Creditreform Sovereign Rating

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Rating Object	Rating Information	
REPUBLIC OF SLOVENIA	Assigned Ratings/Outlook: **A /positive**	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:	03-03-2017 02-03-2018 “Sovereign Ratings”

Rating Action

Neuss, 02 March 2018

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

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Key Rating Drivers

1. Well-diversified and relatively wealthy economy as compared to CEE peers, catch-up process with EU income levels gradually gaining traction thanks to broad-based and healthy growth
2. Expectation of continued strong and balanced economic expansion driven by resurgent investment activity, robust consumption, and vivid external demand; although growth rates should eventually converge towards its potential growth rate, Slovenia should remain among best performers in the euro area
3. Benefiting from robust economic activity, fiscal consolidation is making headway; aided by small headline surpluses going forward, government debt is likely to continue on its downward trajectory; looming fiscal sustainability risks arising from demographics and contingent liabilities
4. Generally high quality of institutional framework, structural reform momentum at risk of slowing down due to increasing political fragmentation
5. External vulnerability risks somewhat subsiding, as NIIP continues to improve on the back of sustained current account surpluses

Reasons for the Rating Decision

Creditreform Rating has raised its ratings on the Republic of Slovenia to “A” from “A-“. The upgrade is driven by (i) strong, broad-based and healthy economic growth as well as the recovering labor market; and (ii) the better-than-expected fiscal outturn over the recent years which came on the back of tax-rich GDP growth, thus bringing debt-to-GDP on a firm downward path.

Furthermore, we have revised our outlook on the Republic of Slovenia to positive from stable. The positive outlook is underpinned by our expectation that (i) medium-term growth of the Slovenian economy will remain robust and unemployment will continue to fall; (ii) the macroeconomic context will result in a further improvement of the fiscal position; and (iii) the stabilization of the financial sector will continue, with the still considerable stock of non-performing loans being further reduced and the improving bank health being supportive to credit growth.

In general, the sovereign creditworthiness of the Slovenian Republic balances the economic recovery aiding a continued income convergence, and the generally high quality of the gradually improving institutional framework against a still sizeable level of general government debt, medium- to long-term risks to fiscal sustainability, and high - though receding - external vulnerabilities.

Most importantly, we assess that the growth momentum underlying the economic recovery has gained additional strength over the recent quarters. Being revised upwards, real GDP expanded by 3.1% in 2016. Private consumption was the main growth engine, growing twice as fast as in the year before (2016: 4.2%, 2015: 2.1%), thereby contributing 2.3 p.p. to GDP growth.

With a view to 2017, growth stepped up a gear and became more broad-based, as the Slovenian economy reached a real GDP growth of 5.0%, experiencing one of the highest growth rates in the euro area. Up to Q4-17, the Slovenian economy displayed seven consecutive quarters with q-o-q growth rates of 1.0% or more, accelerating to 2.0% in the fourth quarter of 2017. The yearly growth rate came in at a strong 6.2%, the fastest annual growth since Q3-07. Output expansion in 2017 continued to be underpinned by buoyant external demand, which was facilitated by the positive development in international trade in general, the robust economic development of euro area members, and a recovering Russian economy in particular. Up to November 2017, exports to Russia rose by 14.3% as compared to the previous year – external demand from euro area members in the first eleven months was even higher, increasing by 15.5%. That said, Slovenia has not only benefited from expanding export markets but also from keeping its competitive edge. Real unit labor costs have continued to evolve favorably as compared to the euro area as well as peers from the Central and Eastern European (CEE) countries. Drawing on AMECO data, real ULC in Slovenia have decreased by 1.3% in 2016-17 (2010-17: -5.7%), while remaining broadly stable in the euro area at -0.2%. Accordingly, the ULC-based real effective exchange rate remained on its downward trajectory.

Strong export growth coincided with increasing domestic demand, with solid private consumption coming on the back of continued employment growth and rising wages. Labor market conditions have improved and average monthly earnings have increased by 2.7% y-o-y on average throughout 2017 (SORS data). Owing to a positive feedback loop between economic activity and employment, the quarterly average of the harmonized unemployment rate (seasonally adjusted) fell to 6.4% in the fourth quarter of 2017, down from 8.0% a year before – the lowest level since Q4-09. Long-term and very long-term unemployment dropped to 3.0 and 1.7% respectively (Q3-16: 3.9 and 2.3%; seasonally adjusted, 15-74 years). Moreover, the participation rate has leapt from 71.2% in Q3-16 to

74.5% in Q3-17 (seasonally adjusted, 15-64 years). Meanwhile, real GDP was also driven by a pick-up in investment, mainly due to stronger private investment. Despite the weaker outcome in Q2 (0.4%, q-o-q) and Q3 (0.5%), gross fixed capital formation rose by 10.3% in 2017. Facilitated by rising external demand and favorable financing conditions, investment in machinery and equipment increased by 9.7%. What is more, residential investment activity has started to recover, expanding by 7.6% in 2017, after having stagnated in 2015-16 (0.8 and 0.0%).

Looking forward, output expansion is set to remain robust at 4.1% (2018), before eventually converging towards its potential growth rate beyond 2019. While we believe that inflationary pressures will remain modest, the growth contribution from net external demand will diminish, as import growth should strengthen with a further increasing domestic demand. To be sure, we expect robust export growth to continue for 2018-19, mainly due to the bright outlook for Slovenia's key trading partners which is likely to compensate for some losses in cost competiveness driven by increasing wage pressures. Wage growth is likely to pick up going forward, as labor market conditions should continue to tighten. We expect the unemployment rate to decline further which should, coupled with a decreasing working-age population (see below), result in labor shortages. Thus, the number of job vacancies has risen substantially over the last two years (Q4-17: +27% y-o-y, all sectors) and according to the latest business survey (Q1-18, Eurostat data), 36.9% of the corporates in manufacturing cite labor as a factor limiting their production. In turn, the favorable labor market outlook and rising wages bode well for private consumption, which we project to remain robust. Survey data on consumer sentiment currently posts at record high levels indicating that consumer confidence can be expected to translate into strong private consumer spending.

At the same time, we expect non-residential investment to sustain high growth rates, buoyed by high domestic and foreign demand, high corporate profits and the ongoing repair of corporate balance sheets, capacity constraints and the recovery in bank lending. As illustrated by available non-consolidated financial accounts data, Slovenian non-financial corporates (NFC) have made progress in deleveraging, with NFC debt standing at 100.6% of GDP in Q1-17, down from 107.3% in Q4-15. Furthermore, we find that industry capacity utilization posts at 85.0% (Q1-18) – near record highs (Q2-07: 86.2%) and well above its long-term average of 81.0% (2000-17). Private investment should receive additional support from the credit channel as lending to NFCs turned the corner in 2017. We expect residential investment to continue to improve on the backdrop of increasing household income and low borrowing costs. In the second and third quarters of 2017, house price growth accelerated (+8.3 and 7.9% y-o-y) – as of now, financial stability risks appear muted, with housing loan growth in the 4-5% range, very low private household debt (Q1-17: 31.4% of GDP vs. EA-19 64.4%), and the price-to-income ratio well below its long-term average. In addition, we expect public investment to surge, which will be boosted by the faster draw-down on European Structural and Investment funds. Latest EU cohesion data indicates that financial resources allocated to selected projects increased significantly from around EUR 1.3bn at the end of 2016 (27% of planned investment) to EUR 2.4bn by the end of 2017 (49%).

Our assessment also reflects the diversification and wealth of the Slovenian economy. The Slovenian economy features a well-diversified export structure with high value-added product groups (i.e. vehicles, machinery, pharmaceuticals) making up for the bulk of its exports, and a high value-added industrial sector which stands for 26.9% of total value added (Q3-17) – well above the euro area average of 19.6%. Furthermore, Slovenia exhibits a relatively high per capita income which was estimated at USD 34,064 in 2017 (IMF data, PPP terms) and compares favorably to CEE peers such as the Slovak Republic (USD 32,895), Poland (USD 29,251), and Hungary (USD 28,910). Among the CEE countries, only the Czech Republic has a higher GDP p.c. than Slovenia. More importantly, the convergence process with EU-28 per capita income levels is progressing, albeit very gradually. Last year, Slovenian per capita income is estimated to have ticked up to 83% of the EU-28 average (2016: 82%, 2015: 81%). However, the economy has not reached its pre-crisis level of 88% in 2008.

Slovenia's creditworthiness continues to be underpinned by the generally high quality of its institutional conditions. As measured by the World Bank's World Governance Indicator (WGI) government effectiveness, which gauges the quality of policy formulation and implementation, the sovereign climbed from rank 47 to 35 out of 209 economies – now standing on par with the euro area median, but standing still below its 2008 level (rank 32). Although Slovenia edged up a few notches, when it comes to the perception of the extent to which public power is exercised for private gain and the quality of contract enforcement, property rights, and courts, the World Bank ranks the sovereign below the respective euro area average, at rank 48 (control of corruption) and rank 37 (rule of law). With regard to the latter, arguably one of the most visible results of the improving judiciary system has been the significant reduction in the number of pending cases, which halved from 18.6 to 9.3 cases per 100 inhabitants in 2010-15 (EU Justice Scoreboard 2017). In general, we believe that the Slovenian Republic benefits from euro area membership which entails broader and deeper capital markets as well as advantages associated with the euro as a reserve currency.

Having said this, the business environment continues to be impeded by cumbersome regulations and widespread state ownership of enterprises. We note that Slovenia ranks 57th on the WGI regulatory quality, considerably below the euro area median (rank 33). Likewise, the World Bank affirms the mediocre business environment in its Doing Business report (DB18). Businesses are confronted with a relatively heavy administrative and regulatory burden, as Slovenia remains at rank 37 out of 190 economies, behind countries such as Poland (27) or the Czech Republic (30) – with the most pressing challenges being the procedures for construction permits (rank 100), getting credit (105) and the enforcement of contracts (122). Obstacles to doing business are underlined by the latest Global Competitiveness report by the World Economic Forum. To be sure, the country has advanced to rank 48 out of 137 economies, up from 56/138, but the improvement is mainly explained by the favorable development of the sub-indices macroeconomic environment and financial market development. Still, inefficient government bureaucracy and restrictive labor regulations and tax regulations are attested to be the most problematic factors for doing business. According to the 2017 Small Business Act SME Performance

review, SMEs assess the still high administrative burden, high labor costs and an inefficient mechanism for issuing licenses and permits to be the main obstacles they are facing in Slovenia.

We acknowledge that the authorities have continued to pursue reforms to enhance the business environment and reduce the regulatory burden. In September 2017, the government implemented measures to increase labor market flexibility and inclusiveness. Alongside several Active Labor Market Policy programs, amendments to the Labor Regulation Act were adopted to facilitate the employment of older people as well as low- and middle-skilled workers. Three new laws to simplify construction legislation were legislated at the end of last year and will enter into force in July 2018 – the new Spatial Management Act, the Building Act, and the Architectural and Civil Engineering Activities Act. Earlier this year, policy makers enacted a draft act to improve the control of corruption. It is noteworthy that the government has adopted the so-called “Development Strategy 2030” which was designed along the lines of the UN Sustainable Development Goals and is geared towards the achievement of a higher standard of living.

As regards the privatization of state-owned enterprises (SOE), the process is ongoing and progressing only gradually, as many companies under management of the Slovenian Sovereign Holding are classified as strategic. SSH has published its Asset Management Plan 2018 which was approved by the Slovenian government at the end of last year and which reports the performance indicators for the Slovenian SOE. Preliminary data for 2017 showed that the SOE’s return on equity was stable at 6.0%, after increasing from 4.7 to 6.0 in 2015-16. As of 22 December 2017, nine out of 15 SOE that were earmarked for sale have been privatized and the authorities plan to start the privatization process for another 14 enterprises in 2018. However, there were delays in the course of the privatization of Cinkarna Celje, Telecom Slovenia, and Slovenia’s largest bank NLB – the respective privatization processes are envisaged to be reopened.

Irrespective of the progress made so far, pushing ahead with structural reforms may become more challenging in view of the upcoming parliamentary elections in June 2018. We believe that there is an elevated probability of an increase in political fragmentation. According to the latest polls of late January/February, the LMS (Lista Marjana Sarca) is in the lead. LMS currently has no seats in parliament and is the party of Marjan Sarec, the mayor of Kamnik and runner-up at the presidential elections in November 2017 (47%). In any case, enacting incremental policy measures is likely to become more difficult than in the past as a scattered political landscape and incoherent ideologies may hamper reaching political consensus.

The sovereign’s fiscal performance continues to act as a rating constraint, albeit less so than a year before. This is mainly due to the significant headway made in terms of fiscal consolidation over the recent years, which is reflected in swiftly declining budget deficits and a reversal in the general government debt trend. According to the latest reading of Slovenia’s budgetary data, the headline deficit fell from 2.9 to 1.9% of GDP in 2015-16, while the primary surplus increased further to 1.1%, up from 0.3% in 2015. The improvement was driven by higher revenues (up by 0.4% in nominal terms) and in particular a

lower general government expenditure (-1.6%) due to the aforementioned transition in the EU funding cycle.

We expect that the headline deficit of the general government continued to edge down, thanks to the robust macroeconomic performance which prompted strong increases in receipts from taxes and social contributions. Significant revenue growth should have offset the rise in government expenditure, mainly due to the higher public wage bill, social transfers, and the rise in investment owing to the take-up of EU funds. Tax revenue in the first eleven months was up by 6.4% on the year, while the expenditure increase was due to the brisk development of public wages and intermediate consumption (Jan-Nov-17: +4.0% and +11.8% y-o-y). Since the consolidated headline deficit until Nov-17 stood at 0.5% of GDP, a smaller deficit than the targeted 0.8% may be well within reach.

As regards the current and following years, we expect the main fiscal drivers to remain in place and, concurrently, the general government headline balance to move into surplus. On the back of robust private consumption and investment activity, personal and corporate income taxes are likely to rise, as are social contributions which should benefit from the positive labor market conditions. While compensation of public employees and social benefits will grow and public investment can be expected to rise according to faster implementation of ESI funds, interest expenditure is likely to fall considerably (see below).

While fiscal slippages may arise in view of the parliamentary elections 2018 and building fiscal pressure regarding the public wage bill and social benefits, the latter was somewhat tempered by the agreement between social partners to extend measures to limit payments into 2018, and the new Budget Execution Act which restricts new hires in the public sector and prolongs measures associated with social transfers. Importantly, we see fiscal sustainability risks as generally mitigated by the Fiscal Council whose members were finally appointed in March 2017, although the Fiscal Rules Act had already come into effect in July 2015. Furthermore, the government can reduce its sizeable cash buffer that amounted to 11.4% of GDP in Q4-17 (Q4-16: 12.8% of GDP).

Accordingly, we believe that government debt will continue on its downward trajectory, aided by robust economic activity, falling interest expenditure, and prudent debt management. Having peaked at 82.6% of GDP in 2015, general government debt should have declined to some 75% of GDP last year, on the heels of 78.5% of GDP in 2016. In the medium term, gross debt could decline at a faster pace due to proceeds from privatization or to the wind-down of impaired assets by the BAMC (assets under management: EUR 1.07bn at the end of Jun-17, down from EUR 1.24bn at the end of Dec-16), which we do not incorporate into our base-case scenario. In addition, we expect that debt should become more affordable going forward, driven by declining interest payments and higher revenues. Slovenia's interest expenditure rose from 4.6 to 7.3% of revenues between 2012 and 2014 before decreasing slightly to an elevated level of 7.0% in 2016 due to ramped-up borrowing activity, as the government took advantage of the interest rate environment. Moreover, authorities have engaged in sound debt management operations to curb debt servicing costs and improve the debt maturity profile. According to the Draft Budgetary Plan 2018, the implicit interest rate on the Slovenian budget debt portfolio is expected to have decreased from 3.7% in 2016 to 3.4% in 2017 and the average

weighted time to maturity should have increased to 9.1y, up from 8.0y in 2016. At the beginning of the year, the Republic of Slovenia continued to benefit from favorable financing conditions, with 10y-government bond yields standing at historically low levels. On 04-Jan-18, the sovereign issued a 10-year government bond amounting to EUR 1.5bn at a coupon of 1.0%. What is more, central government debt, which is denominated in foreign currency (mainly USD), is fully hedged.

Notwithstanding, medium- to long-term fiscal sustainability risks remain. Demographics continue to pose substantial risks to Slovenia's public finances beyond 2025. The model calculations published in the Stability Program 2017 show an age-related expenditure that is forecast to rise by 7.3 p.p. of GDP in 2016-60 – the highest increase in the EU-28 according to the EU Ageing Report 2015. This year, the EU will publish its updated projection of age-related costs, which may turn out to be somewhat higher, as the updated population projections assume less favorable old-age dependency ratio dynamics. Structural reforms to safeguard fiscal sustainability in the long run are proceeding rather slowly. While the general guidelines for a further reform of the pension system were concluded in mid-2017, these still await legislation.

Risks stemming from the banking sector continue to wane as soundness indicators of the Slovenian banks have improved. Thus, banks display sufficient capital buffers and enhanced profitability. Drawing on IMF data, regulatory tier 1 capital made up for 18.1% of risk-weighted capital in the third quarter of 2017 (on consolidated basis), broadly stable as compared to the last two years when the tier 1 capital ratio amounted to 18.7 and 17.6% in Q3-16 and Q3-15, respectively. Despite prospective challenges to banks' business models and profitability in general entailed by the low-interest rate environment, return on assets climbed from 0.7% in Q3-15 via 1.3% in Q3-16 to 1.4% in last year's third quarter. Bank loans were sufficiently covered by deposits, with the loan-to-deposit ratio remaining stable at 78.2% (year-end 2017, 2016: 78.6%).

Asset quality has also improved, as the share of non-performing loans (NPLs) continued to level off, falling from 5.5% of total loans in Q4-16 to 3.7% in Q4-17 (Bank of Slovenia data). It has to be emphasized that the NPL ratio was substantially higher when referring to the somewhat broader EBA definition on non-performing exposures (NPEs). The NPE ratio amounted to 6.0% in Q4-17, down from 8.5% in the fourth quarter of 2016. However, non-financial corporation NPEs posted at a still high 19.9%, albeit also following a declining path, as the NFC NPE ratio came in at 25.9% in Q4-16.

Fiscal risks may arise on the account of the Bank Assets Management Company (BAMC) which is responsible for the wind-down of the impaired banking assets. To be sure, the EU Commission notes that the negative budget impact has declined significantly (0.1 of GDP in 2016), but market valuation and complex statistical treatment nevertheless may harbor some risks. What is more, and interrelated, the level of public guarantees is still sizable, though in persistent decline. At the latest count, public guarantees posted at 14.7% of GDP (Q3-17, MoF data), down from 16.9% of GDP at the end of 2016 (2014: 22.0%) and are envisaged to decrease to 7.7% of GDP in 2020.

External vulnerability risks are somewhat subsiding. Largely driven by the weakness of investment and strong export growth, Slovenia's economy continued to show a high current account surplus, which was up to 5.2% of GDP in 2016 after posting at 4.4% of GDP in 2015. The widening of the current account surplus was mainly a result of the higher surplus in the balance of trade in services which increased from 4.8 to 5.4% of GDP in 2015-16. Drawing on latest Bank of Slovenia data, the current account position remained high in 2017, rising to EUR 2.8bn, up from EUR 2.1bn in 2016 – reflecting a marked increase in the surplus of the balance of trade from EUR 3.71bn to 4.2bn, but also a narrowing of the primary income balance due to the restructuring of government debt. In the medium term, we expect the current account to decline somewhat, as investment and consumption are likely to strengthen.

On the back of the sustained strong current account position, Slovenia was able to further reduce its external liabilities. The net international investment position (NIIP) rose to -31.4% of GDP in Q3-17, a considerable increase as compared to Q3-16 when the NIIP stood at -38.1% of GDP. Noteworthy is that Slovenia has one of the least negative NIIPs among CEE peers, surpassed only by the Czech Republic (-24.9%). However, gross external debt remained relatively high at 100.4% of GDP in 2017 (Bank of Slovenia data), despite having fallen from 118.8% of GDP at the end of 2012. More than half of the total external debt was made up of general government external debt, standing at 50.1% of total external debt (2012: 25.8%).

Rating Outlook and Sensitivity

Our Rating outlook on the long-term sovereign rating is positive, 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 improve over the next 12-18 months.

We could raise Slovenia's sovereign rating if the pace of fiscal consolidation does not abate and sustained headline surpluses result in a general government debt trend which remains on its firm downward trajectory, or if the Slovenian economy continues to follow its path of healthy and broad-based economic growth. We could also consider an upgrade if tangible results in the course of the privatization process are achieved or the structural reform process gathers pace, leading to an improvement in institutional conditions.

While the positive outlook indicates that a downgrade is rather unlikely, downward pressure on the outlook or rating could arise if significant fiscal slippages lead to setbacks in the fiscal consolidation process. In this vein, slower progress or even setbacks in NPE resolution would pose significant downside risks. A negative rating action could also be prompted by a substantial slowdown of the economic expansion or a build-up of macroeconomic imbalances.

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Ratings*

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

*) Unsolicited

Economic Data

	2012	2013	2014	2015	2016	2017	2018e
Real GDP growth	-2.7	-1.1	3.0	2.3	3.1	5.0	4.1
GDP per capita (PPP, USD)	28,449	28,535	29,879	30,859	32,216	34,064	35,579
Inflation rate, y-o-y change	2.8	1.9	0.4	-0.8	-0.2	1.6	1.7
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	81.1	81.1	n.a.	n.a	n.a
Fiscal balance/GDP	-4.0	-14.7	-5.3	-2.9	-1.9	-0.7	0.2
Current account balance/GDP	2.1	4.4	5.8	4.4	5.2	6.5	n.a
External debt/GDP	118.8	114.9	125.7	120.1	110.9	100.4	n.a

Source: International Monetary Fund, World Bank, Eurostat, Bank of Slovenia, own estimates

Appendix

Regulatory Requirements

This sovereign rating is an unsolicited credit rating. The Bank of Slovenia (BSI) and the Institute of Macroeconomic Analysis and Development (IMAD) participated in the credit rating process as BSI and IMAD provided additional information and commented on a draft version of the report. Thus, this report represents an updated version which was augmented in response to the factual remarks of BSI and IMAD during their review. However, the rating outcome as well as the related outlook remained unchanged.

The rating was conducted on the basis of CRAG´s “Sovereign Ratings” methodology. 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 is published on the following internet page: www.creditreform-rating.de.

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, Central Bank of Slovenia, Republic of Slovenia – Ministry of Finance, Republic of Slovenia – Fiscal Council, Statistical office of the Republic of Slovenia (SORS), Bank Assets Management Company (BAMC), Slovenian Sovereign Holding (SSH).

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 and that the rating action was and is free of any existing or potential conflicts of interest. 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".

In the case of a 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 regard to the rated entity CRAG regarded available historical data as sufficient.

In case of providing ancillary services to the rated entity, CRAG will disclose all ancillary services in the credit rating report.

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 CRAG`s default rates are available in the credit rating methodologies disclosed on the website.

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