FitchRatings

Banks
Universal Commercial Banks
Spain

Ibercaja Banco, S.A.

Ratings

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

Key Rating Drivers

Strengthening Financial Profile: Ibercaja Banco, S.A.'s ratings reflect its adequate capitalisation and accelerated balance-sheet de-risking, which results in its asset quality metrics being better than domestic averages. Funding and liquidity are sound and stable. Profitability remains a rating weakness, although this is improving.

Small but Diversified Franchise: Ibercaja is a medium-sized retail bank with nationwide market shares of around 3%, but its franchise is stronger 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.

Moderate Risk Profile: Ibercaja's risk profile is commensurate with its business model, which is dominated by residential mortgage loans (60% of total loans at end-March 2023). Fitch Ratings believes Ibercaja is in a fairly good position to absorb asset-quality pressures from higher interest rates due to its seasoned book, adequate affordability ratios and high collateralisation.

Large Securities Portfolio: Ibercaja's debt securities portfolio is large, given its insurance footprint. The banking portfolio mainly comprises Spanish sovereign debt 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. Risks from unrealised losses in the securities portfolio are small and unlikely to materialise considering the bank's liquidity position, and its stable and granular deposit base.

Asset Quality Better than Peers: Ibercaja's problem asset ratio (which includes impaired loans and net foreclosed assets) has significantly reduced (end-2022: 2.2%; end-2018: 8.0%) and now compares similarly to peers. In the current operating environment, we expect only a mild increase of problem assets in 2023 from higher interest rates and the economic slowdown. We also expect a small reduction of the loan book due to weaker loan demand and higher prepayments of residential mortgages.

Improving Profitability: Ibercaja's operating profit improved to 1.9% of risk-weighted assets (RWAs) in 2022, after being affected in recent years by low interest rates, restructuring costs and high loan impairment charges (LICs). We expect the bank to continue improving its operating profit/RWAs in 2023 and 2024, supported by higher interest rates and relatively low LICs, and despite higher funding costs, weaker loan growth and the bank levy.

Adequate Capitalisation: Ibercaja's common equity Tier 1 (CET1) ratio was 13% at end-March 2023 (12.8% on a fully-loaded basis), well above its Supervisory Review and Evaluation Process (SREP) requirement of 8.2%. We expect the CET1 ratio to benefit from improved organic capital generation and muted loan growth, despite high capital distributions to fund the legally required reserve fund under its ownership structure. However, our assessment of capital reflects our expectation that the bank will operate with a CET1 close to its medium-term target of 12.5%.

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 the institutional markets for funding, although it is a less frequent issuer. Wholesale funding is mostly in the form of covered bonds and to build resolution buffers. The bank fully repaid the targeted longer-term refinancing operations funding at end-2022, and the liquidity coverage ratio was a solid 239% at end-March 2023.

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Fitch Affirms Ibercaja at 'BBB-'; Outlook Stable (May 2023)

Spanish Medium-Sized Banks - Peer Review (April 2023)

Medium-Sized Spanish Banks' Profitability Boost, Deposit Franchises Sound (April 2023)

Fitch Affirms Spain at 'A-'; Outlook Stable (May 2023)

Spain's Support for Mortgage Borrowers Is Neutral for Bank Asset Quality (November 2022)

Analysts

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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 fully-loaded CET1 ratio falls sustainably below Ibercaja's guidance of 12.5% without a credible plan to restore it in the short term, or if capital encumbrance by unreserved problem assets substantially increases. Rating pressure could also result from an inability to structurally improve profitability and the problem-asset ratio increasing towards high single digits due to higher-than-expected asset-quality pressures.

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

An upgrade would require operating profit to remain sustainably above 1.5% of RWAs, a problem-asset ratio consistently below 3% and a fully-loaded CET1 ratio above 12.5%. 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 Debt	BBB-
Subordinated Tier 2 Debt	BB

Source: Fitch Ratings

Ibercaja's senior preferred debt (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 RWA.

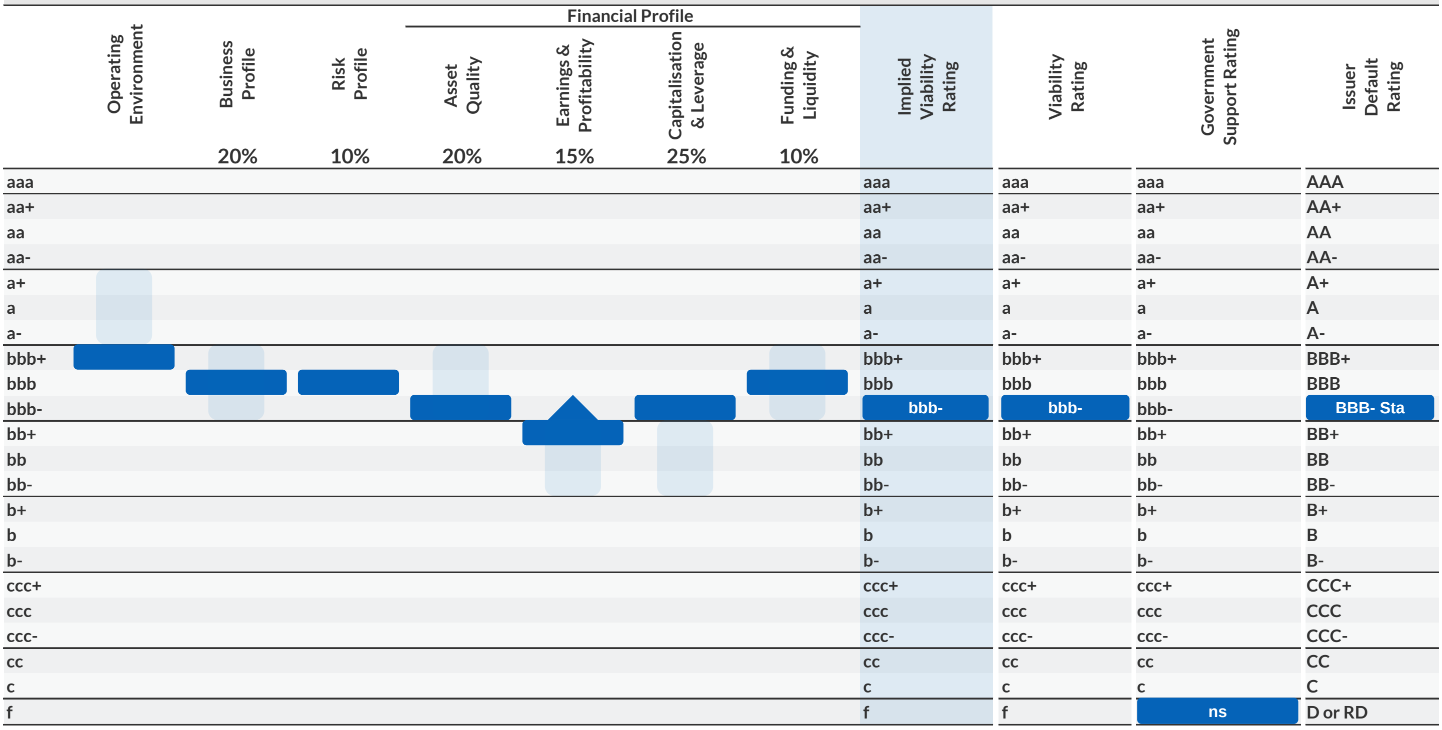
Subordinated Tier 2 debt is rated two notches below the VR for loss severity, reflecting poor recoveries arising from its subordinated status.

Ratings Navigator

Ibercaja Banco, S.A.

ESG Relevance:

Banks
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+' has been assigned below the 'a' category implied due to the high structural unemployment rate in Spain.

The capitalisation and leverage score of 'bbb-' has been assigned above the 'bb' category implied score to reflect the fact that Ibercaja's capitalisation should be viewed in the context of its business model being weighted towards low-risk residential mortgage lending.

Company Summary and Key Qualitative Factors

Business Profile

Small Franchise, Diversified Revenue Base

Ibercaja's business model focuses on providing financial services to households and SMEs. The bank has a leading position in the autonomous community of Aragon (with market shares of 28% and 43% for loans and deposits, respectively, at end-2022) complemented with a significant presence in other regions in Spain. 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, and providing earnings diversification through fee-income generation and insurance revenues (41% of recurring revenues in 2022), and stability throughout the interest rate cycle. Off-balance-sheet customer funds accounted for 49% of the total at end-March 2023, which is significantly larger than at some of its similarly sized peers. Given the size of the insurance business, Ibercaja is one of the two Spanish banks treated as a financial conglomerate for regulatory purposes.

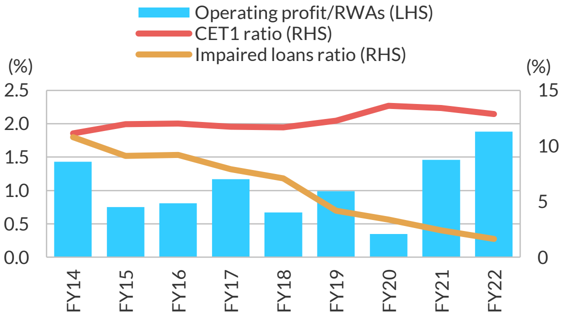
Successful Completion of Strategic Plan

Ibercaja's 2021–2023 strategic plan is focused on improving profitability based on higher revenues, lower operating expenses and contained LICs. The profitability targets were revised upwards in 2022 and the bank now aims to attain a return on tangible equity of 9% in 2023 (5.7% in 2021), while maintaining a non-performing assets ratio close to 4% and a fully loaded CET1 ratio above 12.5%. We believe profitability targets will likely be exceeded given better prospects for 2023, favoured by a rising interest rate environment, to which Ibercaja is well positioned. Asset quality metrics are likely to deteriorate, but we expect they will stay comfortably below the strategic target given current low levels.

Owned by a Banking Foundation

Ibercaja Banking Foundation is Ibercaja's main shareholder, with an 88% stake, while the rest is owned by other banking foundations. Ibercaja is one of the few Spanish medium-sized banks that has opted to retain this type of shareholding structure and build the legally required reserve fund following the law on former saving banks (approved in 2015) after attempts to be listed in the Spanish stock market. Such ownership structure is neutral to our assessment of Ibercaja's corporate governance, which we view as sound and in line with best international practices.

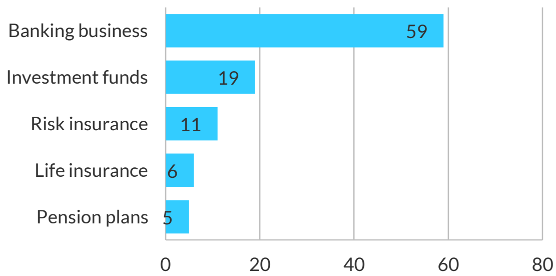
Performance Through the Cycle



Source: Fitch Ratings, Ibercaja

Operating Income Split by Segment (%)

FY22



Source: Fitch Ratings, Ibercaja

Risk Profile

Exposure to Floating-Rate Mortgage Lending

Credit risk is the bank's main risk, largely stemming from its lending book (55% of total assets at end-March 2023) and the securities portfolio (34% including the insurance portfolio). The latter is large and above peers' due to the bank's large structural liquidity and its insurance business.

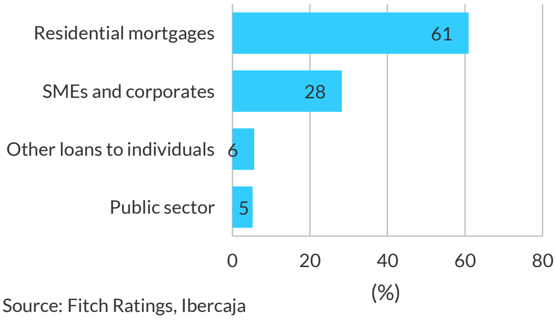
After some loan deleveraging, the stock of loans broadly stabilised in 2021 and grew slightly in 2022, helped by growth in working capital financing to companies, which offset the continued deleveraging of residential mortgages despite higher production in the year. We expect the loan portfolio to continue reducing slightly this year as mortgage prepayments continue and credit demand from corporates remains subdued, as the deployment of EU funds has been slower than expected and as companies delay investments.

Large Securities Portfolio

Ibercaja's market risks largely stem from interest-rate risk in its banking book, and this is appropriately managed and hedged. Ibercaja is positioned to benefit from higher interest rates due to its large share of floating-rate loans.

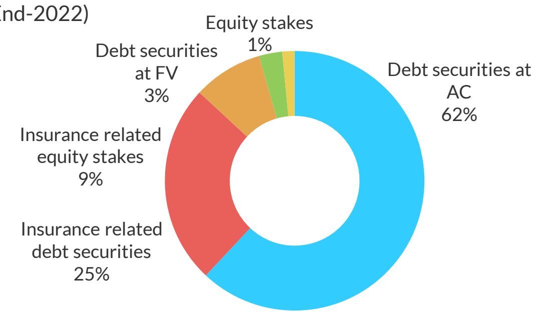
The bank's debt securities portfolio represented 21% of total assets at end-March 2023 (excluding the insurance business), which is large compared to peers. At end-March 2023, the banking portfolio mostly included Spanish sovereign debt (87% of the total securities portfolio, or 4.2x CET1 including SAREB bonds) and, to a lesser extent, other foreign sovereign debt (11%, mostly Italian debt). This portfolio is mostly accounted at amortised cost and had a duration of around four years. The insurance portfolio mostly includes Spanish sovereign debt and debt from private counterparties.

Loan Mix
End-1Q23



Source: Fitch Ratings, Ibercaja

Total Securities Portfolio
(End-2022)



Source: Fitch Ratings, Ibercaja

Financial Profile

Asset Quality

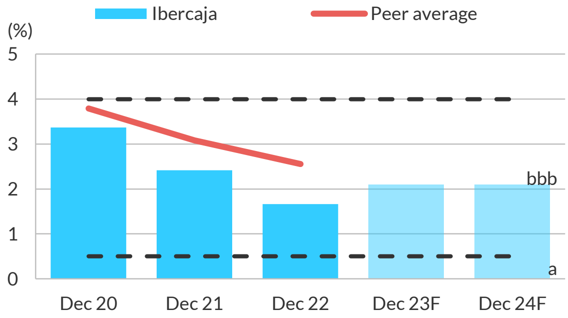
The stock of impaired loans has reduced by 51% since end-2020 due to a decline in inflows, stability in recoveries and portfolio sales, resulting in an impaired loans ratio of 1.7% at end-March 2023. Stage 2 loans remained stable and represented 5% of gross loans at end-March 2023, which is similar to peers.

We expect heightened affordability pressures on mortgage loans with floating rates once these are fully repriced. However, most of these loans are seasoned and have lower LTVs, which limits asset-quality pressures, along with the resilient labour and real estate markets. Mortgage borrowers' applications to restructured solutions, such as the new codes of practices, continue to be low. There are also some pockets of risks in state-guaranteed loans (17% of total business loans at end-2022) as grace periods mostly ended in 2Q22, although performance has been good so far.

The impaired loans coverage ratio also improved to 91% at end-March 2023 (end-2021: 75%), providing headroom to absorb asset quality pressures, and considering high levels of loan collateralisation by mortgages.

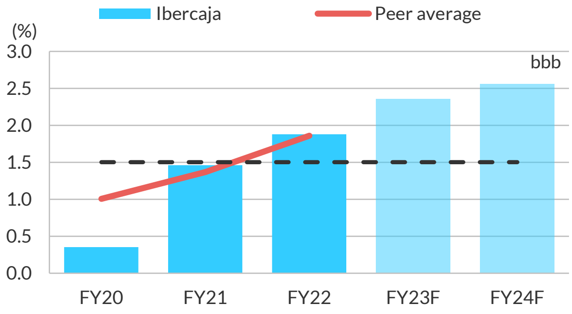
Fitch forecasts the Spanish economy to grow by 1.9% in 2023, following an upward revision from March by 0.7pp. We forecast Spain's unemployment rate to remain flat at 12.8% for 2023 and 2024. We believe the resilient growth and labour market will together limit potential asset quality risks. Fitch expects impaired loans to increase only modestly in 2023 and 2024, while the net foreclosed assets will continue to reduce, which will support the problem asset ratio to remain below 3%.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, Ibercaja

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, Ibercaja

Earnings and Profitability

Given Ibercaja's high weight of low-risk low-return residential mortgage lending, its core profitability is modest. Net interest income (NII) is the main source of income (57% of operating income at end-2022), but the bank benefits from its well-developed insurance and asset-management business, which represents an earnings strength compared to some similarly sized peers.

The operating profit/RWAs ratio materially improved to 1.9% in 2022 (2021: 1.5%) largely supported by the strong recovery in NII on rising interest rates, the lower expenses (6% decline) as the restructuring process initiated in 2020 ended, and low LICs, at 22bp of average gross loans. Ibercaja improved its operating profit/RWAs ratio further in 1Q23, reaching 2.3%. This was despite the first-year payment of the temporary bank levy in one quarter. Higher NII (+49% yoy) was the main driver, following the continued upward repricing of the loan portfolio, while the cost of deposits remained low. Operating expenses increased by 6% yoy, as a result of an extraordinary compensation made to employees due to the higher inflation, and LICs remained low (18bp of gross loans).

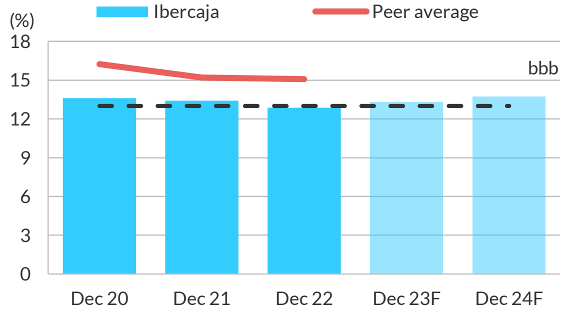
Capital and Leverage

Ibercaja has strengthened its fully-loaded CET1 ratio by 200bp since end-2018, largely supported by organic capital generation and lower RWAs, and capital ratios are now similar to peers'. Ibercaja's risk-weight density (end-1Q23: 30%) is high considering its loan book mix and large securities portfolio. This is explained by the fact that Ibercaja still calculates credit risk RWAs under the standardised approach. The bank is working on the approval of internal models, which could lead to a material reduction of RWAs (not included in our forecasts), subject to the approval by the ECB.

The Ibercaja Banking Foundation had EUR155 million of reserve funds by end-2022, which represents 49% of the required reserve fund by end-2025 (EUR315 million, or 1.75% of RWAs). The bank increased the dividend pay-out to 60% in 2022, and we expect the Banking Foundation to build the reserve fund to 100% by end-2024.

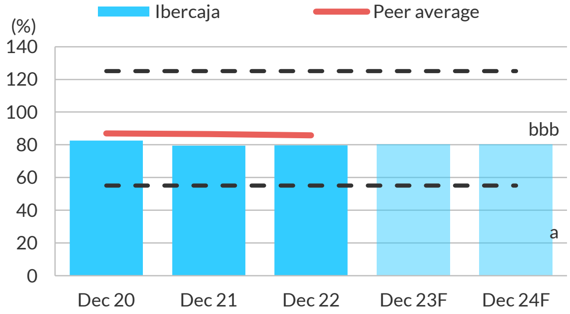
Ibercaja's MREL-related liabilities accounts for 23.6% of RWAs (including the additional EUR500 million of SP notes issued in May 2023), meeting the final MREL requirement of 21.6% of RWAs for 2024 early.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, Ibercaja

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, Ibercaja

Funding and Liquidity

Ibercaja's main funding source is its stable and granular retail customer deposit base, accounting for about 84% of total funding at end-March 2023, and fully funded the bank's loan book. In 1Q23, customer deposits declined by almost 7%, mainly explained by movements from deposits to assets under management (+5.7% yoy), and the use of savings to prepay mortgage loans in order to offset the impact of higher interest rates on the monthly instalments. Despite lower customer deposits, we expect the loans/deposits ratio to remain relatively stable at around 80%, as the loan book is also expected to decline. At end-March 2023, 76.5% Ibercaja's total customer deposits were considered stable (based on the liquidity coverage ratio definition), and 77% were also covered by the Deposit Guarantee Fund.

Reliance on wholesale funding is moderate and mostly secured, primarily in the form of covered bonds. After fully repaying the remaining TLTRO funding in November 2022, both the liquidity coverage ratio (end-1Q23: 239%) and net stable funding ratio (145%) remained sound.

Ibercaja's stock of unencumbered ECB-eligible assets, net of haircuts, stood at EUR12.9 billion (24% of total assets, excluding those from the insurance business) at end-2022, and mainly comprised Spanish public debt and self-retained covered bonds.

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-), Unicaja Banco, S.A. (bbb-), Kutxabank, S.A. (bbb+), Credito Emiliano S.p.A. (bbb), BPER Banca S.p.A. (bbb-), Banco BPI S.A. (bbb-), Caixa Geral de Depositos, S.A. (bbb-).

Financials

Financial Statements

	31 Mar 23		31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
	3 months - 1st quarter	3 months - 1st quarter	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)	(EURm)
	Not disclosed	Not disclosed	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement						
Net interest and dividend income	172	158.0	568.6	502.3	538.9	559.9
Net fees and commissions	119	109.1	438.3	438.0	374.1	393.7
Other operating income	-2	-1.9	-30.4	11.9	88.9	-27.2
Total operating income	288	265.2	976.5	952.2	1,001.9	926.4
Operating costs	163	150.3	572.9	611.2	718.5	600.0
Pre-impairment operating profit	125	114.9	403.6	341.0	283.4	326.4
Loan and other impairment charges	14	13.2	65.2	78.0	219.6	124.7
Operating profit	111	101.7	338.4	263.0	63.8	201.7
Other non-operating items (net)	-11	-9.7	-55.2	-48.2	-10.3	-73.2
Tax	41	37.7	81.1	63.8	29.9	44.6
Net income	59	54.3	202.1	151.0	23.6	83.9
Summary balance sheet						
Assets						
Gross loans	32,056	29,477.1	29,730.2	29,578.8	29,966.4	30,933.0
- Of which impaired	538	494.6	492.7	716.3	1,010.7	1,290.9
Loan loss allowances	488	448.4	443.0	539.1	644.9	642.0
Net loans	31,569	29,028.7	29,287.2	29,039.7	29,321.5	30,291.0
Interbank	775	712.7	660.2	361.4	205.3	537.4
Derivatives	213	222.2	224.2	74.7	147.5	146.2
Other securities and earning assets	21,799	20,018.5	20,006.3	20,085.9	18,439.4	17,786.5
Total earning assets	54,356	49,982.1	50,177.9	49,561.7	48,113.7	48,761.1
Cash and due from banks	1,284	1,180.3	1,582.2	6,388.6	7,572.6	3,929.2
Other assets	3,154	2,900.5	2,600.6	2,681.1	2,714.5	2,731.7
Total assets	58,793	54,062.9	54,360.7	58,631.4	58,400.8	55,422.0
Liabilities						
Customer deposits	37,826	34,782.6	37,355.0	37,167.8	36,242.8	32,885.2
Interbank and other short-term funding	4,148	3,814.7	2,419.1	6,616.3	6,592.0	4,501.5
Other long-term funding	3,041	2,796.3	2,796.3	2,416.9	2,966.1	6,061.6
Trading liabilities and derivatives	679	624.4	484.1	302.2	259.4	281.0
Total funding and derivatives	45,695	42,018.0	43,054.5	46,503.2	46,060.3	43,729.3
Other liabilities	9,192	8,452.4	8,128.3	8,857.8	9,122.1	8,451.6
Preference shares and hybrid capital	n.a.	n.a.	350.0	350.0	350.0	350.0
Total equity	3,907	3,592.5	2,827.9	2,920.4	2,868.4	2,891.1
Total liabilities and equity	58,793	54,062.9	54,360.7	58,631.4	58,400.8	55,422.0
Exchange rate		USD1 = EUR0.91954	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015

Source: Fitch Ratings, Fitch Solutions, Ibercaja

Key Ratios

	31 Mar 23	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	2.3	1.9	1.5	0.4	1.0
Net interest income/average earning assets	1.3	1.1	1.0	1.1	1.2
Non-interest expense/gross revenue	56.8	58.6	64.6	71.8	64.8
Net income/average equity	6.9	6.6	4.9	0.8	2.8
Asset quality					
Impaired loans ratio	1.7	1.7	2.4	3.4	4.2
Problem asset ratio	2.3	2.2	3.1	4.2	5.0
Growth in gross loans	-0.9	0.5	-1.3	-3.1	-3.4
Loan loss allowances/impaired loans	90.7	89.9	75.3	63.8	49.7
Loan impairment charges/average gross loans	0.2	0.2	0.3	0.7	0.4
Capitalisation					
Common equity Tier 1 ratio	13.0	12.9	13.4	13.6	12.3
Fully loaded common equity Tier 1 ratio	12.8	12.4	12.7	12.6	11.4
Basel leverage ratio	5.6	5.5	6.0	6.3	5.9
Net impaired loans/common equity Tier 1	2.0	2.1	7.3	14.7	26.0
Funding and liquidity					
Gross loans/customer deposits	84.8	79.6	79.6	82.7	94.1
Liquidity coverage ratio	238.6	306.5	452.0	468.1	307.0
Customer deposits/total non-equity funding	84.0	87.0	79.8	78.5	75.0
Net stable funding ratio	145.1	152.7	152.2	151.5	131.4

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

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

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

				Overall ESG Scale
Ibercaja Banco, S.A. has 5 ESG potential rating drivers 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. Governance is minimally relevant to the rating and is not currently a driver.	key driver	0	issues	5
	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
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)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
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)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
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 scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with 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) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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.