FitchRatings

Ibercaja Banco, S.A.

Key Rating Drivers

Strengthening Financial Profile: Ibercaja Banco, S.A.'s (Ibercaja) ratings reflect its improved capitalisation, which is now in line with that of its domestic peers, and accelerated balance sheet de-risking, which results in asset quality metrics that are better than domestic averages. Funding and liquidity are sound and stable. Profitability remains a rating weakness, although this is improving on fewer legacy issues and a reasonably diversified revenue profile.

Concentrated Franchise, Diversified Revenue: Ibercaja has a leading but concentrated regional franchise, with small market shares at the national level. The bank's business model is, however, supported by well-developed insurance and asset-management businesses, which provide it with more revenue diversification through fee-income-generating activities than similarly rated peers.

Moderate Risk Profile: Ibercaja's risk profile is commensurate with its business model, which is dominated by retail mortgages, and benefits from large collateralisation. The bank has moderate market risk, mainly in the form of interest-rate sensitivity of its loan book, although the insurance portfolio brings some capital volatility.

Improved Asset Quality: Ibercaja's problem-asset ratio (which includes impaired loans and net foreclosed assets) fell significantly to 2.9% at end-March 2022 (end-2018: 8%), on limited new impaired loans, portfolio sales and stable recoveries. In the current economic environment, Fitch Ratings expects asset quality deterioration to be moderate, given the bank's focus on retail mortgage loans and strengthened impaired loans coverage (79% at end-March 2022).

Strengthened Profitability: Ibercaja's operating profit/risk weighted assets (RWAs) improved to 1.5% in 2021, after having been affected by low interest rates, restructuring costs and high loan impairment charges (LICs). We expect operating profits/RWAs to continue to rise in 2022 and 2023, supported by higher interest rates, cost-reduction initiatives, fairly low LICs, and despite pressures on loan growth. Our projections are based on our expectation that the economic recovery in Spain will remain resilient and inflation pressures will subside.

Adequate Capitalisation: Ibercaja's capitalisation is maintained with satisfactory buffers over regulatory minimum requirements, with a regulatory common equity Tier 1 (CET1) ratio of 13% reported at end-March 2022 (12.5% on a fully-loaded basis). We expect Ibercaja to maintain its fully-loaded CET1 at about 12.5%, in line with the bank's guidance.

Stable Funding Profile: The bank's main funding source is a stable and granular retail deposit base, which fully funds its loan book. Wholesale funding is mostly in the form of covered bonds and ECB funding, which strengthens the bank's ample liquidity. Ibercaja has access to institutional markets, although it is a less frequent issuer than larger domestic entities.

Rating Sensitivities

Capitalisation Levels: The ratings could be downgraded if the fully-loaded CET1 ratio falls sustainably below Ibercaja's guidance of 12.5%, or if capital encumbrance to unreserved problem assets increases substantially. 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.

Higher Profitability Levels: A further upgrade of the ratings would require a meaningful and sustained improvement of operating profitability (above 2% of RWAs), a problem-asset ratio consistently below 3% and a fully-loaded CET1 above 12.5%. An upgrade would also require that the bank maintain the current conservative approach to risk-taking.

Ratings

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

Applicable Criteria

Bank Rating Criteria (November 2021)

Related Research

Spanish Bank Levy Would Add Risks to the Sector (July 2022)

Global Economic Outlook (June 2022)

Bank Debt-Class Visualisation Tool (June 2022)

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Debt Rating Classes

Rating level	Rating
Senior preferred debt	BBB-
Subordinated Tier 2 debt	BB
Additional Tier 1 notes	B+

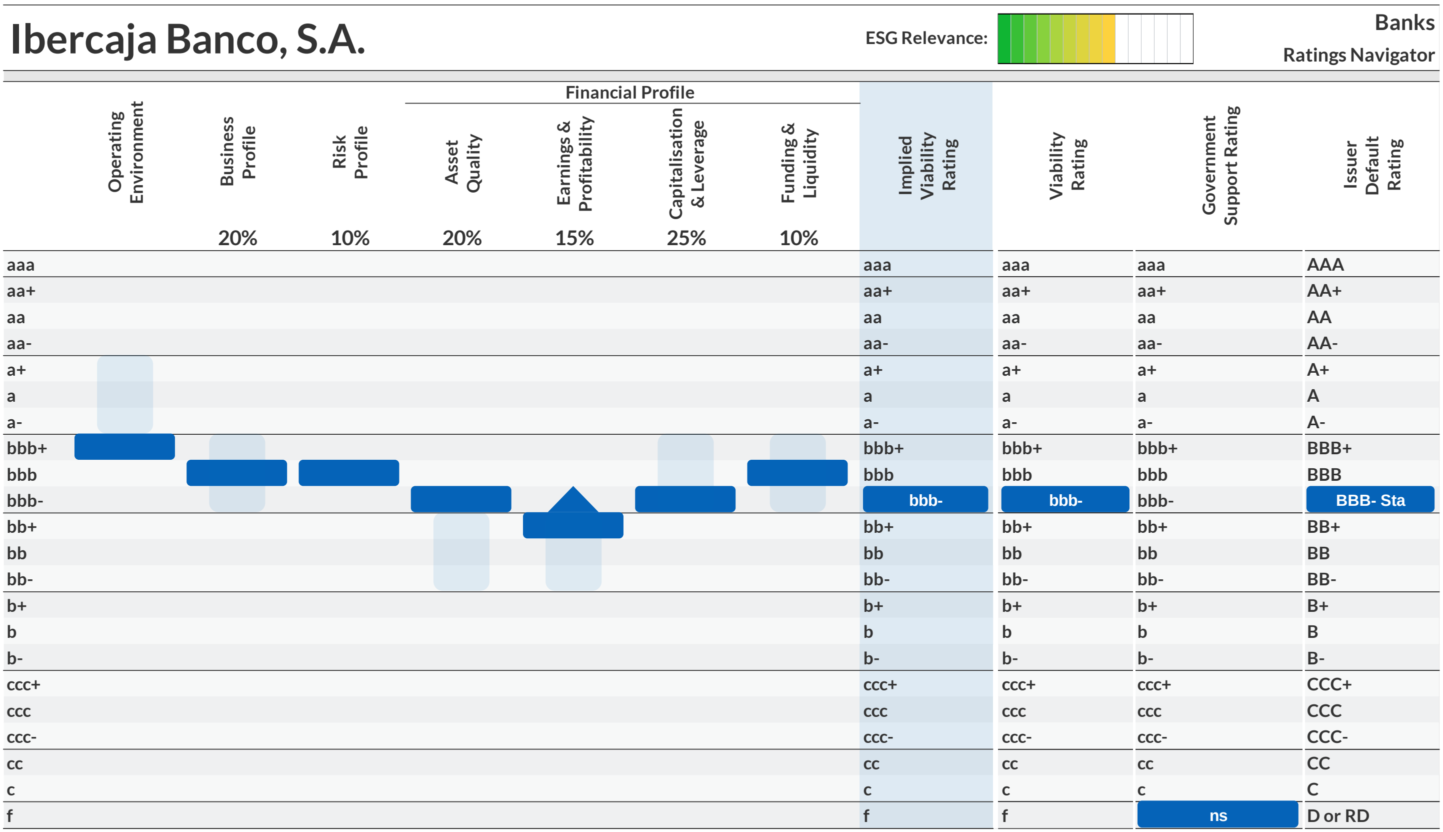
Source: Fitch Ratings

Ibercaja's senior preferred debt is rated in line with the bank's Long-Term IDR and reflects our expectation that Ibercaja will use senior preferred debt to meet its minimum requirement for own funds and eligible liabilities (MREL), and that the combined buffer of additional Tier 1, Tier 2 and senior non-preferred debt is unlikely to exceed 10% of the bank's RWAs.

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

AT1 debt is rated four notches below Ibercaja's VR, which is the baseline notching for this type of debt under Fitch's criteria. This notching reflects poor recoveries, due to the notes' deep subordination (two notches) as well as incremental non-performance risk relative to the VR (two notches), given fully discretionary coupon payments and a write-down trigger.

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.

Adjustments to Viability Rating

The operating environment score of 'bbb+' has been assigned below the 'a' category implied due to the high structural unemployment rate in Spain. The asset quality score of 'bbb-' has been assigned above the 'bb' category implied score as we expect the problem asset ratio to be at a level consistent with an implied 'bbb' category score.

Significant Changes

No Required Listing

The Bank of Spain recently approved the financial plan of Ibercaja Banking Foundation, Ibercaja's majority owner, and the bank is no longer required to be listed before end-2022 on the basis the banking foundation builds a reserve fund of 1.75% of the bank's RWAs (or about EUR320 million) by end-2025. However, Ibercaja will continue with its plan to undertake the IPO when market conditions are more favourable.

We also believe the banking foundation should be able to build the reserve fund based on the bank's expected recurring dividends and without weighing on Ibercaja's capitalisation. The reserve fund is, in any case, legally earmarked for a potential recapitalisation of the bank in compliance with the Spanish savings bank law.

Company Summary and Key Qualitative Assessment Factors

Concentrated Franchise, Diversified Revenue

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 30% for loans and 43% for deposits at end-March 2022) and in the province of Guadalajara (22% and 35%) as well as a significant presence in the provinces of Burgos, La Rioja and Badajoz (with market shares of about 15%). The group also has a well-established footprint in Madrid, Catalonia and Valencia. However, Ibercaja's national market share is small at about 3%.

Ibercaja's insurance and asset-management market shares are larger than its national loan and deposit market shares, providing earnings diversification and stability throughout the interest rate cycle through fee-income generation. The bank's assets under management (including investment and mutual funds) and life-saving insurances have consistently grown and the combined market share for these businesses in Spain was 5.1% at end-March 2022. The assets under management and insurance accounted for 46% of the retail customer funds managed by the entity at end-March 2022 and 43% of the group's recurrent revenues in 2021, which compares well with similarly rated domestic peers. The group is treated as a financial conglomerate for regulatory purposes because of the insurance business (insurance subsidiaries are risk-weighted).

Revised Profitability Target for 2023

Ibercaja's strategic plan for 2021–2023 is focused on improving profitability based on higher revenues, lower expenses and low LICs (of about 30bp of gross loans in the medium term). The profitability targets were revised upwards and the bank now aims at attaining a return on tangible equity of 9% in 2023 (reported 5.7% in 2021), while maintaining a problem asset ratio below 4%. We believe the profitability target is ambitious but feasible if the economic recovery in Spain remains resilient. Also, the revised target does not include the recent increase in interest rates, which could represent a revenue uplift.

Exposure Weighted Towards Mortgage Lending

Credit risk is the bank's main risk, largely stemming from its lending book (50% of total assets at end-March 2022) and fixed-income securities portfolio (32% including the insurance portfolio). The latter is large and above peers' due to the bank's above-average holdings in the banking book but also from its insurance business.

The bank has a relatively high level of collateralisation, particularly residential mortgages with low loan-to value ratios (49% on average at end-March 2022) and an average vintage of about ten years. Ibercaja has not been active in consumer lending and this has been mostly granted to existing clients. Business lending is partially secured and to small companies in its home region.

After some loan deleveraging in 2020, the stock of loans stabilised in 2021–1Q22 as the growth in loans to businesses offset the decline in loans to individuals. Ibercaja has recently deployed a new commercial and more competitive strategy in the mortgage segment and recovered its market share in this segment to 3.5% in 1Q22 (2021: 2.5%). This, together with increased business lending on the disbursement of the EU Next Generation Funds, should support the bank's plan to grow its loan book by mid-single digit. However, we see risks of slower loan growth given delays in the deployment of the funds and increased economic uncertainty.

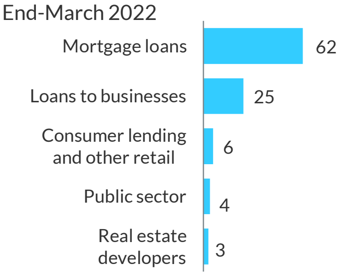
Large Holdings of Spanish Sovereign Debt

The bank's debt portfolio (excluding insurance business) represented 20% of assets, or 4.9x of CET1, at end-March 2022, which is large compared with peers. This portfolio mostly includes Spanish sovereign debt (87%, including SAREB bonds) and to lesser extent Italian (7%) and other foreign sovereign debt (5%). The bulk of the portfolio (95%) is accounted at amortised cost, reducing volatility to regulatory capital, and has a duration of about five years.

Interest risks stemming from insurance activities (EUR7 billion or 12% of assets) are modest as assets and liabilities are mostly matched (57% of the insurance portfolio) or unit-linked (24%). The rest of the portfolio (19%) does not have the assets and liabilities matched, but still the duration is relatively small (2.6 years). Compared to the banking portfolio, the exposure to private counterparties is higher and the bulk of the investment portfolio is classified at fair value, which brought some limited capital volatility in 1Q22.

Performing Loans by Segment (%)

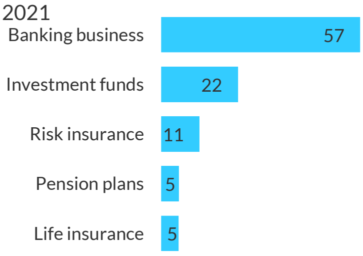
End-March 2022



Source: Fitch Ratings, Ibercaja

Recurring Income by Segment (%)

2021



Source: Fitch Ratings, Ibercaja

Summary Financials and Key Ratios

	31 Mar 22		31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
	3 months - 1st quarter	3 months - 1st quarter	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)	(EURm)
	Unaudited	Unaudited	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement						
Net interest and dividend income	135	121.8	502.3	538.9	559.9	583.7
Net fees and commissions	124	112.0	438.0	374.1	393.7	374.9
Other operating income	6	5.8	11.9	88.9	-27.2	8.1
Total operating income	266	239.6	952.2	1,001.9	926.4	966.7
Operating costs	157	141.6	611.2	718.5	600.0	668.8
Pre-impairment operating profit	109	98.0	341.0	283.4	326.4	297.9
Loan and other impairment charges	17	15.7	78.0	219.6	124.7	154.7
Operating profit	91	82.3	263.0	63.8	201.7	143.2
Other non-operating items (net)	5	4.1	-48.2	-10.3	-73.2	-62.2
Tax	26	23.6	63.8	29.9	44.6	40.0
Net income	70	62.8	151.0	23.6	83.9	41.0
Summary balance sheet						
Assets						
Gross loans	33,007	29,733.3	29,578.8	29,966.4	30,933.0	32,017.9
- Of which impaired	734	661.5	716.3	1,010.7	1,290.9	2,272.3
Loan loss allowances	580	522.6	539.1	644.9	642.0	1,116.7
Net loans	32,427	29,210.7	29,039.7	29,321.5	30,291.0	30,901.2
Interbank	554	499.0	361.4	205.3	537.4	148.9
Derivatives	98	88.2	74.7	147.5	146.2	168.8
Other securities and earning assets	22,914	20,641.8	20,085.9	18,439.4	17,786.5	17,665.1
Total earning assets	55,993	50,439.7	49,561.7	48,113.7	48,761.1	48,884.0
Cash and due from banks	6,109	5,502.7	6,388.6	7,572.6	3,929.2	1,118.2
Other assets	3,283	2,957.0	2,681.1	2,714.5	2,731.7	2,703.5
Total assets	65,384	58,899.4	58,631.4	58,400.8	55,422.0	52,705.7
Liabilities						
Customer deposits	41,371	37,268.1	37,167.8	36,242.8	32,885.2	31,687.8
Interbank and other short-term funding	7,964	7,173.8	6,616.3	6,592.0	4,501.5	1,357.5
Other long-term funding	2,713	2,443.8	2,416.9	2,966.1	6,061.6	8,091.3
Trading liabilities and derivatives	404	363.8	302.2	259.4	281.0	188.9
Total funding and derivatives	52,452	47,249.5	46,503.2	46,060.3	43,729.3	41,325.5
Other liabilities	9,387	8,456.0	8,857.8	9,122.1	8,451.6	8,214.9
Preference shares and hybrid capital	n.a.	n.a.	350.0	350.0	350.0	355.0
Total equity	3,546	3,193.9	2,920.4	2,868.4	2,891.1	2,810.3
Total liabilities and equity	65,384	58,899.4	58,631.4	58,400.8	55,422.0	52,705.7
Exchange rate		USD1 = EUR0.90082	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057

Source: Fitch Ratings, Fitch Solutions, Ibercaja

Summary Financials and Key Ratios

	31 Mar 22	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	1.8	1.5	0.4	1.0	0.7
Net interest income/average earning assets	1.0	1.0	1.1	1.2	1.2
Non-interest expense/gross revenue	59.3	64.6	71.8	64.8	69.1
Net income/average equity	8.3	4.9	0.8	2.8	1.4
Asset quality					
Impaired loans ratio	2.2	2.4	3.4	4.2	7.1
Problem asset ratio	2.9	3.1	4.2	5.0	8.0
Growth in gross loans	0.5	-1.3	-3.1	-3.4	-1.2
Loan loss allowances/impaired loans	79.0	75.3	63.8	49.7	49.1
Loan impairment charges/average gross loans	0.2	0.3	0.7	0.4	0.5
Capitalisation					
Common equity Tier 1 ratio	13.0	13.4	13.6	12.3	11.7
Fully loaded common equity Tier 1 ratio	12.5	12.7	12.6	11.4	10.5
Basel leverage ratio	5.7	6.0	6.3	5.9	6.0
Net impaired loans/common equity Tier 1	5.9	7.3	14.7	26.0	46.3
Funding and liquidity					
Gross loans/customer deposits	79.8	79.6	82.7	94.1	101.0
Liquidity coverage ratio	429.8	452.0	468.1	307.0	307.0
Customer deposits/total non-equity funding	79.5	79.8	78.5	75.0	76.4
Net stable funding ratio	151.8	152.2	151.5	131.4	130.0

Source: Fitch Ratings, Fitch Solutions, Ibercaja

Key Financial Metrics - Latest Developments

Improved Asset Quality

Impaired loans have reduced by 49% since end-2019 due to lower inflows, stability in recoveries, and portfolio sales, resulting in an impaired loan ratio of 2.2% at end-March 2022 (end-2019: 4.2%). The bank granted relatively low loan moratoriums during the pandemic (2.4% of gross loans), which have already expired with good performance (only 3.2% classified as Stage 2 at end-March 2022). Similar to other Spanish banks, the stock of Stage 2 loans materially increased in 2H20 and has remained broadly stable since then, representing 5.6% of gross loans at end-March 2022, which compares well with the sector average.

We expect asset quality to moderately deteriorate as grace periods of state-guaranteed loans come to an end in 2Q22 and as higher interest rates and inflation hit household disposable income. However, we expect the problem assets ratio to be below 4% in 2022 and 2023, consistent with the 'bbb-' asset-quality score. Loans benefitting from state guarantees were EUR2.1 billion at end-March 2022 (26% of loans to businesses or 7% of total loans) and performance to date has proved resilient (2% classified as Stage 3 at end-March 2022).

The front-loading of LICs related to the pandemic and worsening economic prospects in 1H22 increased the coverage ratio of impaired loans to 79% at end-March 2022 (end-2019: 50%). We expect the bank to use this provision overlay in 2022–2023 once support measures phase out and asset-quality deterioration materialises.

Strengthened Profitability

In 1Q22, the operating profit/RWAs ratio was 1.8% supported by an increase in fee income (14% yoy) as the banking activities offset the impact of market volatility on assets under management, lower LICs (23bp of gross loans) and a reduction of operating expenses (minus 5%) following the implementation of a redundancy plan, which affected 15% of employees and with staggered departures until 2Q22. This, along a recovery in the revenue base, should reduce the cost-to-income ratio in the medium term (1Q22: 59%).

Adequate Capitalisation

Ibercaja has strengthened its fully-loaded CET1 ratio by 200bp since end-2018, largely supported by organic capital generation and lower RWAs. The CET1 and total capital ratios of 13% (12.5% in fully-loaded basis) and 17.6%, respectively, at end-March 2022 were satisfactorily above minimum regulatory requirements of 8.21% and 12.65%, respectively – including the increase of 15bp of the Pillar 2 requirement by the ECB for 2022. Ibercaja's regulatory leverage ratio was adequate at 5.7% at end-March 2022, reflecting a high risk-weight density given its large share of retail mortgage loans as the bank uses a standardised approach for the calculation of credit RWAs. Ibercaja is implementing internal models, which could lead to a reduction of RWAs (not included in our forecasts) subject to the approval by the ECB. Ibercaja's capital encumbrance from unreserved problem assets has also decreased in recent years (15% of CET1 capital at end-March 2022).

We expect the bank to be able to maintain its target of a fully-loaded CET1 ratio of 12.5% for 2021–2023, underpinned by improved earnings generation and despite high capital distribution (dividend pay-out above 60%) and potential negative market impact from its debt securities portfolio.

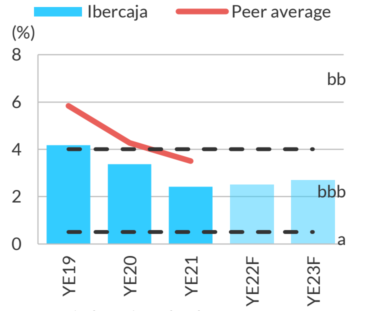
Stable Funding and Liquidity

A granular customer deposit base funds the bank's loan book (loans/deposits ratio of 80% at end-March 2022), while reliance on wholesale funding is moderate, primarily in the form of covered bonds and ECB funding (with TLTRO-III representing 13% of funding). Ibercaja is a less frequent issuer than larger domestic entities, but it recently issued EUR0.5 billion of senior preferred debt to comply with MREL requirements (21.1% of RWAs to be met by early 2024).

Ibercaja's stock of unencumbered ECB-eligible assets net of haircuts (excluding insurance businesses) represented 23% of total assets, and mainly comprise cash and deposits at the central bank, self-retained debt issuances and Spanish public debt. Wholesale funding maturities are manageable in light of the bank's liquidity and largely relate to covered bonds and AT1 in 2023, and the ECB's TLTRO-III.

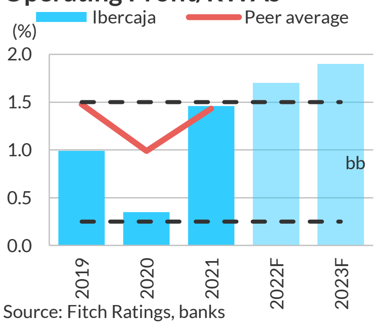
Notes on charts: Black dashed lines represent indicative quantitative ranges for core financial metrics given an operating score of 'bbb' category. Light-blue columns represent Fitch's forecasts. Peer average includes Unicaja Banco, S.A. (VR: bbb-), Kutxabank, S.A. (bbb+), ABANCA Corporacion Bancaria, S.A. (bbb-), BPER Banca S.p.A. (bb+), Credito Emiliano S.p.A. (bbb), Banco BPI S.A. (bbb-), Banca Popolare di Sondrio - Societa per Azioni (bb+), Caixa Geral de Depositos, S.A. (bbb-).

Impaired Loans Ratio



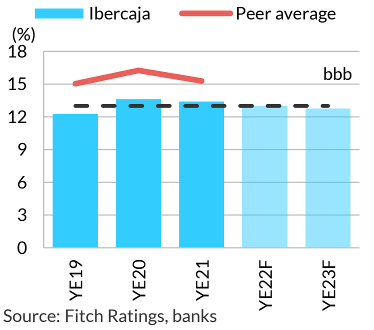
Source: Fitch Ratings, banks

Operating Profit/RWAs



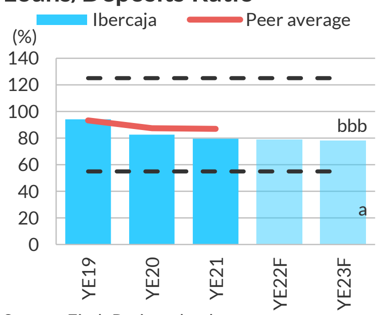
Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

Loans/Deposits Ratio



Source: Fitch Ratings, banks

About Fitch Forecasts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics under Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, sector outlook and company-specific considerations. As a result, Fitch's forecasts may 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.

Government Support

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	Negative
Liability structure	Positive
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

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.

			Overall ESG Scale
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.

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.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.