FitchRatings

Ibercaja Banco, S.A.

Banks
Universal Commercial Banks
Spain

Key Rating Drivers

Stronger Financial Profile: Ibercaja Banco, S.A.'s ratings reflect structural improvements in asset-quality and profitability metrics, which support the bank's adequate capitalisation. The ratings also reflect a strong regional franchise, supporting stable funding based on a large and granular deposit base and a moderate risk profile broadly similar to peers'.

Small Franchise, Diversified Business Model: Ibercaja is a medium-sized retail bank with a nationwide market share of about 3%, but it has a strong franchise in its home regions. The bank's business model is supported by well-developed insurance and asset-management businesses, which provide it with more revenue diversification than similarly rated banks. Net interest income reliance has been lower than peers'.

Moderate Risk Profile: Ibercaja's risk profile is commensurate with its business model, which is dominated by residential mortgage loans. Ibercaja has a large structural securities portfolio (35% of total assets) due to its ample liquidity and the size of its insurance business, mostly composed of Spanish sovereign debt.

Most of the banking portfolio is accounted at amortised cost, while the insurance portfolio has more exposure to private counterparties and a large part of assets are classified at fair value, which results in some volatility in the bank's capital metrics.

Asset Quality Better than Peers': Ibercaja's problem assets ratio (which includes impaired loans and net foreclosed assets) has greatly reduced (end-1Q24: 2.1%; end-2018: 8.0%) and is now better than many peers'. The increase in interest rates has not affected asset quality and we now expect asset-quality deterioration to be limited.

Structural Profitability Improvements: Ibercaja's operating profit improved to 2.5% of risk-weighted assets (RWAs) in 2023 (2022: 1.9%), largely supported by strong growth in net interest income (NII) on continued loan repricing and contained funding costs. We expect the bank's operating profitability to continue improving in 2024 before it slightly decreases in 2025, but for it to remain above historical averages, despite a decrease in interest rates.

Improving Capital Ratios: Ibercaja's common equity Tier 1 (CET1) ratio (end-March 2024: 13.2%) was well above its Supervisory Review and Evaluation Process (SREP) requirement of 8.1%.

We expect the CET1 ratio to benefit from improved organic capital generation and lower capital distributions as the bank's main shareholder, Ibercaja's Banking Foundation, achieved the legally required amount in its reserve fund earlier than expected in 1Q24. Our assessment of capital reflects our expectation that the bank will operate with its CET1 meeting its updated medium-term target of 13.5%–14%.

Stable Funding Profile: The bank's main funding source is a stable and granular retail deposit base, which fully funds the loan book. Ibercaja has access to institutional markets for funding, although it is not a frequent issuer. Wholesale funding is mostly in the form of covered bonds and to build resolution buffers. The bank regulatory ratios were sound at end-1Q24.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F3
Viability Rating	bbb
Government Support Rating	ns
Sovereign Risk (Spain)	
Long-Term Foreign-Currency IDR	A-
Long-Term Local-Currency IDR	A-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Upgrades Ibercaja to 'BBB'; Outlook Stable (May 2024)

Potential BBVA–Sabadell Merger Would Widen Gap with Spain's Second-Tier Banks (May 2024)

Fitch Affirms Spain at 'A-'; Outlook Stable (May 2024)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The ratings could be downgraded if the problem asset ratio worsens to above 3% or if operating profit weakens structurally to below 1.5% of RWAs. Rating pressure could also arise if the fully loaded CET1 ratio falls below 13% on a sustained basis.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade is limited unless Ibercaja materially strengthens its business and financial profiles. This could be due to a strengthening of Ibercaja's capitalisation and operating profitability, while maintaining an average problem asset ratio consistently below 2%. An upgrade would also require that the bank maintains its current conservative approach to risk-taking.

Other Debt and Issuer Ratings

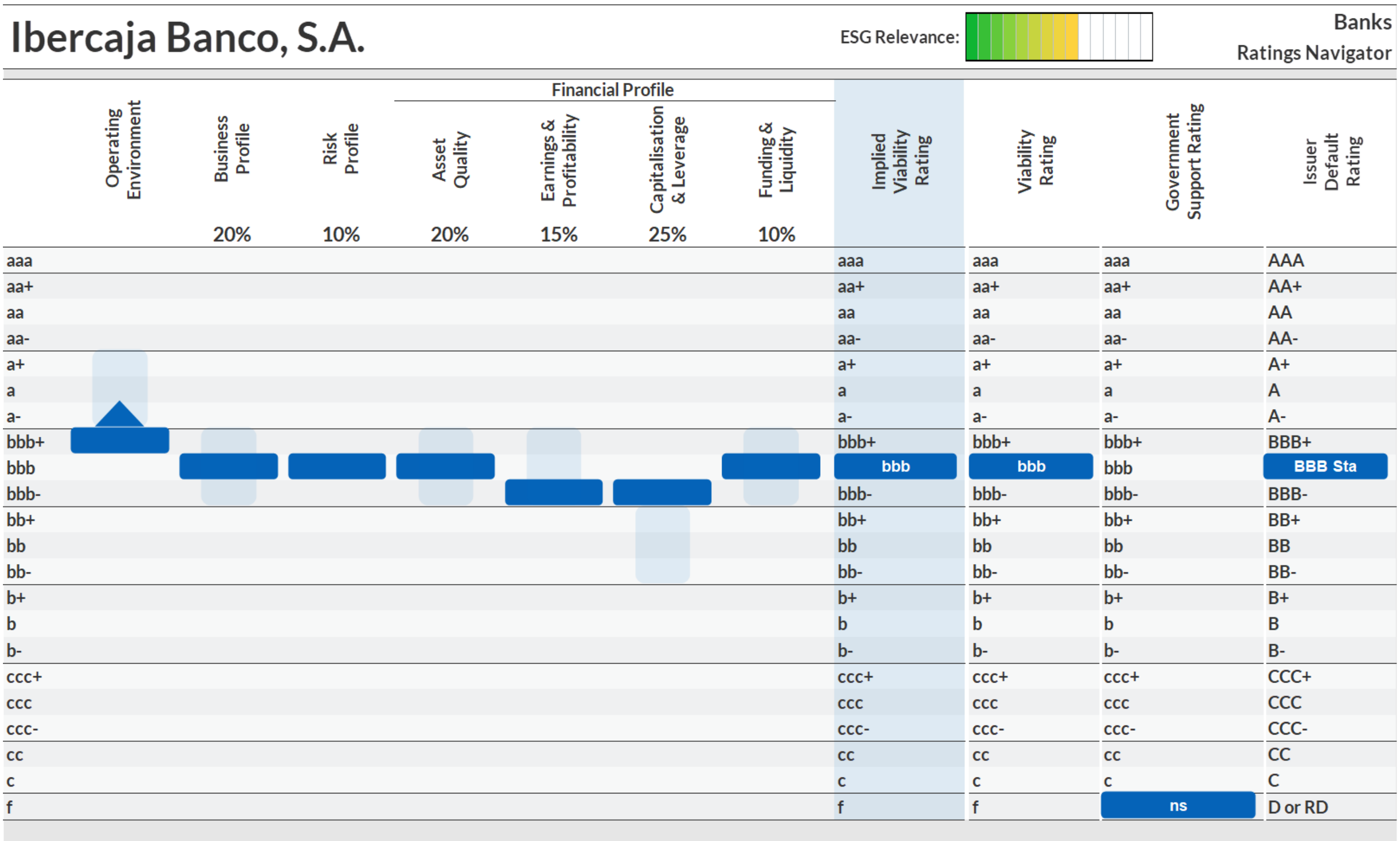
Rating level	Rating
Senior preferred: long term	BBB
Subordinated: long term	BB+

Source: Fitch Ratings

Ibercaja's senior preferred (SP) debt is rated in line with the bank's Long-Term IDR, and reflects our expectation that it will use SP debt to meet its resolution buffer requirements, and that the combined buffer of additional Tier 1, Tier 2 and senior non-preferred (SNP) debt is unlikely to exceed 10% of the bank's RWAs.

Subordinated Tier 2 debt is rated two notches below the VR for loss severity, reflecting poor recoveries arising from its subordinated status.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of ‘bbb+’ is below the ‘a’ category implied score due to the following adjustment reason: economic performance (negative).

The capitalisation and leverage score of ‘bbb-’ is above the ‘bb’ category implied score due to the following adjustment reason: historical and future metrics (positive).

Company Summary and Key Qualitative Factors

Business Profile

Small Franchise, Diversified Revenue Base

Ibercaja's traditional business model focuses on providing financial services to households and SMEs. The bank has a leading position in the autonomous community of Aragon, with good market shares in loans (end-2023: 26%) and deposits (41%), complemented by a significant presence in neighbouring regions in Spain (La Rioja, Guadalajara, Burgos y Badajoz). However, its national market share is small, at about 3%.

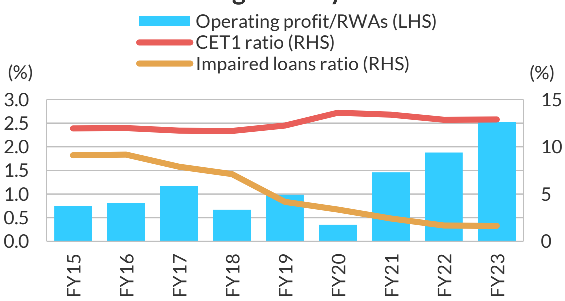
Ibercaja's insurance and asset-management businesses are very relevant for the group, with larger market shares than its national loan and deposit business (around 6% at end-2023), and providing earnings diversification through fee-income generation and insurance revenues, as well as stability throughout the interest rate cycle. Off-balance-sheet customer funds accounted for 54% of total customer funds at end-1Q24, which is significantly larger than peers. Given the size of the insurance business, Ibercaja is one of the two Spanish banks treated as a financial conglomerate for regulatory purposes.

Strategic Objectives Focused on Customer and Resilience

Ibercaja accomplished its 2021–2023 strategic plan, exceeding most of the bank's business objectives. New updated financial targets reflect management commitment to continue improving the bank's financial profile in 2024-2026. Commercial objectives remain focused on maintaining the bank's leadership in its home regions while growing at national level.

The bank targets a return on total equity above 10% and a cost-efficiency ratio below 54%, while maintaining a CET1 fully loaded ratio between 13.5% and 14.0%. Other financial targets include a non-performing assets ratio below 3.5%, with a cost of risk below 35bp. We believe the updated targets are, in general, conservative and will likely be exceeded given the bank's starting position and overall good prospects amid a fairly benign operating environment.

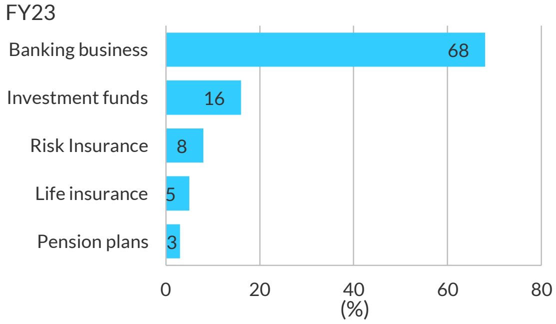
Performance Through the Cycle



Source: Fitch Ratings, Fitch Solutions, Ibercaja

Income Split by Segment

FY23



Source: Fitch Ratings, Fitch Solutions, Ibercaja

Risk Profile

Exposure Weighted Towards Mortgage Lending

Credit risk is the bank's main risk, largely stemming from its lending book (52% of total assets at end-1Q24) and the securities portfolio (35% including the insurance portfolio). The debt securities portfolio is large, and accounts for a larger proportion of the balance sheet than peers' due to the bank's large structural liquidity and its insurance business.

Ibercaja's loan portfolio is dominated by loans to individuals (67% of total portfolio at end-1Q24), mainly residential mortgages with adequate underwriting standards (average loan-to-value of 55% at end-2023). The rest is mainly oriented towards corporates (29% of total portfolio at end-1Q24) and the public sector (4%). The bank has not been active in consumer lending, and this has been mostly granted to existing clients as preapproved loans.

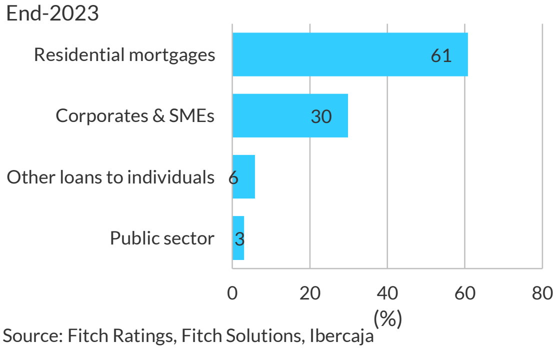
Ibercaja's loan book declined by 2% in 2023, mainly driven by the decrease in the mortgage portfolio (-3%), as customers with floating-rate loans increased prepayments. Demand in this segment was also subdued due to the higher interest rates, but this was partially offset by the corporate portfolio's better performance (+2%). This trend continued in 1Q24, with further reductions in the mortgage portfolio (-1% qoq). We expect loan growth to remain overall muted in 2024 and to slightly resume in 2025, supported by the lower interest rates and resilient economic growth in Spain.

Large Securities Portfolio

Ibercaja's market risks largely stem from interest-rate risk in its banking book, and this is appropriately managed and hedged. The bank's debt securities portfolio represented 20% of total assets, or 4.6x of CET1, at end-1Q24 (excluding the insurance business), which is large compared to peers. This is driven by the large structural liquidity of the bank due to the ample deposit base.

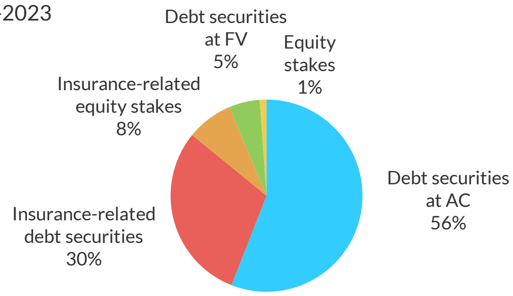
At end-1Q24, the banking portfolio mostly included Spanish sovereign debt (85% of the total securities portfolio, including SAREB bonds and public administrations) and, to a lesser extent, other foreign sovereign debt (14%, mostly Italian debt). This portfolio is mostly accounted at amortised cost and had a duration of around three years (including hedging). The insurance portfolio (14% of total assets at end-March 2024) mostly includes Spanish sovereign debt and debt from private counterparties.

Loan Mix
End-2023



Source: Fitch Ratings, Fitch Solutions, Ibercaja

Total Securities Portfolio
End-2023



Source: Fitch Ratings, Ibercaja

Financial Profile

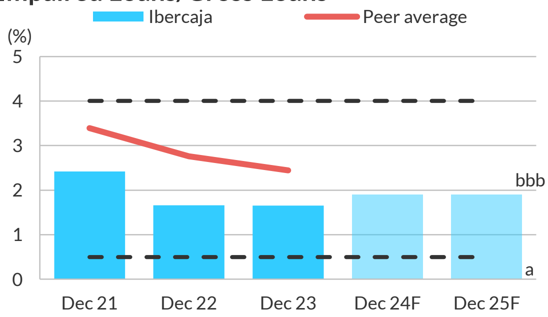
Asset Quality

Ibercaja's asset quality metrics performed better than we had expected in 2023 and 1Q24, with the impaired loans ratio remaining broadly stable at 1.7% at end-1Q24. The expected borrower's affordability pressures from the higher interest rates did not result in any significant asset quality deterioration, in part supported by the seasoned mortgage portfolio, strict underwriting standards and strong labour market dynamics.

Stage 2 and forborne loans remained stable (5% and 1% of gross loans at end-2023, respectively) and below peers. The performance from state-guaranteed loans has been adequate so far, and the impact from the new code of good practices, which was modified by the Spanish government to support low-income borrowers with floating-rate mortgage loans, has been limited. We believe Spain's resilient growth prospects and the stability of the labour market, together with lower interest rates, should limit potential asset quality risks. Fitch expects impaired loans to increase only modestly in 2024, while the net foreclosed assets will continue to reduce.

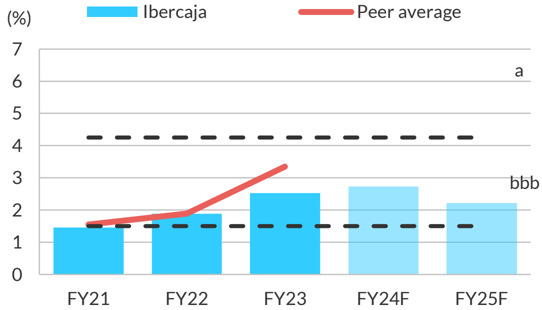
The operating environment for Spanish banks is improving due to resilient economic growth prospects and structurally higher interest rates, which should underpin strong profitability. Rapid reduction in private sector debt in recent years also provides banks with scope to grow business volumes, particularly as interest rates start to fall.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Given Ibercaja's high weight of low-risk low-return residential mortgage lending, its profitability has been historically modest and stable, although this has significantly improved in recent years, supported by the bank's past restructuring, an effective balance-sheet clean up and more recently, the higher interest rates. The bank benefits from its well-developed insurance and asset-management business, which represents an earnings strength compared to some similarly sized peers.

Ibercaja's operating profit/RWAs ratio materially improved to 2.5% in 2023 (2022: 1.9%), largely supported by strong NII (+43% yoy under same accounting standards, including impact of IFRS17), benefitting from a much higher customer spread given its large share of floating-rate mortgage loans and contained funding costs. Together, net commission income growth and stronger insurance income more than offset the negative impact from the bank levy. Operating expenses increased by around 9% yoy, driven by an extraordinary bonus remuneration and higher salaries and IT investments. LICs/gross loans were also relatively high in 2023, at 32bp (2022: 22bp) and we expect them to remain at current levels in 2024 before they reduce in 2025–2026.

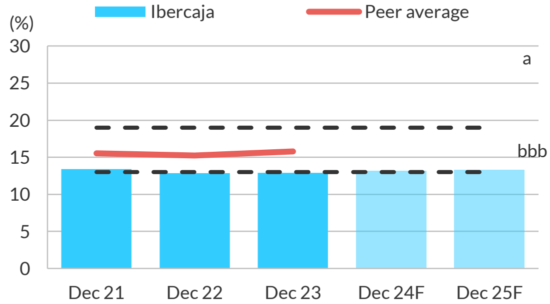
In 1Q2024, Ibercaja reported an annualised operating profit/RWAs ratio of 2.4%, still benefitting from an upward trend in operating revenues and despite the full payment of the temporary bank levy (EUR40 million) in one quarter. Assuming this was split equally every quarter the operating profit/RWA would stand at 2.9%. We expect Ibercaja's operating profitability to slightly increase in 2024 on relatively stable NII, continued net commission income growth and lower contribution from the deposit guarantee fund and the single resolution fund. Downward pressure on NII from lower interest rates will be more visible in 2025, but the bank's overall profitability should remain above 2%.

Capital and Leverage

Ibercaja's capital ratios have been rising in recent years and are now similar to peers'. We believe the bank will be able to reach the revised medium-term CET1 target of 13.5%–14% (an increase from the previous 12.5%) soon, and will most likely exceed it, supported by the bank's improved earnings-generation capacity, low loan growth prospects, and a lower dividend pay-out. Ibercaja's risk-weight density (34% at end-1Q24) is high considering its loan book mix and large securities portfolio. This is explained by the fact that Ibercaja still calculates credit risk RWA under the standardised approach. The bank is working on the approval of internal models, which could lead to a material reduction of RWAs. The bank leverage ratio was also good, at 5.9% at end-1Q24.

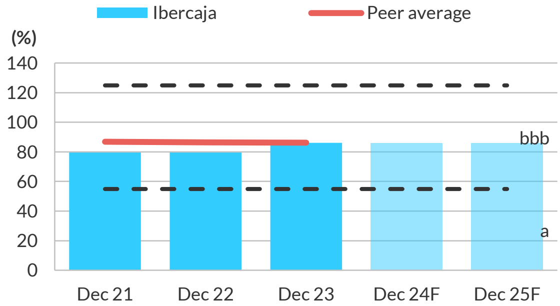
The Ibercaja Banking Foundation fulfilled the requirements for the reserve fund early, in 1Q24 (legally required by end-2025), and the final reserve fund amounted to EUR326 million (1.75% of total RWAs) at end-March 2024.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Ibercaja's main funding source is its stable and granular retail customer deposit base, which accounted for about 82% of total funding at end-2023, and fully funded its loan book. Retail deposits decreased by 10% in 2023, as a result of the bank's strategy to offer off-balance-sheet products to customers looking for higher-yielding products, with the latter increasing by 19% during the year. Ibercaja benefitted from its strong bancassurance business and this strategy allowed the bank to report the lowest deposit beta among peers. Deposits were also affected by outflows to prepay floating-rate loans, a trend that started to slow in 2H23.

Despite lower customer deposits, the loans/deposits ratio was good at 86%, also supported by a small decline in the loan book, and we expect the ratio to remain at similar levels in the medium-term. We expect customer deposits to stabilise in 2024, as the bank starts to slightly remunerate deposits and the pre-payment of loans slows. The amount of term deposits more than doubled in 1Q24, reflecting Ibercaja's new policy remuneration, and we expect them to continue increasing throughout the year.

Ibercaja's mininum requirement for own funds and eligible liabilities (MREL) ratio stood at 23.5% of RWAs at end-March 2024, with a comfortable buffer above its MREL requirement of 21.6%.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process. Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category. Light-blue columns represent Fitch's forecasts.

Peer average includes ABANCA Corporacion Bancaria, S.A. (VR: bbb-), Kutxabank, S.A. (bbb+), Unicaja Banco, S.A. (bbb-), Credito Emiliano S.p.A. (bbb), BPER Banca S.p.A. (bbb-), Banca Popolare di Sondrio - Societa per Azioni (bbb-), Caixa Geral de Depositos, S.A. (bbb), Banco BPI, S.A. (bbb-).

Financials

Financial Statements

	31 Mar 24		31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
	3 months - 1st quarter (USDm)	3 months - 1st quarter (EURm)	Year end (EURm)	Year end (EURm)	Year end (EURm)	Year end (EURm)
	Not disclosed	Not disclosed	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement						
Net interest and dividend income	184	171.0	673.4	568.6	502.3	538.9
Net fees and commissions	125	116.0	450.8	438.3	438.0	374.1
Other operating income	0	-0.1	62.2	-30.4	11.9	88.9
Total operating income	308	286.9	1,186.4	976.5	952.2	1,001.9
Operating costs	176	163.6	621.8	572.9	611.2	718.5
Pre-impairment operating profit	133	123.3	564.6	403.6	341.0	283.4
Loan and other impairment charges	17	16.0	93.9	65.2	78.0	219.6
Operating profit	115	107.3	470.7	338.4	263.0	63.8
Other non-operating items (net)	-3	-2.8	-79.3	-55.2	-48.2	-10.3
Tax	51	47.0	87.0	81.1	63.8	29.9
Net income	62	57.5	304.4	202.1	151.0	23.6
Other comprehensive income	n.a.	n.a.	24.3	-125.3	-31.7	-10.0
Fitch comprehensive income	62	57.5	328.7	76.8	119.3	13.6
Summary balance sheet						
Assets						
Gross loans	30,748	28,605.0	29,091.4	29,730.2	29,578.8	29,966.4
- Of which impaired	521	485.0	480.4	492.7	716.3	1,010.7
Loan loss allowances	488	454.0	449.6	443.0	539.1	644.9
Net loans	30,260	28,151.0	28,641.8	29,287.2	29,039.7	29,321.5
Interbank	602	560.0	590.7	660.2	361.4	205.3
Derivatives	233	217.0	179.4	224.2	74.7	147.5
Other securities and earning assets	21,315	19,830.0	20,395.0	20,006.3	20,085.9	18,439.4
Total earning assets	52,410	48,758.0	49,806.9	50,177.9	49,561.7	48,113.7
Cash and due from banks	2,643	2,459.0	1,999.0	1,582.2	6,388.6	7,572.6
Other assets	3,092	2,877.0	2,710.6	2,600.6	2,681.1	2,714.5
Total assets	58,146	54,094.0	54,516.5	54,360.7	58,631.4	58,400.8
Liabilities						
Customer deposits	35,675	33,189.0	33,756.3	37,355.0	37,167.8	36,242.8
Interbank and other short-term funding	5,151	4,792.0	4,857.0	2,419.1	6,616.3	6,592.0
Other long-term funding	3,447	3,207.0	2,690.8	2,796.3	2,416.9	2,966.1
Trading liabilities and derivatives	606	564.0	603.7	484.1	302.2	259.4
Total funding and derivatives	44,879	41,752.0	41,907.8	43,054.5	46,503.2	46,060.3
Other liabilities	9,652	8,979.0	9,291.2	8,128.3	8,857.8	9,122.1
Preference shares and hybrid capital	n.a.	n.a.	350.0	350.0	350.0	350.0
Total equity	3,615	3,363.0	2,967.5	2,827.9	2,920.4	2,868.4
Total liabilities and equity	58,146	54,094.0	54,516.5	54,360.7	58,631.4	58,400.8
Exchange rate		USD1 = EUR0.930319	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, Ibercaja

Key Ratio

	31 Mar 24	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	2.4	2.5	1.9	1.5	0.4
Net interest income/average earning assets	1.4	1.4	1.1	1.0	1.1
Non-interest expense/gross revenue	57.2	52.2	58.6	64.6	71.8
Net income/average equity	7.3	9.5	6.6	4.9	0.8
Asset quality					
Impaired loans ratio	1.7	1.7	1.7	2.4	3.4
Growth in gross loans	-1.7	-2.2	0.5	-1.3	-3.1
Loan loss allowances/impaired loans	93.6	93.6	89.9	75.3	63.8
Loan impairment charges/average gross loans	0.2	0.3	0.2	0.3	0.7
Capitalisation					
Common equity Tier 1 ratio	13.2	12.9	12.9	13.4	13.6
Fully loaded common equity Tier 1 ratio	13.1	12.7	12.4	12.7	12.6
Basel leverage ratio	5.9	5.8	5.5	6.0	6.3
Net impaired loans/common equity Tier1	1.3	1.3	2.1	7.3	14.7
Funding and liquidity					
Gross loans/customer deposits	86.2	86.2	79.6	79.6	82.7
Liquidity coverage ratio	252.9	247.2	306.5	452.0	468.1
Customer deposits/total non-equity funding	80.6	81.0	87.0	79.8	78.5
Net stable funding ratio	146.0	141.3	152.7	152.2	151.5

Source: Fitch Ratings, Fitch Solutions, Ibercaja

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bbb+ or bbb
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	A-/ Stable
Size of banking system	Negative
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Ibercaja's Government Support Rating (GSR) of No Support (ns) reflects our view that, although external extraordinary government support is possible, it cannot be relied on. Senior creditors can no longer expect to receive full extraordinary support from the government in the event that the bank becomes non-viable due to the implementation of resolution regimes.

Environmental, Social and Governance Considerations

FitchRatings **Ibercaja Banco, S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

				ESG Relevance to Credit Rating
Ibercaja Banco, S.A. has 5 ESG potential rating drivers	key driver	0	issues	5
Ibercaja Banco, S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.	driver	0	issues	4
Governance is minimally relevant to the rating and is not currently a driver.	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation of the materiality or relevance of ESG factors in a rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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