S&P Global
Ratings

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Research Update:

Israel Ratings Affirmed At 'AA-/A-1+'; Outlook Stable

November 11, 2022

Overview

- After Israel's fifth general election in just four years, former prime minister Benjamin Netanyahu is set to return, leading a coalition of rightwing and Orthodox Jewish religious parties into government.
- In our view, the political shift to the right is unlikely to affect economic performance in the near future, which has been largely uncorrelated with political cycles in recent years. Nevertheless, we expect Israel's economic growth to notably slow in 2023, in line with the weaker global economic backdrop.
- Israel's fiscal performance has strengthened in 2022 and we now estimate a balanced general government budget this year.
- Regional political risks are still elevated, in our view, despite the signing of Abraham Accords in 2020 and a recent maritime border demarcation deal with Lebanon. We consider that escalation of hostilities between Israeli security forces, Hamas, and other groups remains a possibility.
- We have affirmed our 'AA-/A-1+' sovereign ratings on Israel and maintained the stable outlook.

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Rating Action

On Nov. 11, 2022, S&P Global Ratings affirmed its 'AA-/A-1+' long- and short-term foreign and local currency sovereign credit ratings on Israel. The outlook is stable.

Outlook

The stable outlook balances elevated regional and domestic political risks against the country's persistently resilient economy, strong budgetary performance, and strong balance of payments. We also forecast that Israel's net external asset position will remain at 30% of GDP over the next two years, providing a substantial economic buffer.

Downside scenario

We could lower the ratings if regional or domestic political risks escalated sharply and affected Israel's economic, fiscal, and balance-of-payments metrics.

Upside scenario

We could raise the ratings if regional and domestic political and security risks were significantly reduced.

Rationale

Israel's credit strengths include its wealthy and resilient economy, its net external asset position, and the benefits that accrue from flexible monetary settings and a relatively deep pool of domestic savings. However, the ratings remain constrained by significant domestic and regional political and security risks. These were recently highlighted by the August 2022 flare-up in the fighting between Israel and an armed group in Gaza (Islamic Jihad), and by an earlier 11-day outbreak of violence between Israeli security forces and Hamas, also in Gaza in May 2021. Although risks are elevated, previous domestic political uncertainty and short bouts of conflict have not typically caused the economy to falter.

Institutional and economic profile: We expect Israel's growth to slow to 2% in 2023, held back by the weaker global macroeconomic backdrop

- A coalition of rightwing and Haredi religious parties led by Netanyahu secured 64 out of 120 parliamentary seats at the general election on Nov. 1, 2022--a clear majority.
- Nevertheless, domestic political volatility could persist if the surge in support for far-right parties leads to higher tensions, including in the West Bank.
- We forecast that Israel's economy will grow by a strong 6% this year, but that weaker global economic trends will mean slower growth of just 2% next year.

The 64 seats gained by Netanyahu's bloc constitutes a decisive result in the Nov. 1 parliamentary election. Of the five elections Israel has held over the past four years, this was the first to produce a comparatively clear result--the rest had created weak coalitions that quickly collapsed.

Although we now expect Netanyahu to form a government with a more comfortable majority in the 120-seat Knesset (parliament), we also anticipate that a degree of domestic political volatility and unpredictability will remain. Specifically, the presence of more rightwing parties in government could complicate relations with Israeli-Arabs and in the West Bank. Netanyahu's Likud party is likely to govern in coalition with the far-right Religious Zionism Party as well as Haredi religious parties Shas and United Torah Judaism alliance. Additionally, Netanyahu is still standing trial in several ongoing graft-related cases, and the outcome of these is unclear.

Nevertheless, Israel's economic performance has largely been disconnected from its domestic political cycles in recent years, and we expect this to remain the case in our baseline scenario. Israel's economy registered only a mild contraction of 1.9% in real terms in 2020, and subsequently grew by a strong 8.6% in 2021. Based on quarterly and more high-frequency data, we now forecast economic growth of 6% in 2022. We predict all the key expenditure components--consumption, investment, and exports-- to expand. Israel's economy is largely centered around high value-added IT-related service exports, including cyber security, fintech, digital health, defense, and broader technology, mostly in the business-to-business segment. In 2021, high-tech exports of goods and services surpassed 50% of total exports for the first time.

At the same time, we consider that near-term downside risks to Israel's growth have risen. Over 60% of Israel's goods and services trade is with the U.S. and European countries, where we project growth will slow sharply in 2023. The U.S. economy is forecast to grow by just 0.2% next year, and the eurozone by just 0.3%. Some European countries, such as the U.K., Germany, and Italy, will fall into recession. We therefore expect lower corporate investments from the countries that purchase Israeli services, which will in turn weigh on the small and open Israeli economy.

Consequently, we now forecast significantly slower economic growth in Israel--with GDP growth of 2% in 2023, well below our forecast at the time of previous publication in April 2022 of 3.5%. Although at a headline level, this still compares favorably with most developed market sovereigns, Israel's population has been growing by an average of nearly 2% a year in recent years. As this is likely to continue, we expect Israel's economic growth per capita to stagnate in 2023, before rebounding in 2024 and 2025.

Israel has seen an influx of migrants from Russia this year, in common with some post-Soviet countries that have strong historical links to Russia, such as Georgia and Armenia. Anecdotal evidence suggests that migrants generally aim to escape Russia's deteriorating domestic conditions, as well as the military conscription it announced at the end of September 2022. Nevertheless, we note that the current wave of migration is significantly smaller than the inflows seen in the 1990s and we do not expect it will have a significant macroeconomic effect.

Over the longer term, we expect Israel to sustain annual growth rates of around 3.5%, broadly in line with historical trends. That said, it has yet to resolve several structural shortcomings and inclusive growth remains a challenge. Although the technology sector is performing strongly, Israel's more-traditional sectors are faring less well and are characterized by lower productivity levels. In addition, significant portions of the population are underrepresented in the labor force. This includes both Orthodox Jews and the Israeli-Arab minority.

Long-term growth rates could be supported by the continued expansion of the Israeli gas sector, particularly given that gas supply disruptions in Europe have led to a search for alternative suppliers. Domestic gas production is likely to continue to expand over the medium term. For now, the key export markets are Egypt and Jordan, but additional infrastructure could allow Israel to export liquified natural gas to Europe in future. In our view, the recent maritime demarcation deal with Lebanon could also support gas exploration in both countries, by limiting security risks.

Over the past two years, Israel has entered into a number of regional agreements that could also help promote economic cooperation and reduce regional security-related tensions. The most notable of these were the Abraham Accords, which normalized bilateral relations between Israel and several Arab countries (United Arab Emirates, Bahrain, Morocco, and Sudan).

Nevertheless, fundamentally, we view Israel as a country that faces elevated domestic security and regional geopolitical risks. These risks continue to constrain the sovereign ratings and were prominently highlighted in May 2021, when there was a major escalation in hostilities between Israeli security forces and Hamas. Ultimately, the conflict was relatively short-lived, but the friction was arguably the most significant in years and was complicated by the flare-up in domestic inter-ethnic unrest between Israeli-Arabs and Jews. Several ethnic knife and firearm attacks have taken place in 2022, and military operations have been carried out in Gaza against Islamic Jihad, a Palestinian group.

In our baseline scenario, we do not expect geopolitical tensions to escalate uncontrollably, such that Israel engages in an open and full war in Gaza or the West Bank, or against Iran or Syria. Nevertheless, risks remain--if the hostility escalated to a full war, it would impair several credit factors at the same time, including growth, balance of payments, and fiscal performance.

Flexibility and performance profile: Budgetary performance remains strong, with net general government debt to return to pre-pandemic levels by 2024

- Israel's fiscal performance strengthened in 2022; we now forecast a balanced full-year general government budget.
- We expect Israel to maintain current account surpluses of 3%-4% of GDP through 2025, which will contain external risks.
- Although inflation has risen, the domestic production of gas has kept energy prices in check; at 4.3%, projected inflation is significantly below that forecast for most developed and emerging markets.

Israel has recorded strong monthly fiscal outturns throughout 2022. Over the first 10 months of the year, the general government budget was in surplus of new Israeli shekel (NIS) 30 billion (1.7% of GDP). This represents the country's strongest budgetary performance in decades. Revenue growth across the board (including consumption and real estate taxes), combined with lower spending, underpinned the strong outturns. Although we anticipate an increase in spending as year-end approaches, Israel is still projected to record a balanced budget for the full year, a notable improvement on previous years. It recorded deficits of 11.5% of GDP in 2020 and 5.5% of GDP in 2021.

There are, however, signs that revenue growth is already rapidly decelerating. In addition, we expect household budgets will suffer from higher inflation, the tightening of Israel's monetary policy, and the effect of rapid house price growth on housing affordability. We expect the government may be under pressure to adopt additional spending measures that would soften the effect on living standards in the coming months. Consequently, in our base-case scenario we expect Israel to run general government deficits averaging 2% of GDP annually over the next three years.

Even so, Israel's fiscal trajectory has proved stronger than we expected when the pandemic hit in 2020. Based on our current deficit projections, net general government debt will drop below 58% of GDP--the 2019 level--as soon as 2024. When calculating net general government debt, we net out central government deposits in commercial banks and the central bank.

Israel's public debt structure remains favorable. Close to 85% of debt is denominated in local currency and held domestically by local banks, pension funds, and other institutional investors. The country benefits from strong access to capital markets, both domestically and internationally. This has supported the government's efforts to diversify its funding base and lengthen average debt maturity. It is capable of accessing foreign markets again, given substantial investor demand, in the currently higher global interest rate environment. In the unlikely event of funding disruptions, the government also has recourse to the remaining portion of a longstanding U.S. debt guarantee program.

We consider Israel's balance of payments to be a key ratings strength. The country has been running a current account surplus for the past 18 years, primarily supported by the fast expansion of high value-added information and communications technology service exports. In total, external services have produced a surplus that averaged 6% of GDP over 2017-2021. This has shifted Israel into a substantial net external asset position of about 30% of GDP--one of the highest among non-commodity-exporting sovereigns--and reduced its gross external financing needs. In 2021, the current account surplus amounted to 4.4% of GDP, bolstered by the resilient performance of service exports. Strong global demand for Israeli services, as well as gas exports from the new fields, should keep the current account surplus close to 3.5%-4.0% of GDP over 2023-2025.

We also consider Israel's monetary policy flexibility to be a credit strength. The Bank of Israel (BOI) has a record of operational independence and uses a range of market-based monetary instruments. Monetary policy also benefits from the deep local currency financial and capital markets. Throughout the pandemic, the bank deployed the tools available to it to soften its effects on the Israeli economy. Tools used included policy rate cuts, quantitative easing, and the extension of loans to banks at low interest rates. The BOI had also amassed substantial foreign exchange reserves of US$189 billion by the end of October 2022 (36% of GDP). Current foreign exchange reserve levels cover Israel's overall external debt (including government and private sector foreign debt) by 1.3 times.

Although inflation in Israel picked up in recent months, it remains significantly below the upswing experienced in other emerging and developed markets, including the U.S. and the U.K. We project average annual inflation of 4.3% in 2022, a slight upward revision from our previous forecast of 4%. Domestic inflation has been slowed by Israel's increased reliance on domestically produced gas, which partially offsets the impact of the increase in global energy prices. Nevertheless, the BOI has reacted to rising inflation, commencing a tightening cycle and raising the key interest rate by a cumulative 265 basis points since April 2022.

The Israeli banking system is well capitalized, profitable, and liquid. Banks' asset quality has historically been good and we forecast only a moderate increase in nonperforming loans over the next 24 months--to 1.5% of total loans, from a low of 1.2% in 2021--as inflationary pressures, rising interest rates, and increased leverage will affect borrowers' creditworthiness. Banks' capital buffers, supported by strong profitability, should enable the banks to weather the impact.

Israeli banks have significantly increased their exposure to real estate-related lending, mainly in mortgages and financing for new construction projects, on the back of strong demand for housing. We expect a slowdown in lending to the sector, which would dampen real estate price growth. We are cautious about banks' exposure to mortgage lending, but the risk appears to be contained. The loan-to-value ratio is moderate (54.8% on average, at the end of 2021). Fundamental demand is driven by population growth and supply-side limitations.

That said, borrowers' vulnerability to a slowdown in demand, combined with increased leverage in the sector, has caused the level of risk in the construction segment to rise. The risk picture is complicated by the increasing share of the market being taken by nonbank lenders that are not supervised by BOI. Although the various regulatory bodies cooperate, differences in approach are sometimes apparent. We see potential for financial risks to emerge without being fully supervised. For more details on the Israeli banking sector, see Banking Industry Country Risk Assessment: Israel," published Oct 18, 2022.

Key Statistics

Table 1

Israel Selected Indicators

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Economic indicators (%)										
Nominal GDP (bil. LC)	1,237	1,290	1,353	1,435	1,423	1,578	1,740	1,828	1,926	2,029
Nominal GDP (bil. $)	322	358	377	402	413	489	519	534	579	620
GDP per capita (000s $)	37.7	41.1	42.4	44.5	44.9	52.2	54.3	54.8	58.3	61.1
Real GDP growth	4.5	4.3	4.1	4.2	(1.9)	8.6	6.0	2.0	3.5	3.5
Real GDP per capita growth	2.5	2.3	2.1	2.2	(3.6)	6.8	3.9	0.0	1.5	1.5
Real investment growth	11.2	3.1	7.8	3.3	(3.9)	11.7	8.0	2.0	3.5	3.5
Investment/GDP	22.9	22.9	23.8	23.3	23.8	24.8	24.7	24.4	24.4	24.4
Savings/GDP	26.5	26.5	26.8	27.1	29.3	29.2	28.3	28.2	28.1	27.8
Exports/GDP	30.0	29.2	29.9	29.3	27.7	29.5	29.8	29.6	29.2	28.9
Real exports growth	2.4	4.9	5.7	3.7	(2.7)	14.6	9.5	2.5	3.0	3.0
Unemployment rate	4.8	4.2	4.0	3.8	4.3	5.0	3.8	4.0	3.8	3.5
External indicators (%)										
Current account balance/GDP	3.7	3.6	3.0	3.7	5.5	4.4	3.6	3.8	3.7	3.4
Current account balance/CARs	9.9	9.9	8.0	10.3	16.3	12.1	10.0	10.6	10.5	9.7
CARs/GDP	37.0	36.1	37.0	36.0	33.8	36.3	35.9	35.9	35.3	34.8
Trade balance/GDP	(2.5)	(2.9)	(4.4)	(3.7)	(2.8)	(4.4)	(5.1)	(4.9)	(5.1)	(5.3)
Net FDI/GDP	(0.8)	2.6	4.1	2.2	4.5	2.5	1.5	3.0	3.0	3.0
Net portfolio equity inflow/GDP	1.3	0.0	(4.1)	(1.5)	(5.1)	(0.7)	(5.0)	(4.0)	-4	(4.0)
Gross external financing needs/CARs plus usable reserves	68.8	68.0	66.1	64.6	59.5	58.1	56.3	59.1	60.3	61.6
Narrow net external debt/CARs	(42.2)	(53.9)	(46.6)	(51.1)	(67.4)	(65.6)	(49.6)	(46.1)	(40.9)	(36.5)
Narrow net external debt/CAPs	(46.9)	(59.8)	(50.7)	(57.0)	(80.4)	(74.6)	(55.2)	(51.5)	(45.7)	(40.4)
Net external liabilities/CARs	(89.4)	(112.5)	(98.4)	(109.5)	(132.6)	(89.6)	(86.6)	(92.6)	(95.3)	(99.0)
Net external liabilities/CAPs	(99.2)	(124.9)	(107.0)	(122.1)	(158.3)	(101.9)	(96.2)	(103.6)	(106.4)	(109.6)
Short-term external debt by remaining maturity/CARs	30.9	29.6	27.7	26.3	29.4	27.0	30.6	29.1	28.3	27.8

Table 1

Israel Selected Indicators (cont.)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Usable reserves/CAPs (months)	10.1	10.1	10.6	10.6	12.9	13.4	15.2	13.5	12.8	12.2
Usable reserves (mil. $)	98,447	113,011	115,279	126,014	173,297	212,992	192,221	194,889	197,785	200,882
Fiscal indicators (general government; %)										
Balance/GDP	(2.1)	(2.0)	(4.3)	(4.5)	(11.5)	(5.5)	0.0	-2	(2.0)	(2.0)
Change in net debt/GDP	1.1	0.5	3.0	3.0	9.2	4.1	1.2	1.6	1.9	1.9
Primary balance/GDP	1.0	1.0	(1.4)	(1.7)	(8.7)	(2.8)	2.8	1.1	0.9	0.7
Revenue/GDP	36.4	37.4	35.8	35.0	34.7	37.0	38.0	37.0	37.0	37.0
Expenditures/GDP	38.6	39.4	40.1	39.5	46.2	42.5	38.0	39.0	39.0	39.0
Interest/revenues	8.7	8.1	8.1	8.0	8.1	7.4	7.5	8.4	7.9	7.4
Debt/GDP	61.4	59.7	59.9	58.8	70.7	68.0	62.8	61.4	60.1	58.9
Debt/revenues	168.7	159.5	167.3	168.0	203.6	183.5	165.3	165.9	162.5	159.3
Net debt/GDP	59.4	57.4	57.8	57.5	67.2	64.6	59.8	58.5	57.4	56.4
Liquid assets/GDP	2.1	2.2	2.1	1.4	3.5	3.3	3.0	2.9	2.7	2.6
Monetary indicators (%)										
CPI growth	(0.5)	0.2	0.8	0.8	(0.6)	1.5	4.3	3.5	2.0	2.0
GDP deflator growth	0.4	(0.0)	0.8	1.8	1.0	2.1	4.0	3.0	1.8	1.8
Exchange rate, year-end (LC/$)	3.85	3.47	3.75	3.46	3.22	3.11	3.50	3.35	3.30	3.25
Banks' claims on resident non-gov't sector growth	3.9	4.0	6.2	4.9	4.8	14.2	14.0	5.0	4.0	4.0
Banks' claims on resident non-gov't sector/GDP	69.3	69.2	70.0	69.3	73.2	75.4	78.0	77.9	76.9	75.9
Foreign currency share of claims by banks on residents	4.9	4.3	4.4	3.7	4.1	3.9	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	19.9	18.6	19.7	19.1	18.3	19.6	N/A	N/A	N/A	N/A

Table 1

Israel Selected Indicators (cont.)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Real effective exchange rate growth	2.7	6.8	(1.8)	0.7	(3.6)	6.0	N/A	N/A	N/A	N/A

Sources: The Bank of Israel, Israel Central Bureau of Statistics, International Monetary Fund (Economic Indicators), Israel Central Bureau of Statistics, The Bank of Israel (External Indicators), The Bank of Israel, Ministry of Finance of the Government of Israel (Fiscal Indicators), and The Bank of Israel, International Monetary Fund (Monetary Indicators).
Adjustments: None.
Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private-sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	4	Generally effective policymaking promoting sustainable public finance and balanced economic growth. However, we view Israel as having a civil society with ethnic tensions given at times strained relations between Israeli-Jews and Israeli-Arabs and Palestine. There is, nevertheless, a low probability of social upheaval.
Economic assessment	1	Based on GDP per capita ($) as per the Selected Indicators table above.
External assessment	1	Based on narrow net external debt (% of CAP) and gross external financing needs (% of CAR + usable reserves) as per the Selected Indicators table above.
Fiscal assessment: flexibility and performance	2	Based on the change in net general government debt (% of GDP) as per the Selected Indicators table above.
Fiscal assessment: debt burden	3	Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per the Selected Indicators table above.
Monetary assessment	2	Managed-float exchange-rate regime. The central bank has a track record of operational independence and it uses market-based monetary instruments and has the ability to act as a lender of last resort. CPI as per the Selected Indicators table above; the local currency financial and capital markets are deep.
Indicative rating	aa	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	-1	Event risk related to potential cases of rapidly rising external political crises, such as a large-scale ground war with Iran and armed confrontation with Hamas.
Final rating		
Foreign currency	AA-	
Notches of uplift	0	Default risks do not apply differently to foreign-and local-currency debt.

Table 2

Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Local currency	AA-	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings List, Nov. 9, 2022
- Sovereign Ratings History, Nov. 9, 2022
- Banking Industry Country Risk Assessment: Israel, Oct. 18, 2022
- Sovereign Risk Indicators, Oct. 10, 2022. An interactive version is also available at http://www.spratings.com/sri
- Default, Transition, and Recovery: 2021 Annual Global Sovereign Default And Rating Transition Study, May 4, 2022
- Sovereign Debt 2022: Borrowing Will Stay High On Pandemic And Geopolitical Tensions, April 5, 2022
- Sovereign Debt 2022: Ukraine Conflict Could Push Developed EMEA's Commercial Borrowing Higher Than $1.6 Trillion, April 5, 2022

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the

Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed

Israel	
Sovereign Credit Rating	AA-/Stable/A-1+
Transfer & Convertibility Assessment	AA+
Senior Unsecured	AA-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914

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