Creditreform Sovereign Rating

Creditreform Rating
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Rating Object	Rating Information			
KINGDOM OF DENMARK	Assigned Ratings/Outlook: **AAA /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:		28-04-2017 30-03-2018 "Sovereign Ratings"	

Rating Action

Neuss, 30 March 2018

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

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Key Rating Drivers

1. Very wealthy, flexible and competitive economy; we expect the somewhat stronger economic activity to be maintained on the back of strengthening private consumption and a well performing labor market
2. Sovereign continues to be characterized by extraordinarily high quality of its institutional framework, with sound and forward-looking economic and monetary policy-making
3. Long-standing track record of fiscal discipline and sound debt management, reflected in moderate budget deficits as well as low and declining government debt, which provides for substantial fiscal leeway to counteract shocks
4. Almost all parts of Denmark experience vividly rising housing prices, which are being addressed by authorities but need to be monitored vigilantly against the backdrop of very high private household debt
5. Very strong external performance puts the economy in a favorable position to withstand external shocks; extraordinarily large and sustained current account surpluses have resulted in strong net external creditor position

Reasons for the Rating Decision

The Kingdom of Denmark continues to display a exceptionally favorable sovereign credit risk profile, implying an extremely low risk of not meeting its financial obligations fully and on time. Our assessment of Denmark's creditworthiness is underpinned by its solid and stable macroeconomic performance, the outstanding quality of its institutional framework, the very high degree of fiscal sustainability, as well as its ability to absorb shocks emanating from the external sector.

To begin with, we assess the Danish economy will remain very wealthy, productive and competitive. According to latest estimates, Denmark is among the wealthiest economies in the world, with GDP per capita totaling USD 49,613 in 2017 (IMF data, PPP terms), although being lower than in AAA-rated peers Germany (USD 50,206) and the Netherlands (USD 53,582), where per capita income is estimated to have grown somewhat faster more recently. Moreover, Denmark not only exhibits one of the most productive economies in Europe, as reflected by nominal labor productivity per hour worked which stands almost 30% above the EU-28 average (2016 data), the country also remains among the most competitive economies in the world. The high level of competitiveness is illustrated by the latest reading of the World Economic Forum's global competitiveness index which ranks Denmark at 12 out of 138 economies for the third consecutive year.

Meanwhile, the economy and population benefit from a very flexible and well-performing labor market which is supported by extensive active labor market policies (ALMP) coupled with advanced education and social protection. Denmark is investing intensively into ALMP measures and other labor market-related policy areas. In a European comparison, Denmark allocated the largest budget to ALMP as measured by GDP (3.2%, 2015). At the latest count, social protection expenditure accounted for 23.4% of GDP (2016, third highest in EU-28), while health and education spending amounted to 8.6 and 6.9% of GDP, both the highest share in the EU.

Despite coming at high costs from a fiscal perspective, policies appear to be well-targeted, as these have translated into favorable outcomes. Thus, the situation of the Danish labor market has continued to improve over the recent year, as the annual unemployment rate dropped to 5.7% in 2017, down from 6.2% a year before. Also, 2017 has seen a robust activity rate, which amounted to 79.2% in Q3-17 (Q3-16: 80.1%, Q3-15: 78.5%), posting one of the highest participation rates in Europe (third behind Sweden and the Netherlands). Furthermore, corporates in Denmark have a well-educated workforce at their disposal, which is documented by a high proportion of population with tertiary education (30-34y: 48.6%) and a high participation in life-long learning (25-64y: 30.0%, highest in EU). In addition, income is dispersed evenly and poverty is low, with a Gini coefficient of equivalized disposable income at 27.6 (EU-28, 2016: 30.8) and people at risk of income poverty after social transfers at 12.4% (EU-28, 2016: 17.3%).

High wealth and productivity, as well as high living standards and social well-being have to be contrasted with the steady but subdued pace of output expansion shown over recent years. Having said this, growth picked up in 2016 and 2017. After real GDP rose by 2.0% in 2016, the Danish economy grew by 2.1% last year (2015: 1.6%), which corresponds to the highest growth rate since 2006. Solid GDP growth was driven by all components. Strengthening global trade and faster growth of Denmark's main trading partners pushed export growth to 4.6% (2016: 2.8%), thereby outpacing import growth and resulting in a positive growth contribution of external trade (0.5 p.p.). Although the private sector still appeared to act rather cautiously and continued to deleverage, domestic demand was also conducive to economic growth. Investment activity came in weaker (2017: 2.5%, 2016: 6.0%), but was more broad-based than in the recent years, as both investment in dwellings and in machinery and transports were up by 4.8 and 4.6%, after 7.1

and 3.0% in 2016. Despite robust employment and wage growth, the latter averaging at 1.8% per quarter in 2017, private consumption was weak, increasing by only 1.5% in 2017 – mainly due to a transitory setback in the third quarter (-1.1% q-o-q), when a change in car registration dented car sales.

We expect that the Danish economy will sustain its growth momentum, achieving real GDP growth rates of 1.9 and 1.8% in 2018 and 2019 respectively. These prospects are based on export growth that should hold up well, backed by the upswing in global trade which we expect to increasingly become more investment-driven. Service exports should be aided by the rebound in sea transport going forward, which showed strong increases in quarterly export receipts throughout 2017, after nose-diving in 2015/16. Moreover, the Danish economy retains its competitive edge. The CPI-based real effective exchange rate rose modestly by 0.7% in 2017 (EA-19 average +2.5%) and real unit labor costs stayed flat on the year (-0.1%, AMECO data), evolving broadly in line with key trading partners such as Germany (+0.2%) and Sweden (-0.9%).

That said, we believe that the growth contribution of net trade will become more or less neutral, as import growth should accelerate on the back of increasing domestic demand. Thanks to considerable pent-up demand, high consumer confidence, the favorable labor market development and higher wage growth consumption is set to pick up. While inflation should rise moderately, the jobless rate is likely to edge down further, fostered by further employment gains. In the last quarter of 2017, the quarterly average of the harmonized unemployment rate came in at 5.4% (seasonally adjusted) and dipped below its long-term average of 5.6% (2000-17). Building labor market pressure should drive up wages, as a growing number of Danish corporates reports difficulties in staffing, in particular in the construction sector, and in several services sectors such as consultancy, research and others, and communication and information. Hence, mounting wage pressures in the private sector may result in a deterioration of Denmark's cost competitiveness and threaten the economic recovery which, however, does not represent our baseline scenario. To be sure, wage increases should be reined in by last year's collective agreements which were concluded in Q1 and cover the years 2017 to 2020. Moreover, private consumption will receive an additional boost in 2018-19, owing to the opportunity that voluntary early retirement pension contributions can be disbursed in 2018, and the compensation of households who paid overcharged property taxes in 2019.

Against the backdrop of high business confidence levels and rising external demand, investment activity can be expected to continue on its upward trajectory. Also, investment is facilitated by the progressive healing of corporate balance sheets and capacity constraints. While private NFC debt fell from 110.3% of GDP in Q3-16 to 107.1% in the third quarter of 2017, capacity utilization in manufacturing hovers around its long-term average (Q1-18: 81.1%; 2000-17: 80.9%).

What is more, an accommodative monetary policy will continue to support investment, as low interest rates are likely to remain in place for a while, mainly due to our belief that the ECB will hike interest rates in the second half, but not before the second quarter of 2019. Denmark's Monetary policy rates have remained unchanged since January 2016, with the

certificates of deposit rate (CD) standing at -0.65% and the according policy spread to the ECB's deposit facility of -0.4% remaining stable at 0.25%. The only policy objective of Danmarks Nationalbank (DN) is to keep the Danish krone (DKK) stable, and the monetary policy interest rates are set to maintain the rate of DKK 746.038 per EUR 100 within a band of +/- 2.25%. As noted before, this narrow objective somewhat restricts the degree of monetary flexibility, as the DN is highly dependent on the ECB's monetary policy and expectations regarding the developments in the euro area. Notwithstanding, we continue to view the highly credible and transparent monetary policy as supportive to Denmark's macroeconomic performance and the stability of the DKK. We believe that DN will maintain the fixed exchange rate in the medium term and will be determined to keep the krone within the target band. Over the past twelve months, the DKK/EUR exchange rate was broadly stable, trading at a monthly average of 744.575 in Feb-18 (slightly up from 743.480 in Feb-17) with only limited FX interventions from DN. We observe only two minor interventions dating back to Feb-17 and Mar-17 respectively. Meanwhile, official reserve assets have increased to DKK 465.9bn (Jan-18), up from 456.7bn a year before.

In addition, the low interest rate environment, coupled with the pick-up in economic activity and increasing disposable income, should foster the development of the housing market going forward. Housing prices have continued to rise rapidly over the recent quarters. According to Statistics Denmark data, house prices have increased by yearly rates of 3-4% per quarter in 2017. In Q3-17, house prices in Denmark stood 15.1% above the level seen in the third quarter of 2014. Importantly, buoyant house price developments are not concentrated on metropolitan areas, but are visible in all parts of the country. Prices for owner-occupied flats have increased even more sharply, having risen by 27.9% between Q3-14 and Q3-17. To be sure, the vibrant housing price dynamics have not gone hand in hand with an increase in mortgage lending at this stage. The outstanding amount of lending for house purchase has increased by y-o-y rates in the 1-2% range since Apr-15. In general, credit growth remains modest, not pointing to a debt-financed, unhealthy growth of the Danish economy.

Still, the development of housing has to be monitored vigilantly. Firstly, Denmark's private households continue to display the highest debt level in Europe, totaling at 136.0% of GDP in Q3-17, down from 137.5% a year before. By the same token, gross debt stood at a high 244% of household income in 2016, albeit having leveled off from 270% in 2009. Against the background of stretched balance sheets it is worth noting that the price-to-income ratio and the price-to-rent ratio now post 6 and 15% above their respective long-term average (Q1-95 to Q3-17). Despite the sizable and stable asset position of Danish households, which amounted to 310.8% of GDP in Q3-17, 249.4% of GDP or four fifths of that asset position are made up of rather illiquid equity (incl. real estate) and pension entitlements. Hence, risks to the economy remain substantial as a sharp setback on the housing market could have devastating effects on private consumption. The high susceptibility of private households to shocks is aggravated by the share of borrowers with high loan-to-income (LTI) ratios. The share of Danish households with an LTI greater four thus climbed from 25.1 to 27.9% in 2015-16 (2013: 22.8%). In the city of Copenhagen, the share of vulnerable households leapt to 42.3%, the highest level since 2007 (47.2%).

Additionally, the majority of outstanding mortgage loans consist of variable interest loans, although the share of variable interest mortgages decreased from 71% in Jan-14 to 62% in Jan-18. Risks are somewhat tempered by the fact that the share of mortgages with fixed interests up to 1 year declined from 47 to 34% over that time span.

Secondly, a sharp correction on the housing market might have adverse effects on the financial system. Given the banking sector's large exposure to mortgage lending, this may imply negative repercussions on fiscal sustainability. We continue to assess Denmark's financial sector as sound, with no cause for immediate concern despite its significant size, which surpasses Denmark's GDP by more than the factor 8 – deposit-takers, insurance corporations, and pensions funds alone account for 564% of GDP. The Danish banking sector has built up considerable capital buffers over recent years and asset quality is generally high. In the third quarter of 2017, regulatory tier 1 capital ticked up to 18.8% of risk-weighted assets, after posting at 17.6% in Q3-16. Non-performing loans continued to follow their downward path, as their share dwindled to 2.6% of total loans, down from 3.3% last year. According to a stress test conducted by DN in 2017, all SIFIs are able to meet the capital requirements in a severe downturn. We note, however, that credit standards for corporate lending have eased and banks appear to be increasingly willing to take on greater risks in lending to corporate customers since Q2-16 (bank lending survey data).

We acknowledge that the authorities have implemented further measures to dampen property prices and address risks emanating from real estate. Most importantly, a new housing taxation regime was enacted in May 2017, reforming the property value tax as well as the land tax, and entering into force in 2021. Basically, the new system introduces a flat rate which does not apply to very expensive homes, thus geared towards stabilizing housing prices by curbing prices in areas with vibrant growth while increasing prices in other regions. Also, the agreement removes the y-o-y cap on official land valuations. DN estimates that the new taxation system dampens housing price volatility by approx. one fifth going forward. Moreover, authorities have advanced additional macroprudential measures. Thus, new guidelines for mortgage loans to indebted borrowers were implemented in 2017, restricting borrowing to households with an LTI greater four and an LTV greater 60%. What is more, the Systemic Risk Council recommended that the counter-cyclical risk buffer should be set to 0.5% from 31-03-19.

Furthermore, our assessment of Denmark's creditworthiness is underpinned by the outstanding quality of its institutional setting. The very high standards set by the sovereign in terms of the formulation and implementation of policies and institutional conditions in general are underscored by the World Governance Indicators (WGI). As illustrated by the World Bank's evaluation of good governance, Denmark persistently achieves outstanding scores along all WGI-dimensions and compares very well not only in a global comparison, but also among its AAA-peers. In the latest reading the sovereign was thus ranked third out of 209 economies when it comes to government effectiveness as well as control of corruption. Concerning voice and accountability and rule of law, Denmark came in at rank 5 and 6 respectively.

We assess the forward-looking and proactive policy-making as positive – Danish authorities swiftly recognize the need to act and tend to focus on a medium- to long-term horizon when addressing identified challenges. Moreover, the sovereign shows no signs of complacency. According to the latest Doing business report compiled by World Bank, Denmark already features one of the most favorable business environments in the world, ranking third out of 190 economies. Notwithstanding, the Danish government is dedicated to continuing to remove obstacles to doing business and to increase productivity by making it less expensive to run a business in Denmark. In November 2017 the government struck a deal to allocate DKK 14.7bn (until 2025) to strengthen Denmark's position as a global maritime hub and make Danish businesses more internationally competitive. The government is also moving on with digitalization, despite being among the front-runners in terms of digital economy in Europe, and has envisaged implementing a new digital infrastructure. Indeed, the most recent Small Business Act in Europe evaluation revealed that Denmark is the third best administration when it comes to responsiveness to the needs of SMEs.

Likewise, authorities do not appear to rest on past and present successes as regards the labor market. After implementing the first phase of the JobReform and initiatives to increase the early and full retirement age, further measures targeted towards improving labor market performance have been agreed on. To this end, a job premium for long-term unemployment was legislated in March 2017, and in May of that year a new unemployment insurance scheme for self-employed and people in non-standard jobs was enacted, providing better insurance coverage and a more transparent and less discretionary system. Furthermore, the governing coalition agreed on a reform package in February 2018 which includes a reduction of the basic tax rate, an increase of the ceiling for the employment deduction, as well as additional tax deductions for pension payments. The government is also contemplating a new strategy for integrating foreign workers into the labor market.

We continue to view Denmark's highly sustainable fiscal policy as credit positive. Danish authorities have made significant headway in consolidating public finances, with the general government headline deficit averaging at only 0.5% of GDP from 2013 to 2016, down from an annual average of 2.8% of GDP in 2009-12. More recently, the headline balance moved into surplus, rising from -0.4 to 1.0% of GDP in 2016-17 (Statistics Denmark data). On the expenditure side, intermediate consumption and the public wage bill increased moderately by 1.5 and 2.3% respectively (2016: +0.6 and +1.8%), while social benefits were flat on the year (+0.2%, 2016: +1.2%). Buttressed by the ongoing economic recovery, 2017 saw strong increases in VAT, as well as personal and corporate income taxes, which were up by 3.7, 3.4, and a high 15.9%, being somewhat balanced by a decline in pension yield taxes (-7.2%). The latter are subject to a high degree of volatility, recording an annual increase by 49% in 2016, after dropping by 57% in 2015. Looking forward, we believe that the headline balance will slide into a small deficit of 0.4% of GDP this year. In 2018-19, public finances should be mainly affected by lower pension yield taxes and the aforementioned one-off effects, owing to the opportunity of having voluntary early retirement contributions refunded (approx. DKK 5bn) and reimbursements related to over-

charged property taxes (approx. DKK 9bn). The fiscal impact of the reform package adopted in February this year can be expected to turn out lower than initially planned, as the tax cuts are envisaged to amount to DKK 3.7, 3.9 and 5.1bn in 2017-20, instead of 4.9, 5.3 and 6.9bn.

General government debt is likely to remain on its downward trajectory. After totaling at 39.5% of GDP in 2015, gross debt fell to 37.7% of GDP in 2016, thus already comparatively low, in particular as compared to other AAA-rated peers such as Germany (68.1%) or the Netherlands (61.8%). Government debt continued to decrease over the recent quarters, edging down to 36.4% of GDP in Q4-17 after 37.9% in the fourth quarter of 2016.

Adding to our assessment of Denmark's strong public finances, government debt appears to be highly affordable, as reflected by the low level of interest expenditure which stood at 2.6% of general government revenue in 2016 (2015: 3.0%) and narrowed further to 2.0% in 2017. The sovereign benefits from an interest rate environment in which it is able to borrow at very favorable conditions. Thus, the Bund spread was compressed significantly over the second half of 2017, standing at almost zero in January 2018 (09-Mar-18: approx. 5bp). In general, we consider Denmark's debt profile to remain robust. Notably, in March 2017 the government redeemed its last bonds denominated in foreign currency. Hence, the sovereign does not have any foreign debt, which DN reckons is the first time in the last 180 years. What is more, the sovereign is characterized by a strong and rule-based fiscal framework, which we continue to assess as a strong anchor for fiscal sustainability in the medium to long term. The framework includes a structurally balanced budget rule (-0.5% of GDP), and expenditure ceilings for central government, municipalities, and regions. Compliance with the expenditure ceilings and the budget rule is monitored by the independent Danish Economic Council.

Meanwhile, the sovereign's buffers to external shocks remain sizable, further supporting its credit profile. In this vein, Denmark sustained its very large current account surplus which ticked up to 7.7% of GDP in 2017, after posting at 7.3% of GDP in 2016 (Statistics Denmark data), mainly due to considerable surpluses in the trade of goods balance and the primary income balance, which came in at 5.7 and 2.3% of GDP respectively. This being said, the trade in goods surplus is largely driven by goods procured and sold abroad, and merchanting trade, which have been gradually increasing in recent years, operating a surplus of 2.4 and 2.1% of GDP in 2017. From a saving-investment perspective, the current account surplus continues to be buttressed by high financial savings on the account of households and NFCs. We expect the current account to moderate somewhat in the medium term, partly due to stronger domestic demand and falling net pension contributions. In turn, the strong net creditor position continues to result in a large and high net international investment position (NIIP), which stood at 52.5% of GDP in Q3-17, up from 49.0% of GDP a year before – one of the highest NIIPs in Europe. The NIIP largely mirrors the very high net asset position of investment funds as well as insurance corporations and pension funds, with approx. 64 and 51% of GDP respectively, which more than outweigh the negative net asset position of NFCs and mortgage banks (approx. -31% of GDP respectively). According to EU calculations, Denmark would have to

record a current account surplus of a mere 1.2% to hold the NIIP stable over the next decade. Noteworthy is that Denmark features a relatively high stock of external debt, amounting to around 161% of GDP in Q3-17 (IMF data), two thirds of which are comprised of external debt from the deposit-taking sector.

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 Denmark's rating if medium-term growth slowed down significantly, which may arise due to a sharp and protracted deceleration of economic activity in the sovereign's key trading partners. Other risks stemming from the external environment could be the fallout from rising protectionism or a disorderly Brexit, which we view as rather unlikely at the current junction. At the domestic level, a significant tightening of the economy's capacity constraints may prompt wages to increase rapidly, detaching from productivity developments and resulting in negative repercussions on the country's cost competitiveness.

The other main downside risk to the economy is a shock triggered by a sharp correction in housing prices on the backdrop of the very high debt levels of private households. Such a shock may affect the real economy as well as the financial sector, and result in broad-based state support, entailing negative effects on public finances. That said, our AAA rating could also come under pressure if we observed a material departure from stability-oriented fiscal policy-making and a concurrent deterioration of fiscal metrics over an extended period of time in general.

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	AAA /stable
Foreign currency senior unsecured long-term debt	AAA /stable
Local currency senior unsecured long-term debt	AAA /stable

*) Unsolicited

Economic Data

	2012	2013	2014	2015	2016	2017	2018e
Real GDP growth	0.2	0.9	1.6	1.6	2.0	2.1	1.9
GDP per capita (PPP, USD)	43,933	44,882	46,250	47,229	48,230	49,613	51,115
CPI inflation rate, y-o-y change	2.4	0.8	0.6	0.5	0.3	1.0	1.4
Default history (years since default)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Life expectancy at birth (years)	80.1	80.3	80.7	81.1	n.a.	n.a.	n.a.
Fiscal balance/GDP	-3.5	-1.2	1.1	-1.5	-0.4	1.0	-0.4
Current account balance/GDP	6.3	7.8	8.9	8.8	7.3	7.7	n.a.
External debt/GDP	179.5	177.5	153.3	156.0	153.1	160.6	n.a.

Source: International Monetary Fund, World Bank, Eurostat, Statistics Denmark, own estimates

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	28.04.2017	AAA /stable
Follow-up Rating	30.03.2018	AAA /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, Danmarks Nationalbank, Statistics Denmark, Kingdom of Denmark – Ministry of Economic Affairs and the Interior, Kingdom of Denmark – 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

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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