European point of view.

Thanks to reform efforts and the continued economic recovery, labor market conditions also improved further, though remaining a credit weakness. While employment growth accelerated to 2.0% (2018: 1.7%), Greece's LSF-adjusted unemployment declined from 19.3% to a still very high 17.3% in 2018-19 (EA-19 average: 7.5%). Meanwhile, the labor participation rate inched up to a low 68.4% (2018: 68.2%, EA-19: 73.7%), and the EU Social Scoreboard continues to display several weak spots with regard to equal opportunities and access to the labor market, as well as social protection and inclusion.

We reiterate that diversification is relatively limited, with comparatively large parts of the economy's gross value added accounted for by a few industries which may not only be deemed as relatively price-sensitive, but which were also among the sectors most heavily hit by Covid-19; namely tourism, transport, as well as wholesale and retail trade. Furthermore, Greece's business environment remains cumbersome, mirrored by a mediocre rank 79 (out of 190 economies) in the latest Doing Business Report 2020 compiled by World Bank, although we acknowledge ongoing work along the lines of a multi-pronged approach aimed at enhancing the economy's competitiveness and cutting red tape – efforts which appear to be somewhat stifled by the outbreak of Covid-19. According to Eurostat data, the Greek share in global exports stagnated at 0.33% in 2019, as a decreasing goods share offset an increase in the global services export share.

Institutional conditions continue to pose another factor weighing on the sovereign's credit assessment. We note that the institutional framework has not significantly changed since our last review, with the World Bank's Worldwide Governance Indicators (WGIs) revealing considerable shortcomings on several fronts. While achieving average outcomes from a global perspective, the Hellenic Republic trails euro area and EU-27 averages along all WGI dimensions. Particularly striking are weaknesses pertaining to the rule of law and the control of corruption. What is more, on the WGI political stability Greece ranks at only 106th place out of 211 economies.

While the Hellenic Republic's track record in terms of reform ownership appears rather mixed, we believe that the sovereign has become increasingly predictable more recently, with authorities taking the necessary action concerning specific reform completion commitments and reform continuity, fostered by the more stringent enhanced surveillance process carried out by EU institutions. It has to be emphasized that policy-makers have acted swiftly and adequately in response to the novel coronavirus, and have shown a remarkable responsiveness to speed up initiatives on the digital front. We also observed progress as regards the adoption of the new reform of the social insurance system this February and the implementation of a new Insolvency Code, which shall be enacted by end of June.

On the other hand, the general government still faces stubbornly high arrears to the private sector. Total arrears have increased since the turn of the year, standing more than 10% above the previous year's level in March 2020. Likewise, total tax arrears rose by 1.4% y-o-y to EUR 105.8bn in Q1.

Looking through recent events related to Covid-19, weak fiscal sustainability remains a matter of concern, as Greece features outstandingly high levels of public debt, contingent liability risks emanating from the extremely poor asset quality in the banking sector, and risks related to the demographic development in the medium to long term. That said, we are aware of significant

improvements over recent years, reflected by a tremendous fiscal adjustment, fiscal policy advances, and a thorough compliance with its fiscal targets.

In 2019, general government expenditure stagnated in nominal terms, falling in GDP terms. It is noteworthy that interest outlays declined significantly by 9.4%, whereas the public wage bill increased modestly (+0.9%). At the same time, taxes on products (+1.7%) and net social contributions (+1.6%) boosted revenues by 1.0% in 2018-19 (47.9 to 47.7% of GDP). Accordingly, Greece's headline balance was in surplus again, equaling 1.5% of GDP (2018: 1.0% of GDP), so that the sovereign achieved its primary surplus target for the fifth consecutive year, with the primary balance coming in at 3.5% (enhanced surveillance definition). However, general government gross debt is persistently high, totaling 176.6% of GDP in 2019. Despite the decline of 4.6 p.p. as compared to 2018, Greece's public debt ratio is still the highest in Europe and one of the highest in the world.

Banking metrics have improved up to the end of 2019, but risks associated with the extraordinarily high stock of non-performing loans remain in place. The NPL share declined from 41.3% in Q4-18 to 35.2% in Q4-19 – still far below the EU average of 2.7%. This underscores the high level of vulnerability of the Greek banking sector, which tends to be aggravated in light of Covid-19, although we assume that the government's support measures, i.e. guarantees and direct grants, voluntary debt moratoria by banks, as well as the envisaged supervisory flexibility, should cushion the worst impact on banks' balance sheets.

More generally, we see fiscal risks as contained by the sizeable cash buffers, a sustained market access, and historically low financing costs which are bolstered by the ECB's decision to include Greek securities in its monetary operations (see above). Also, the characteristics of the Greek debt portfolio remain favorable, as the weighted average maturity of central government debt has constantly risen, posting at 20.3 years at the end of Q1-20, whilst the ratio of foreign and floating debt only accounts for 1.1% and 4.2% respectively. Additionally, it has to be emphasized that roughly 82% of total central government debt is held by official creditors with the bulk in the hands of EFSF (36%), ESM (17%), and the Greek Loan Facility (15%).

We uphold our view that risks stemming from the external sector are elevated, mainly reflected by Greece's very high and negative net international investment position (NIIP). Last year, lower other investment resulted in a further deterioration of the NIIP, which fell to -150.6% of GDP (2018: -143.6% of GDP), one of the lowest readings in Europe, and among the most negative worldwide. External debt leapt from 224.1 to 236.5% of GDP in 2018-19. To be sure, the Greek current account deficit halved from 2.8 to 1.4% of GDP in 2018-19, largely driven by a further improving services balance which was buoyed by tourism and transport (to 11.3% of GDP), and by the secondary income balance which turned into surplus (-0.2 to +0.3% of GDP) on the back of ANFA and SMP receipts. Looking forward, we expect the deficit to widen somewhat, as Covid-19 will lead to a massive fallout in tourism and transport, not fully compensated by the decline in imports and falling energy prices.

Rating Sensitivity

Our Rating outlook on the Hellenic Republic long-term sovereign ratings is stable, as we see risks related to its deteriorating economic and fiscal performance entailed by the corona crisis as broadly offset by the abovementioned factors mitigating fiscal risks in the short to medium term, and supported by our assumption of a deep, but short recession. That being said, it has

to be highlighted that the evolution of the corona pandemic is extremely uncertain. Hence, the assessment of the further economic development is extraordinarily uncertain and significantly more difficult than usual, as is the case for other metrics.

A negative rating action could be prompted by a sustained deterioration in public finances, i.e. if the debt-to-GDP ratio does not re-enter a downward trajectory beyond 2020, possibly due to significant increases in NPLs in the banking sector, implying renewed fiscal support, or if the sovereign loses its access to market financing. We could also consider a downgrade if the Covid-19 pandemic has a more pronounced adverse impact on Greece's medium-term growth, which could be the case if the current epidemiological situation drags on - or worse, if a second wave of infections hits - with devastating effects on the Greek economy and its tourism industry in particular. Likewise, its economy may not return to sustainably solid economic growth if the sovereign fails to reignite the reform momentum witnessed before the outbreak of Covid-19.

Conversely, we could reinstate the positive outlook or even raise the sovereign's credit rating if the real GDP contraction is not as pronounced as we currently expect, and if we see clear evidence that the country's economy has returned to a path of persistent, robust growth. The latter would, in our view, only be possible through a reinvigorated reform momentum, which was inevitably affected by the coronavirus. Furthermore, Greece's rating could be upgraded if we observe receding fiscal risks, with the public debt ratio swiftly reversing after surging in 2020, buttressed by a continued strong commitment to fiscal sustainability, and diminishing NPLs.

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Ratings*

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

*) Unsolicited

Economic Data

[in %, otherwise noted]	2014	2015	2016	2017	2018	2019	2020e
Real GDP growth	0.7	-0.4	-0.2	1.5	1.9	1.9	-8.9
GDP per capita (PPP, USD)	26,087	26,410	26,816	27,772	29,072	30,252	n.a.
HICP inflation rate, y-o-y change	-1.4	-1.1	0.0	1.1	0.8	0.5	-0.5
Default history (years since default)	2	3	4	5	6	7	8
Life expectancy at birth (years)	81.5	81.1	81.5	81.4	81.9	n.a.	n.a.
Fiscal balance/GDP	-3.6	-5.6	0.5	0.7	1.0	1.5	-7.2
Current account balance/GDP	-0.7	-0.8	-1.7	-1.9	-2.8	-1.4	n.a.
External debt/GDP	237.5	249.1	244.1	224.9	224.1	236.5	n.a.

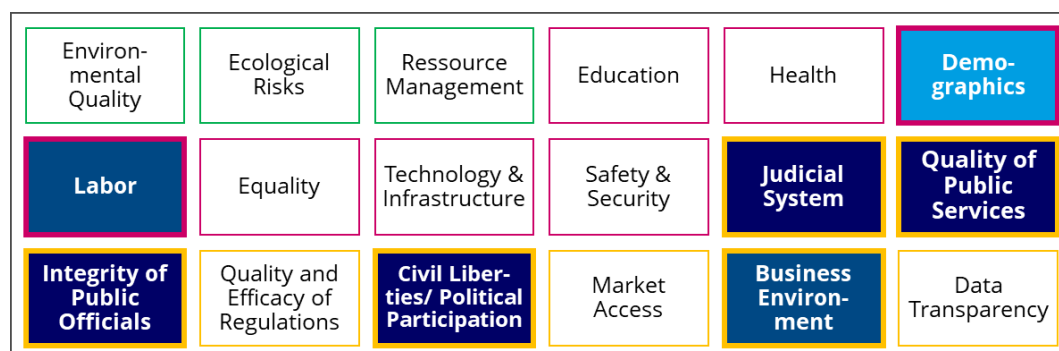
Source: International Monetary Fund, Eurostat, own estimates

ESG Factors

While there is no universal and commonly agreed typology or definition of environment, social, and governance (ESG) criteria, Creditreform Rating views ESG factors as an essential yardstick for assessing the sustainability of a state. Creditreform Rating thus takes account of ESG factors in its decision-making process before arriving at a sovereign credit rating. In what follows, we explain how and to which degree any of the key drivers behind the credit rating or the related outlook is associated with what we understand to be an ESG factor and outline why these ESG factors were material to the credit rating or rating outlook.

For further information on the conceptual approach pertaining to ESG factors in public finance and the relevance of ESG factors to sovereign credit ratings and Creditreform Rating credit ratings more generally, we refer to the basic documentation, which lays down [key principles of the impact of ESG factors on credit ratings](#).

ESG Factor Box



The governance dimension plays a pivotal role in forming our opinion on the creditworthiness of the sovereign. As the World Bank's Worldwide Governance Indicators Rule of Law, Government Effectiveness, Voice and Accountability, and Control of corruption have a material impact

on Creditreform Rating's assessment of the sovereign's institutional set-up, which we regard as a key rating driver, we consider the ESG factors 'Judicial System and Property Rights', 'Quality of Public Services and Policies', 'Civil Liberties and Political Participation', and 'Integrity of Public Officials' as highly significant to the credit rating.

Since indicators relating to the competitive stance of the sovereign such as the World Bank's Ease of Doing Business index and the World Economic Forum's Global Competitiveness Indicator add further input to our rating or adjustments thereof, we judge the ESG factor 'Business Environment' as significant.

The social dimension plays an important role in forming our opinion on the creditworthiness of the sovereign. Labor market metrics constitute crucial goalposts in Creditreform Rating's considerations on macroeconomic performance of the sovereign, and we regard the ESG factor 'Labor' as significant to the credit rating or adjustments thereof. Indicators or projections providing insight into likely demographic developments and related cost represent a social component affecting our rating or adjustments thereof. Hence, we regard the ESG factor 'Demographics' as less significant in our ESG framework

While Covid-19 may have significant adverse effects on several components in our ESG factor framework in the medium to long term, it has not been visible in the relevant metrics we consider in the context of ESG factors – though it has a significant bearing concerning economic prospects and public finances. To be sure, we will follow ESG dynamics closely in this regard.

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	23.12.2016	B- /stable
Monitoring	22.12.2017	B- /positive
Monitoring	21.12.2018	B+ /stable
Monitoring	20.12.2019	B+ /positive
Monitoring	19.06.2020	B+ /stable

Regulatory Requirements

In 2011 Creditreform Rating AG (CRA) 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.

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

The rating was conducted on the basis of CRAG's ["Sovereign Ratings" methodology](#) (v1.2, July 2016) in conjunction with its basic document ["Rating Criteria and Definitions"](#) (v1.3, January 2018). 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 our [website](#).

To prepare this credit rating, CRAG used the 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, Bank of Greece, Ministry of Finance, Public Debt Management Agency, ELSTAT.

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 with 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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