FitchRatings

Bank of Ireland Group plc

Key Rating Drivers

Leading Domestic Bank: Bank of Ireland Group plc's (BOIG) ratings are driven by the group's leading retail and corporate banking franchise, primarily focused on the small and concentrated Irish market, and by a reasonably diversified business model, sound profitability, solid regulatory capitalisation, and stable funding and liquidity profiles, which Fitch Ratings considers a rating strength. The ratings also consider the group's asset quality, which has substantially improved in recent years, but is still a rating weakness.

Positive Outlook: The Positive Outlook reflects Fitch's view that the improvement in the operating environment is strengthening BOIG's business profile, and that the bank's strong franchise will lead to sustainably better earnings prospects in the medium term. The ratings could also be upgraded if the bank can sustain asset quality improvement.

Sound Underwriting: We consider underwriting standards to be broadly in line with international peers. BOIG's risk profile benefits from the improved operating environment. Its loan book is skewed towards loans to households (about 60% of total loans; mainly lower-risk residential mortgage loans). Higher-risk exposures such as commercial real estate and residential property development (about 10%) should remain a fairly small proportion of the overall loan book.

Continued Asset Quality Improvement: BOIG has been reducing its stock of impaired loans (Stage 3) in recent years through workouts and portfolio sales. Its impaired loans ratio reduced to 2.9% at end-2023 (end-2022: 3.4%). We expect the ratio to be maintained below 3% in the near term due to controlled inflows of new impaired loans and the bank's active management of the stock.

Sound Profitability: BOIG's profitability is supported by its reasonably diversified business model and leading market position in Ireland. We expect operating profit to decline from an exceptionally high level in 2023 as interest rates fall but it will stabilise comfortably above 3% of risk-weighted assets (RWA) in 2024 and 2025 (2023: 3.9%), supported by a still-high interest margin and contained operating costs.

Solid Capitalisation: The group's regulatory capital and leverage ratios are sound. Its fully loaded common equity Tier 1 (CET1) ratio of 14.7% at end-March 2024 was above its minimum regulatory requirement of 11.3% and the group's medium-term target of above 14%. Leverage is comfortable. Capital encumbrance by unreserved impaired loans, at about 15% of CET1 capital at end-2023, has significantly reduced (end-2021: 28%) as impaired loans have decreased, although it remains higher than that of European peers.

Stable Funding Rating Strength: The group has a strong retail-banking franchise and access to a stable and granular deposit base, particularly in its home market. Non-interest-bearing current account balances make up a large proportion of total customer deposits.

The group has proven and diversified access to the wholesale markets, which it regularly taps, principally for minimum requirement for own funds and eligible liabilities (MREL) purposes, given abundant customer deposits. Liquidity is sound and largely in the form of cash, cash equivalents and high-quality liquid assets, supported by contingent access to liquidity through various central bank facilities.

Holdco VR Equalised with Opco: Fitch assesses BOIG on a consolidated basis. The group's holding company's Viability Rating (VR) is aligned with that of its main operating subsidiary, Bank of Ireland (BOI), to reflect low double leverage at the holding company, prudent liquidity management with contingency plans in place, and the fungibility of capital and liquidity across the group, subject to its operating companies fulfilling their regulatory requirements.

Ratings

Foreign Currency	
Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Government Support Rating	ns
Sovereign Risk (Ireland)	
Long-Term Foreign-Currency IDR	AA
Long-Term Local-Currency IDR	AA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Revises Bank of Ireland Group plc's Outlook to Positive, Affirms at 'BBB+' (July 2024)

DM100 Banks Tracker (July 2024)

Global Economic Outlook (June 2024)

Fitch Upgrades Ireland to 'AA'; Outlook Stable (May 2024)

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Rating Sensitivities

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

We would revise the Outlook on BOIG's Long-Term Issuer Default Rating (IDR) to Stable if the group failed to maintain its impaired loans ratio consistently below 3% or if we perceived an increase in its risk appetite.

Fitch views a downgrade of BOIG's ratings as unlikely, as reflected in the Positive Outlook. However, the ratings would likely be downgraded if a deterioration of the operating environment for banks in Ireland and the UK increased the group's impaired loans ratio above 5%, and BOIG was unable to reduce its stock of impaired loans fairly quickly, or if capital encumbrance by impaired loans increased significantly without prospects of recovering within a reasonable timeframe.

BOIG's ratings would also be downgraded if the holding company's double leverage durably increases to above 120%, which we do not expect.

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

An upgrade would result from a sustained record of improvement in BOIG's asset quality metrics, with the impaired loans ratio durably below 3%, and a longer record of better business prospects for Irish banks that leads to further strengthening of BOIG's business profile. It would also require BOIG to maintain its operating profit/RWAs ratio sustainably above 3%, without a material increase in risk appetite, while keeping a fully-loaded CET1 ratio consistently above 14%.

Other Debt and Issuer Ratings

Rating Level	BOIG	BOI
Senior unsecured debt	BBB+	A-/F2
Tier 2 subordinated debt	BBB-	
Additional Tier 1 (AT1)	BB	
Derivative counterparty rating (DCR)		A-(dcr)

Source: Fitch Ratings

Senior Unsecured

BOIG's Long-Term IDR and long-term senior debt rating are in line with the group's VR.

Debt Buffers Drive BOI IDR Uplift

BOI's Long-Term IDR, Derivative Counterparty Rating (DCR) and long-term senior debt are one notch above the bank's VR to reflect the protection of BOI's senior third-party creditors by resolution funds that are ultimately raised by BOIG, channelled to BOI and designed to protect the operating company's external senior creditors in a group failure. The buffers of junior and holding-company senior debt are built to comply with MREL. BOI's DCR is aligned with the bank's Long-Term IDR because under Irish legislation, derivative counterparties have no preferential status over other senior obligations in a resolution.

Short-Term Ratings

BOIG's Short-Term IDR is the lower of two options corresponding to the group's 'BBB+' Long-Term IDR. BOI's Short-Term IDR and short-term senior debt ratings are the lower of two options corresponding to the bank's Long-Term IDR and long-term senior debt ratings of 'A-'. This is based on our assessment of the group's funding and liquidity, which at 'a-' warrants 'F2' short-term ratings.

Subordinated Debt

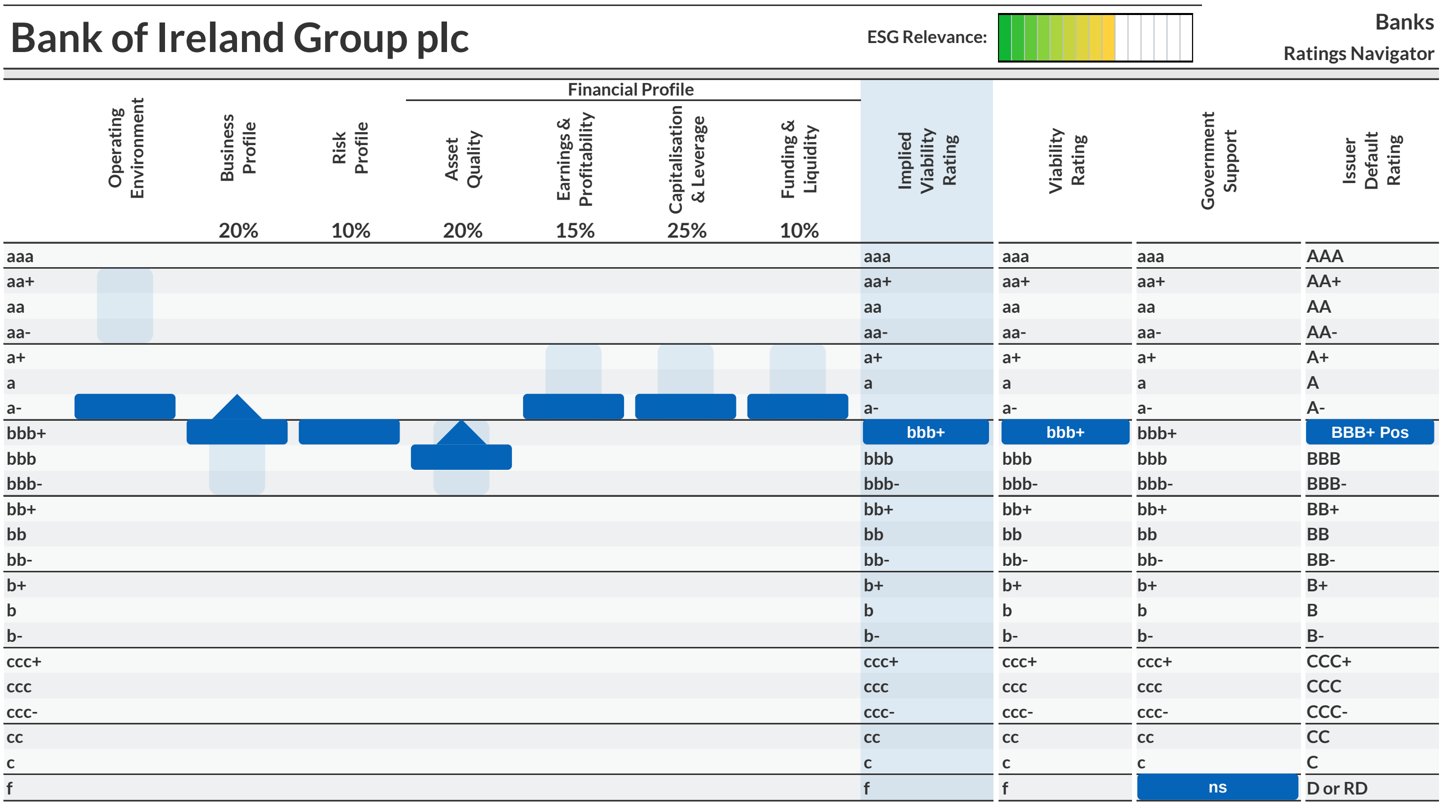
The rating of BOIG's Tier 2 debt is notched down twice from its VR. This reflects the notes' poor recovery prospects arising from their subordinated status in a resolution. We do not notch for non-performance risk because the terms of the notes do not provide for loss-absorption on a going-concern basis.

Additional Tier 1 Instruments

BOIG's additional Tier 1 notes are rated four notches below the group's VR. This reflects poor recovery prospects arising from their subordinated status (two notches) as well as incremental non-performance risk relative to the VR (two notches), given fully discretionary coupon payments and mandatory coupon restriction features.

FitchRatings

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 ‘a-’ operating environment score has been assigned below the ‘aa’ implied category score due to the following adjustment reasons: size and structure of economy (negative), reported and future metrics (negative).

Company Summary and Key Qualitative Factors

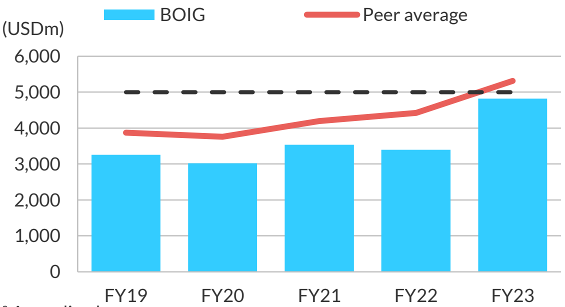
Business Profile

BOIG has strong market shares in Ireland across retail and commercial products. The bank benefits from the country's concentrated banking sector, resulting in considerable deposit and loan pricing power. Its business model and company profile are supported by diversification into the UK and the wealth and insurance business in Ireland. The group's franchise is supported by a large distribution network, including a branch network in Ireland and Northern Ireland, as well as digital channels. BOIG also has a partnership with An Post (the state-owned postal service), which offers basic banking services to BOIG's clients at over 900 locations across Ireland.

The group's UK business, conducted mainly through its UK subsidiary, is long-standing and has proven a consistent source of revenue. Being a challenger bank with an undiversified business model, limited franchise and relying on third-party partnerships, the UK subsidiary has moved towards a greater focus on specialised higher-margin products. As part of its strategy to enhance profitability, the group has recently announced the wind-down of its corporate banking and personal lending activities in the UK.

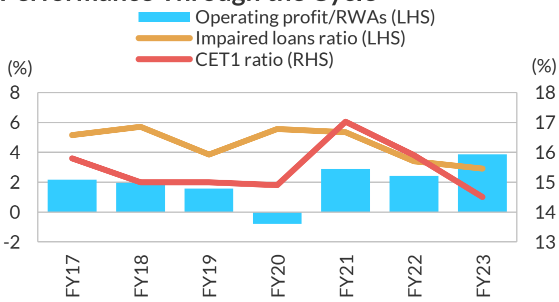
Helped by the acquisitions of KBC Ireland's performing loans and deposits, and Davy Group, BOIG has significantly increased its market share in new retail mortgage lending (end-2023: 41%; end-2022: 28%), deposits, and wealth management. Assets under management increased 18% in 2023 to EUR46 billion, of which EUR24 billion were Davy assets. We believe these acquisitions will support BOIG's franchise and cross-selling opportunities, helping support both non-interest and net interest income.

Total Operating Income



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, banks

Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, BOIG

Risk Profile

Lending has performed well over the past decade, although it has benefitted from mostly low interest rates and a supportive domestic economic environment. Mortgage loan origination in Ireland is conservative, and supported by central bank rules that limit the proportion of higher loan-to-value (LTV) ratios in new lending and a maximum loan-to-income. Average LTV for new mortgage loans in Ireland for BOIG was 74% in 2023, in line with domestic peers.

The group's risk control framework is adequate and underpinned by oversight from the Irish regulator. BOIG's risk awareness was evidenced by a prudent increase in loan loss allowances early in the coronavirus crisis, with coverage levels maintained at a fairly high level (end-2023 total loan loss allowances/gross loans: 1.5%; end-2022: 1.8%). About half of loan loss allowances related to Stage 1 and Stage 2 loans at end-2023.

Gross lending growth of EUR7.7 billion in 2023, up 10% from end-2022, was mainly driven by the EUR8 billion KBC Ireland portfolio acquisition in February 2023, and a 25% increase in mortgage loans in Ireland. International corporate and SME lending shrunk by 10% in 2023 due to BOIG's caution in the uncertain macroeconomic outlook. The UK book decreased by about EUR600 million (–2.5%) due to the bank's strategy to focus more on margins than on volume.

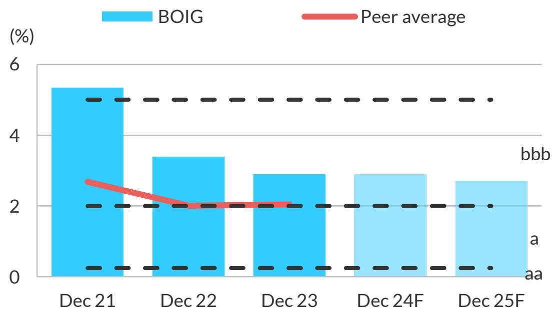
Financial Profile

Asset Quality

BOIG's asset quality has improved in recent years, and we expect its impaired loans ratio to steadily decrease over the next two years. This should be achieved through the bank's active management of the stock more than offsetting potential inflows of Stage 3 loans. We expect higher interest rates and inflation to affect borrowers' affordability amid a still uncertain macroeconomic environment. However, the Irish economy remains in a strong cyclical position, which should help to limit the extent of weakening. The Stage 2/gross loans ratio was fairly stable in 2023, at a high 16% of gross loans.

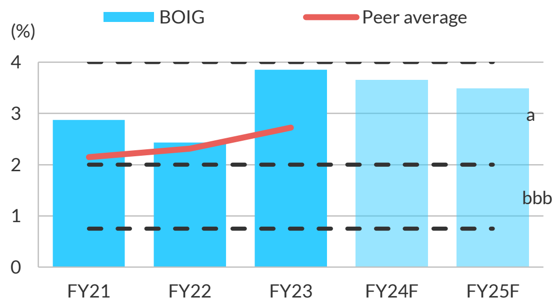
Residential mortgage loans accounted for over 30% of the group's Stage 3 loans at end-2023, split between Ireland (1.2% impaired loans ratio) and the UK (2.6%), which has reduced due to legacy impaired loan sales. The majority of impaired loans are now in the SME and corporates (45% of total Stage 3; 5% impaired loans ratio) and property and construction (15%; 5%) books. The SME and corporates book is diversified by industry, and the property and construction book is mainly focused on investment properties in Ireland and the UK, with less than 1% of the loan book in development lending, which performed very poorly in the Irish financial crisis. Consumer lending accounted for a smaller 5% of Stage 3 and is performing reasonably well, with a 2.2% impaired loans ratio.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

BOIG's strengthened profitability is benefitting from its dominant market position in Ireland's concentrated banking sector, reflected in improved margins that are underpinned by one of the lowest deposit pass-through rates in Europe, and growing business volumes that are also supporting robust non-interest income growth.

Higher interest rates drove a 49% increase in BOIG's net interest income (NII) in 2023, with NII accounting for a higher-than-average 83% of total revenue (typically 75%–80%). While pass-through rates increased in 2H23 and we expect some further increase in 2024, there is less pressure on deposit rates in Ireland than for many European peers. Wealth and insurance business income growth was also very strong at 42%, helped by its expanded customer base.

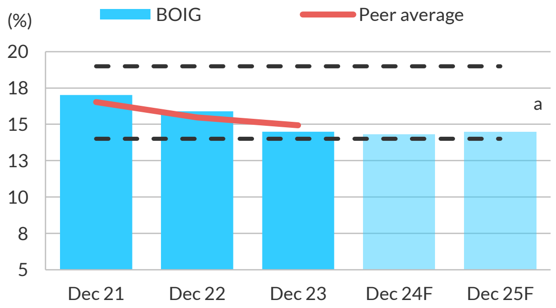
BOIG's cost/income ratio improved to 46% in 2023 (42% per BOIG's calculation; 2022: 60%), helped mainly by better operating income. Costs will be challenged by inflation and continuing investments in growth and efficiency initiatives, but we expect gains from the bank's simplification programme and slightly lower bank levies in 2024 to partly offset the pressure. We expect the cost/income ratio to be maintained close to 50% over 2024–2025.

We expect loan impairment charges to stabilise at a lower level of about 30bp of gross loans in 2024–2025 (2023: about 50bp), which is broadly in line with the bank's 2024 guidance.

Capitalisation and Leverage

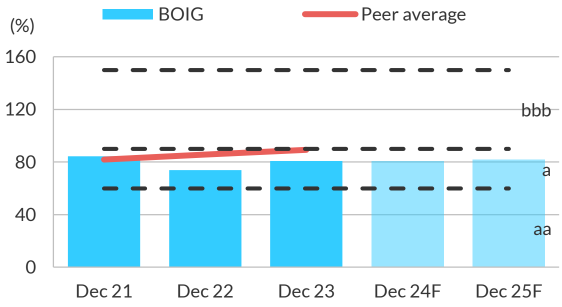
BOIG's fully-loaded CET1 ratio increased by 40bp over 1Q24 to a sound 14.7% at end-March, reflecting strong organic capital generation that is partly offset by dividend accrual. The group targets a dividend pay-out ratio of 40%–60%, supplemented by share buy-backs to steer its ratio back to its medium-term target of above 14%. We expect the CET1 ratio to remain around 14.5% in 2024 and 2025. Leverage is sound and comfortably above minimum regulatory requirements.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

BOIG's funding is underpinned by its strong retail banking franchise and access to stable and granular retail deposits, particularly in Ireland. Customer deposits accounted for the bulk of total non-equity funding. The loans/deposits ratio of 81% at end-2023 was below its peer average, and we expect it to remain broadly stable in the medium term.

Wholesale funding is modest and the majority is unsecured funding for MREL compliance.

Liquidity is sound and is in the form of cash and cash equivalents and high-quality liquid assets supported by contingent access to liquidity through various central bank facilities. On-balance-sheet liquid assets totalled EUR44 billion (a high 28% of total assets) at end-2023, a large proportion of which comprised cash at central banks and the rest highly rated government, covered and senior bank bonds. The bank's liquidity coverage (end-March 2024: 202%) and net stable funding (157%) ratios were comfortably above minimum requirements.

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 boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category. Light-blue columns represent Fitch's forecasts.

Peer average includes AIB Group plc, Permanent TSB Group Holdings plc (bbb-), Virgin Money UK PLC (bbb+), Belfius Bank SA/NV (a-), KBC Group NV (a), Bank Leumi Le-Israel B.M. (a-), Erste Group Bank AG (a). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report. Financial year-end for Virgin Money UK PLC is 30 September.

Financials

Financial Statements

	31 Dec 23		31 Dec 22	31 Dec 21	31 Dec 20
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	4,064	3,709	2,487	2,230	2,090
Net fees and commissions	485	443	311	269	256
Other operating income	365	333	473	495	295
Total operating income	4,914	4,485	3,271	2,994	2,641
Operating costs	2,227	2,033	1,929	1,859	1,888
Pre-impairment operating profit	2,686	2,452	1,342	1,135	753
Loan and other impairment charges	466	425	187	-194	1,133
Operating profit	2,221	2,027	1,155	1,329	-380
Other non-operating items (net)	-98	-89	-99	-108	-380
Tax	369	337	159	166	-53
Net income	1,754	1,601	897	1,055	-707
Other comprehensive income	-39	-36	-131	732	-266
Fitch comprehensive income	1,715	1,565	766	1,787	-973
Summary balance sheet					
Assets					
Gross loans	88,690	80,951	73,256	78,304	78,823
- Of which impaired	2,574	2,349	2,485	4,185	4,376
Loan loss allowances	1,339	1,222	1,295	1,958	2,242
Net loans	87,351	79,729	71,961	76,346	76,581
Interbank	2,051	1,872	3,044	2,750	2,453
Derivatives	4,620	4,217	4,400	1,571	2,217
Other securities and earning assets	36,246	33,083	30,155	38,673	37,518
Total earning assets	130,268	118,901	109,560	119,340	118,769
Cash and due from banks	34,887	31,843	36,855	31,360	10,953
Other assets	5,439	4,964	4,909	4,568	4,032
Total assets	170,594	155,708	151,324	155,268	133,754
Liabilities					
Customer deposits	109,760	100,183	99,200	92,754	88,519
Interbank and other short-term funding	3,391	3,095	3,445	12,946	2,506
Other long-term funding	11,252	10,270	9,308	10,335	7,681
Trading liabilities and derivatives	3,813	3,480	3,705	2,245	2,257
Total funding and derivatives	128,216	117,028	115,658	118,280	100,963
Other liabilities	28,616	26,119	23,612	25,521	23,050
Preference shares and hybrid capital	1,058	966	1,088	1,095	1,086
Total equity	12,703	11,595	10,966	10,372	8,655
Total liabilities and equity	170,594	155,708	151,324	155,268	133,754
Exchange rate		USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, BOIG

Key Ratios

	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	3.9	2.4	2.9	-0.8
Net interest income/average earning assets	3.2	2.2	1.9	1.8
Non-interest expense/gross revenue	45.6	59.7	62.2	71.4
Net income/average equity	14.2	8.3	11.2	-7.5
Asset quality				
Impaired loans ratio	2.9	3.4	5.3	5.6
Growth in gross loans	10.5	-6.5	-0.7	-2.4
Loan loss allowances/impaired loans	52.0	52.1	46.8	51.2
Loan impairment charges/average gross loans	0.5	0.3	-0.2	1.3
Capitalisation				
Common equity Tier 1 ratio	14.5	15.9	17.0	14.9
Fully loaded common equity Tier 1 ratio	14.3	15.4	16.0	13.4
Tangible common equity/tangible assets	6.1	5.9	5.6	5.1
Basel leverage ratio	6.4	6.5	6.6	7.1
Net impaired loans/common equity Tier 1 capital	14.8	15.8	28.2	29.6
Funding and liquidity				
Gross loans/customer deposits	80.8	73.9	84.4	89.1
Liquidity coverage ratio	196.0	221.0	181.4	153.0
Customer deposits/total non-equity funding	87.4	87.8	79.2	88.7
Net stable funding ratio	157.0	163.0	143.8	138.0

Source: Fitch Ratings, Fitch Solutions, BOIG

Support Assessment

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

BOIG's and BOI's Government Support Ratings (GSRs) of no support (ns) reflect Fitch's view that senior creditors cannot rely on extraordinary support from the Irish authorities in the event that the bank becomes non-viable. In our opinion, the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism provide a framework that is likely to require senior creditors to participate in losses for resolving the bank.

Subsidiaries and Affiliates

Issuer Ratings

Rating Level	Bank of Ireland (UK) plc (BOI UK)
Long-Term IDR	A-/Positive
Short-Term IDR	F2
Viability Rating	bbb
Shareholder Support Rating (SSR)	a-
DCR	A-(dcr)

Source: Fitch Ratings

BOI UK is fully owned by BOI, and its IDRs are equalised with BOI's. BOI UK's SSR at 'a-' reflects our view that the probability of support from BOI is very high. This is underpinned by a record of unquestioned support from the parent, strong integration within the group, high fungibility of capital and funding between BOI UK and the group, and the high reputational risk the group would face in case of BOI UK's default. The IDRs also reflect the protection of its third-party senior liabilities provided by the group's buffers of junior and senior debt.

BOI UK's DCR is aligned its Long-Term IDR because, under UK legislation, derivative counterparties have no preferential status over other senior obligations in a resolution.

Environmental, Social and Governance Considerations

FitchRatings **Bank of Ireland Group plc**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Bank of Ireland Group plc has 5 ESG potential rating drivers

- Bank of Ireland Group plc 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.

			ESG Relevance to Credit Rating
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) 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

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.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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 on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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