Creditreform Sovereign Rating

Creditreform Rating
www.creditreform-rating.de

Rating Object	Rating Information	
KINGDOM OF BELGIUM	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:	30-09-2016 29-06-2018 "Sovereign Ratings"

Rating Action

Neuss, 29 June 2018

Creditreform Rating has affirmed the unsolicited long-term sovereign rating of "AA" for the Kingdom of Belgium. Creditreform Rating has also affirmed Belgium's unsolicited ratings for foreign and local currency senior unsecured long-term debt of "AA". The outlook is stable.

Contents

Rating Action 1
Key Rating Drivers 1
Reasons for the Rating Decision .. 1
Rating Outlook and Sensitivity...... 8
Economic Data 8
Appendix 9

Key Rating Drivers

1. Output expansion gathered pace and positive growth momentum should carry over into 2018, but medium-term growth prospects remain modest due to subdued productivity developments; private sector debt remains high
2. Sovereign continues to be characterized by very high quality of its institutional framework and benefits from EU and euro area membership given its high degree of trade openness
3. Budget deficit narrowed significantly in 2017; fiscal consolidation should slow down as implementation of tax shift measures and corporate tax reform should weigh on revenues
4. Vulnerability associated with very high government debt somewhat tempered by prudent debt management operations; medium-term risks related to debt consolidation arising from age-related costs and challenges in the implementation of the national fiscal framework
5. Limited external risks in light of a broadly balanced current account and a net external asset position which is among the highest in the EU-28

Reasons for the Rating Decision

Our assessment of Belgium's macroeconomic performance incorporates high levels of wealth and productivity, as well as stable economic growth underpinned by a recovering labor market. These strengths are set against modest growth prospects and elevated private sector debt. To begin with, Belgium has a prosperous economy with GDP per capita estimated to post at USD 46,553 in 2017 (in PPP terms, IMF data), the sixth-highest per capita income in the euro area. The wealth level of the Belgian population also compares well to similarly rated peers. Among our AA-rated sovereigns, only Austria

(USD 49,869) exhibited a higher GDP per capita last year. High levels of wealth are a result of a very productive workforce. Standing 29.4% above EU-28 levels, nominal labor productivity per person was only higher in Luxembourg (+63.2%) and Ireland (+90.2%) in 2016.

The Belgian economy has gathered some steam recently, as real GDP growth edged up from 1.4 to 1.7% in 2017 – the highest growth rate since 2011 (+1.8%). Nevertheless, Belgium's growth momentum continued to remain weaker than in the euro area (+2.4%) for the third consecutive year. Private consumption remained the key growth driver, contributing 0.7 p.p. to the increase in total output, although household spending decelerated from 1.7 (2016) to 1.3% last year, reflecting muted wage growth and inflationary pressures. Inflation picked up from 1.8 to 2.2% last year mainly owing to higher energy prices. In contrast to 2014-16, when households partially financed consumption by a drawdown on savings, private consumption expanded roughly in line with real disposable household income (+1.1%) last year. Meanwhile, gross fixed capital formation was broadly flat, expanding by a mere 0.7% y-o-y (2016: 3.8%), stemming from the slump in machinery and equipment investment – firms spending on these items contracted by 1.5%, mainly due to base effects. According to NBB, some large purchases of investment goods abroad resulted in exceptional growth of 13.2% in 2016. Contrarily, construction spending held up relatively well, posting an annual increase of 2.3% (2016: 2.6%).

That being said, the acceleration in last year's growth came mainly on the back of stronger net exports. After having detracted 0.6 p.p. from GDP growth in 2016, the growth contribution from trade turned positive last year (+0.5 p.p.). Subdued investment activity had a dampening effect on import growth, which almost halved, falling from 8.4 to 4.4% in 2016-17, while exports of goods and services grew by 4.9% on the year (2016: 7.5%). Exports of goods to the euro area stood out in particular, increasing by 9.1% in nominal terms (2016: 5.0%), benefiting from the ongoing economic upturn in the EA-19. Demand from two of the economy's major export markets, the Netherlands and Germany, grew even stronger. As highlighted by the NBB, growth in exports and imports normalized after the reorganization of activities of a multinational pharmaceutical company in favor of its Belgium-based subsidiaries which had lifted trade statistics in 2016.

Looking ahead, we anticipate that investment will grow more vigorously. Business investment should be supported by favorable financing conditions, lower CIT rates, and increasing capacity pressures in the manufacturing sector. Capacity utilization trended upwards throughout 2017 and posted at 81.2% in Q2-18, which is above the long-term average (avg. 1985-2017: 79.6%). Higher capital expenditure of businesses should be accompanied by accelerating public investment. Besides higher spending on defense, we expect the government to push ahead with the implementation of its Strategic Investment Plan (see below) before the regional and federal elections in Oct-18 and May-19. Likewise, we anticipate consumption to firm as real disposable income growth is set to step up a gear. Consumers' purchasing power should be buoyed by the implementation of the second stage of the tax shift which entered into effect in Jan-18, as well as by rising gross wages under collective bargaining agreement No. 119 and gradually subsiding price pressures. With both consumption and investment moving on a higher growth trajectory, we expect GDP growth to be mainly driven by domestic demand this year. In contrast to 2017, the impact of net trade on real GDP growth should be broadly neutral, mirroring accelerating domestic demand. On the whole, we expect the Belgian economy to sustain last year's growth momentum and expand by 1.6%. Looking into 2019, we expect a similar growth pattern, assuming a real GDP growth of 1.5%.

Although the Belgian economy is set to experience solid growth in the near term, medium-term growth prospects seem less favorable. We note that the economy has made some progress with regard to the restoration of cost competitiveness in the past. While real unit labor costs (ULC) in the euro area have decreased by 1.7% since 2013, Belgian ULC dropped by 4.3%. The adjustment in Belgium's ULC was mainly driven by contracting real compensation, which fell by 2.5% over the same period (EA-19: +1.2%). However, it remains to be seen whether recent gains in cost competitiveness can be sustained in light of rebounding wage growth. In addition, the economy is still facing challenges when it comes to non-cost competitiveness. In the World Economic Forum's most recent Global Competitiveness Report, Belgium slipped from rank 17 to 20. Hence, we observed no material improvements in Belgium's performance over the last decade (2008: rank 19).

At the same time, weak public investment complemented by anemic TFP and labor productivity dynamics continue to weigh on the economy's growth potential. As highlighted by EU Commission data, the investment-to-GDP ratio of the public sector has been consistently lower than in the euro area since 2000. In 2017, spending on public investment came in at 2.2% of GDP as compared to 2.6% of GDP in the euro area. We note that the government is aware of the importance of stronger investment activity to boost productivity. Belgian authorities envisage stimulating productivity growth by the gradual implementation of the National Plan for Strategic Investments. Central and regional governments are currently in the process of identifying investment priorities. The federal government's key investment projects include the completion of the regional express network around Brussels and the development of an experimental nuclear reactor. In the Flemish Region, the government allocated an extra EUR 610m per year until the end of the legislature (2018-19) for mobility, education, healthcare, and R&D. Moreover, Flanders announced it would invest EUR 1.5bn in infrastructure this year, with most of the funds to be directed towards road networks (EUR 652m) and waterways (EUR 280m). With regard to TFP and labor productivity trends, Belgium continued to lag behind the euro area in 2017. While real labor productivity per person employed increased by 0.3%, TFP growth came in at 0.2% (EA-19: 0.7 and 1.1%). Competition and productivity appear to be somewhat hampered by heavy regulation and the fact that regulation differs across regions, thwarting the creation of a level playing field.

The ongoing implementation of labor market reforms since 2015 seems to be bearing fruit. The national unemployment rate decreased from 7.8 to 7.1% in 2017 – the lowest level since 2008 (7.0%), mirroring sustained employment growth. Job creation accelerated for the third consecutive year and came in at 1.4% (+65,300 persons). Nevertheless, regional disparities, a wide gender employment gap, and a low participation rate continue to present challenges to the labor market. Standing at 68.0% in 2017, the labor participation rate (15-64y) was not only lower than in the euro area (73.1%) as a whole, but also significantly lower than in neighboring countries such as France (71.5%), Germany (78.2%) and the Netherlands (79.7%). In particular, labor market participation of the young and elderly population, as well as of low-skilled individuals, is disproportionately low in Belgium. As of 2017, the participation rates in the age groups 55-64y and 15-24y stood at 51.3 and 28.1% respectively, well below the rates in the euro area (61.3 and 39.9%). Some of these issues were addressed by the adoption of the government's "Flexible and Workable Work Act" last year. The reform aims to modernize labor legislation, introducing more flexible working time arrangements and providing incentives to hire young workers on permanent contracts by the reintroduction of a trail period. In January 2018 the government decided to expand the use of 'flexi-jobs', which allow employees or retired persons to generate additional income on top of their regular salary or pension entitlements.

The very high quality of Belgium's institutional setting, together with the country's integration in the European Union and European Monetary Union, remains a key support to the sovereign's credit rating. Being a small, open economy with a trade-to-GDP ratio of 169.4% in 2017, Belgium is highly integrated into European value chains and a main beneficiary of the Single Market. At the end of last year, intra-EU exports made up for 68.3% (services) and 71.7% (goods) of total exports.

Assessing the World Bank's World Governance Indicators (WGIs), the country's performance is broadly aligned with its AA-rated peers. The sovereign achieves very high scores with regard to democratic participation and perception of corruption – ranking 10th and 17th out of 209 economies. This compares favorably with EA-19 median ranks of 29 and 41 respectively. When it comes to government effectiveness, Belgium slightly outperforms the euro area median. However, we have observed a relative deterioration in the recent past as Belgium slipped from rank 13 in 2011 to 29 in 2016. Higher government effectiveness may prove beneficial to enhance Belgium's business environment. According to the World Bank's 2018 Doing Business report, Belgium ranked 52nd out of 190 economies, receiving lower scores than its main trading partners Germany (20), France (31), and the Netherlands (32). Belgium's tax system remains a key weakness. Despite recent PIT and CIT cuts, which we believe were steps in the right direction, taxation is still high for both employees and businesses. Standing at 29% in 2018, Belgium's statutory CIT rate was one of the highest among OECD members, while the tax wedge for singles with average earnings at 53.7% (2017) was the highest.

While the country's macroeconomic performance and institutional framework are supportive to Belgium's creditworthiness, the sovereign's credit rating continues to be constrained by high general government debt levels and a track record of fiscal slippages. We do, however, acknowledge that significant headway was made with regard to fiscal consolidation last year. After budget consolidation came to a halt in 2016, reflecting revenue losses associated with the tax shift as well as additional security and refugee related expenses, the deficit on the general government level decreased notably last year. Net borrowing dropped from 2.5 to 1.0% of GDP, significantly outperforming the government's target of 1.6% outlined in the in the 2017 stability program. About half of last year's decline in the budget deficit can be attributed to cyclical developments and one-offs, buoying both the revenue and the expenditure side of the budget. Direct tax revenues, including PIT- and CIT-receipts, expanded by 13.2%, supported by higher-than-expected GDP growth. Moreover, corporate tax prepayments surprised on the upside. Drawing on data from the Ministry of Finance, advance payments edged up by EUR 3.1bn, explaining about one third of the total increase in tax revenues. Meanwhile, growth in net social security contributions resumed, aided by sustained employment growth.

As regards recent trends in spending, we consider the overall increase of 1.7% in 2017 to be moderate. Above all, lower debt service costs had a dampening effect on expenditures. Interest expenses fell by 11.1% y-o-y, contributing 0.4 p.p. to last year's reduction in the deficit. Taking into account the sharp decline in interest expenditures, primary spending may be a better indicator to assess the administration's fiscal effort. We note that the Belgian government remained committed to expenditure containment in 2017, as primary spending lagged nominal GDP growth for the fourth consecutive year. Excluding interest payments, government outlays rose by 2.4%, comparing favorably with nominal GDP growth of 3.4%.

With a view to 2018, we expect the budget deficit to widen to 1.2% of GDP. In particular, tax cuts applying to personal income, which entered into effect at the beginning of the year, should weigh on revenues. Under the second stage of the tax shift legislation, PIT-rates and brackets saw further modifications. In order to reduce labor costs and enhance the purchasing power of households, the 30% PIT-rate was completely eliminated and the minimum amount of taxable income subject to the 45% rate was lifted. In addition, the government implemented a comprehensive reform of the corporate tax code in 2018, including a CIT-rate cut from 33 to 29% (and to 25% in 2020) and measures to promote SMEs. Under the new corporate tax regime, SMEs benefit from a 20% rate on the first 100,000 euros of taxable income, as well as from higher investment deduction rates. Authorities envisage counter-financing the CIT reform by stepping up efforts to improve tax collection, a limitation of the notional interest deduction, and higher taxes on dividends and stock exchange transactions. Beyond 2018, we see some risk of a further widening deficit. Up to Apr-18, taxes paid in advance increased by a stellar 42.9% y-o-y, as the new tax legislation incentivized early payments. However, this shift in tax payments could eventually result in a lower tax outturn in 2019.

Last year's progress on budget consolidation translated into improving debt metrics. After public debt had been broadly stable at 106.1 and 105.9% of GDP in 2015/16, the Belgian debt-to-GDP ratio declined to 103.1% in 2017. Alongside the better-than-expected budgetary outcome, the sale of a 2.5% stake in BNP Paribas contributed 0.5 p.p. GDP to the decline in public debt. Nevertheless, debt levels still compare unfavorably with similarly rated peers. Among our AA-rated sovereigns, Belgium's debt-to-GDP ratio remains the highest, while the country's debt-to-revenue ratio of 201.5% in 2017 is only exceeded by the UK (221.4%). Thus, it has to be emphasized that sharply rising interest rates – not backed by stronger growth or higher inflation – could pose a risk to Belgium's medium-term fiscal sustainability. However, at the current junction, we believe that debt should remain on a downward trajectory over the coming years, gradually approaching the 100%-mark by 2020, and interest rate risks should be somewhat mitigated by prudent debt management operations. Last year, the Belgian debt agency bought back EUR 8.19bn of bonds with short maturities in order to smoothen the redemption profile. As a result, the weighted average maturity of government debt was extended from 8.65 (end of 2016) to 9.29 years at the end of 2017. Meanwhile, Belgium continues to demonstrate its ability to issue debt at very long tenors. Following the issuance of a 30-year bond with a coupon of 1.6% in Oct-17, Belgium issued a 15-year bond with a coupon of 1.25% in Feb-18. In our view, steady demand by the ECB's ongoing PSSP has helped to keep yields on long maturities at very low levels. In 2017 net purchases of Belgian government securities added up to EUR 23.6bn. As of May-18, the ECB held EUR 69.2bn of Belgian government securities under its PSPP.

An ageing population and difficulties related to an effective implementation of the current fiscal framework may put fiscal sustainability at risk. In 2016, Belgium's age-related expenditures amounted to a high 27.6% of GDP (EU-28 median: 21.3%). At the same time, the old-age dependency ratio of 28.4% was slightly lower than in the EU-28 (29.6%), pointing to a relatively generous pension system. According to the European Commission's 2018 Ageing Report, spending pressures will further intensify over the coming decade. Age-related costs in Belgium are estimated to rise by 2.1 p.p. of GDP up to 2030, the second highest increase in the EU-28. Looking forward, the government envisages implementing additional measures to safeguard pension sustainability. While supplementary pensions will be capped from 2019 onwards, the government is in the early stages of discussion with social partners on the introduction of a points-based pension system.

Challenges related to the current fiscal framework increase the risk of budget overruns. On the central government level, Belgium lacks regular spending reviews, as well as spending ceilings for major expenditure items. Most importantly, the budgetary coordination process between the federal government and subordinated entities remains challenging. Against this background, we regard it as a positive that all entities have agreed on the consolidation path outlined in the stability program 2018. In general, the federal government has limited powers to enforce fiscal targets at the regional and local levels. Given that these entities account for a significant share (2017: 50.9%) of general government spending, overspending at the regional or local level could derail the fiscal consolidation process.

We note that the Belgian banking sector (assets-to-GDP: 227.3% in Q4-17) is in good shape. Throughout 2017, banks' asset quality continued to improve and capital buffers were further strengthened. The ratio of NPLs dropped to a low 2.6% between Q4-16 and Q4-17 and the CET1 ratio was reported at 17.0% (Q1-17), up from 15.9% a year before. Moreover, we see risks emanating from bank's large and growing exposure to the domestic housing market. In general, credit growth outpaced the expansion in total economic output in recent years, leading to an increase in the credit-to-GDP ratio from 53.5 (Q1-13) to 65.4% at the end of 2017. This increase was in particular driven by rapidly growing mortgage lending. Since Q1-13, the outstanding volume of mortgage loans rose from 74.3% from EUR 85.8 to 149.5bn (Mar-18). Even more importantly, there are signs that banks have started to relax mortgage lending standards to offset lower interest margins, as highlighted by the NBB's most recent Financial Stability Report. The share of new housing loans carrying LTV-ratios of above 80% has gradually risen from about 40% in 2014 to 50% last year. Hence, the further evolution of lending standards should be vigilantly monitored.

By taking higher risks on their loan books, bank balance sheets could be adversely affected in the event of a sharp correction in the domestic housing market, which performed strongly over the decade. Property prices did not take a significant hit during the financial crisis, falling by only 0.5% in 2009, before growth resumed. Recently, house price dynamics picked up somewhat. After growth rates of 1.7 and 2.6% were recorded in 2015 and 2016 respectively, housing prices edged up by 3.7% leading to a further deterioration in affordability metrics. At the end of 2017, the price-to-income and price-to-rent ratios stood 21.9 and 24.9 % above their respective long-term (1995-2017) averages.

Rising house prices coupled with dynamic mortgage lending activity are also mirrored by the rapid accumulation of household debt. Since 2010, indebtedness of households rose by 7.8 p.p., reaching 61.8% of GDP end-of-2017. Thus, Belgium and the euro area show divergent trends in household debt. In the euro area as a whole, households reduced their leverage from 69.8 to 64.1% of GDP between Q4-10 and Q4-17. Belgium’s NFC debt remains among the highest in the euro area despite the recent decline from 210.4 (Q4-16) to 199.3% of GDP (Q4-17). We acknowledge that corporate debt levels are somewhat biased by significant activities of MNE treasury units in Belgium.

To prevent the build-up of financial stability risks associated with rising household debt and vivid mortgage lending, Belgium’s authorities implemented additional macroprudential measures in May 2018. The former regulation, which provided for a universal 5 p.p. surcharge on the risk weight applicable to Belgian mortgage loans, was amended by a more targeted component. Under the new framework, banks with riskier mortgage portfolios, which contribute more to systemic risk, are subject to proportionately higher capital requirements.

Meanwhile, external risks appear limited at present. Belgium’s current account has been close to balance over the last decade, averaging at -0.3% of GDP in 2008-17. Last year, both the trade in goods and services balance weakened somewhat. While the trade in goods surplus shrank from 0.3 to 0.1% of GDP, the services balance edged down from 1.1 to 0.5% of GDP. As a result, the economy operated a negligible current account deficit of 0.2% of GDP (2016: +0.1% of GDP). The country’s net international investment position (NIIP) continued to improve, strengthening from an already high 51.2 to 55.6% of GDP in 2016-17. Underlying gross positions were even larger. In 2017, external assets and liabilities totaled at 490.3 and 434.5% of GDP respectively, mirroring the large presence of MNEs in the Belgian economy. Also, MNE treasury activities partly explain Belgium’s elevated external debt levels. As illustrated by IMF data, approx. 30% of external debt can be attributed to inter-company lending operations, which we regard as a relatively stable source of funding, while long-term government bonds account for another 20% of external debt. Hence, we believe that refinancing risks are somewhat mitigated by the composition of the external debt stock.

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 consider lowering Belgium's rating if medium-term growth slowed significantly due to a deceleration of economic activity in the country's key trading partners. Other risks stemming from the external environment could be the fallout from rising protectionism or a disorderly Brexit, which is not our baseline scenario. Furthermore, GDP growth could also take a hit in the event of a sharp correction in housing prices, which would negatively impact private consumption and the lending capacity of the banking sector. Our AA rating could also come under pressure if we observed significant fiscal slippages. Such a scenario could materialize if we saw a protracted period of political uncertainty in the aftermath of the general elections in May 2019.

By contrast, we could raise our credit ratings if the Belgian economy expands at a higher-than-expected rate over the medium term. In the same vein, faster-than-projected progress on fiscal consolidation and debt reduction could lead to upward pressure on our ratings.

Primary Analyst
Johannes Kühner
Sovereign Credit Analyst
j.kuehner@creditreform-rating.de
+49 2131 109 1462

Chair Person
Benjamin Mohr
Head of Sovereign Ratings
b.mohr@creditreform-rating.de
+49 2131 109 5172

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	0.2	0.2	1.3	1.4	1.4	1.7	1.6
GDP per capita (PPP, USD)	41,647	42,168	43,338	44,201	45,124	46,553	48,258
HICP inflation rate, y-o-y change	2.6	1.2	0.5	0.6	1.8	2.2	1.8
Default history (years since default)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Life expectancy at birth (years)	80.5	80.7	81.4	81.1	81.5	n.a.	n.a.
Fiscal balance/GDP	-4.2	-3.1	-3.1	-2.5	-2.5	-1.0	-1.2
Current account balance/GDP	-0.1	-0.3	-0.9	-0.1	0.1	-0.2	n.a.
External debt/GDP	275.3	244.9	259.0	256.1	274.1	256.7	n.a.

Source: International Monetary Fund, Eurostat, own estimates

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	30.09.2016	AA /stable
Follow-up Rating	28.07.2017	AA /stable
Follow-up Rating	29.06.2018	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, National Bank of Belgium, Statbel, Belgian Debt Agency, Ministry of Finance

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

Any rating issued by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the entity or the issue under review.

When assessing the creditworthiness of sovereign issuers, Creditreform Rating AG relies on publicly available data and information from international data sources, governments and national statistics. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. Hence, this rating is no statement of fact but an opinion. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments. Thus, no express or implied warranty as to the accuracy, timeliness or completeness for any purpose of any such rating, opinion or information is given by Creditreform Rating AG in any form or manner whatsoever. Furthermore, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

Creditreform Rating AG
Hellersbergstrasse 11
D - 41460 Neuss

Phone +49 (0) 2131 / 109-626
Fax +49 (0) 2131 / 109-627
E-Mail info@creditreform-rating.de
Internet www.creditreform-rating.de

CEO: Dr. Michael Munsch
Chairman of the Board: Prof. Dr. Helmut Rödl
HRB 10522, Amtsgericht Neuss