FitchRatings

Banks
Bank Holding Companies
Ireland

Bank of Ireland Group Public Limited Company

Key Rating Drivers

Leading Domestic Bank; Diversified Business: Bank of Ireland Group Public Limited Company's (BOIG) ratings are driven by the group's diversified business model; a strong retail and corporate-banking franchise primarily focused on the small Irish market; sound regulatory capitalisation; and a stable funding and liquidity profile. The ratings also consider the group's weaker asset quality than that of international peers, driven predominantly by impaired loans underwritten before the global financial crisis.

Above-Average, but Stable, Impaired Loans: BOIG has been reducing its stock of impaired loans in recent years through workouts and portfolio sales. Its Stage 3 loans ratio decreased to 5.4% at end-1H21 from 5.6% at end-2020, while the Stage 2 loans ratio increased to 22.5% from 20.1%, mainly due to pandemic-driven management adjustments. At end-1H21 99.5% of loan payment breaks granted at the beginning of the pandemic had expired, and the majority of the loans have reverted to normal payment patterns.

Diversified Earnings; Variability Reducing: BOIG's profitability is supported by a diversified business model and a leading market position in Ireland, which should benefit from the acquisitions of Davy's stockbrokers and KBC Ireland's performing loans and deposits, pending regulatory approvals. The acquisition of Davy's will also support diversification towards non-interest revenue, which is already a strength relative to domestic peers, due to BOIG's large wealth management and insurance activities.

Adequate Capitalisation: The group's regulatory capital and leverage ratios remain sound. Its transitional common equity Tier 1 (CET1) ratio of 15.3% at end-1H21 (14.1% fully-loaded) was 550bp above the minimum regulatory requirement (excluding Pillar 2 Guidance). BOIG's leverage ratio of 6.5% is comfortable. Capital encumbrance by unreserved impaired loans, at 28% of CET1 capital at end-1H21, is fairly high compared with peers.

Fairly Stable Funding, Rating Strength: The group benefits from a strong retail-banking franchise and access to a stable and granular deposit base. Non-interest-bearing current account balances make up a large proportion of total customer deposits. In addition, the group has proven and diversified access to secured and unsecured wholesale markets. Liquidity is sound and largely in the form of cash and cash equivalents and high-quality liquid assets, supported by contingent access to liquidity through various central bank facilities.

Rating Sensitivities

Execution of Strategy: An upgrade would require the group to successfully execute its strategy to improve cost efficiency and profitability, resulting in a clear path towards generating an operating profit/risk-weighted assets (RWAs) of above 2%, reducing impaired loans to about 3% of gross loans, and significantly reducing capital encumbrance.

Weaker Economic Performance: The ratings would likely be downgraded if, as opposed to our baseline scenario, a deterioration of economic performance and the operating environment for banks in Ireland increases the group's impaired loans ratio towards 10%, and BOIG is unable to reduce its stock of impaired loans fairly quickly, or if encumbrance by impaired loans increases significantly without prospects of recovering within a reasonable timeframe.

Weaker Capitalisation: The ratings would also be downgraded if the group's CET1 ratio falls below 13%, following losses or RWAs increases without prospects for sufficient internal capital generation.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Viability Rating	bbb
Support Rating	5
Support Rating Floor	No Floor
Sovereign Risk	
Long-Term Foreign-Currency IDR	A+
Long-Term Local-Currency IDR	A+
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Revises Bank of Ireland Group's Outlook to Stable; Affirms Ratings (October 2021)

Fitch Affirms Ireland at 'A+'; Outlook Stable (July 2021)

Irish Bank Acquisitions Could Protect Margins and Profits (April 2021)

Western European Banks: Asset Quality Cliff-Edge Risk Avoided (June 2021)

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Issuer Ratings

Rating level	Bank of Ireland (BOI)	Bank of Ireland UK Plc
Long-Term IDR	BBB+/Stable	BBB+/Stable
Short-Term IDR	F2	F2
Viability Rating (VR)	bbb	bbb
Support Rating	5	2
Support Rating Floor	No Floor	-
Derivative Counterparty Rating (DCR)	BBB+(dcr)	BBB+(dcr)

Source: Fitch Ratings

Consolidated Assessment

Fitch assesses BOIG on a consolidated basis. BOIG's VR reflects its role as the group holding company and is aligned with that of its main operating subsidiary, Bank of Ireland (BOI). The equalisation of the VRs reflects the continued absence of double leverage at the holding company level and the absence of material restrictions to the transfer of capital and liquidity across the group, subject to the operating companies meeting regulatory capital and liquidity requirements.

BOI's Long-Term Issuer Default Rating (IDR) and DCR are one notch above the bank's VR to reflect the protection of BOI's senior third-party creditors by resolution funds ultimately raised by BOIG, down-streamed to BOI and designed to protect the operating company's external senior creditors in a group failure. The buffers of junior and down-streamed holding-company senior debt are built to comply with minimum requirement for own funds and eligible liabilities (MREL).

The IDRs of BOI's fully-owned UK subsidiary, Bank of Ireland (UK) Plc (BOI UK), are equalised with BOI's. Our support assessment of BOI UK's and Support Rating of '2' reflects our view that the probability of support from BOI is high. This is underpinned by a record of unquestioned support from the parent, strong integration into 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.

Debt Rating Classes

Rating level	BOIG	BOI
Senior unsecured	BBB	BBB+
Tier 2 subordinated debt	BB+	BB+
Additional Tier 1 (AT1)	BB-	

Source: Fitch Ratings

Senior debt ratings are in line with the banks' Long-Term IDRs.

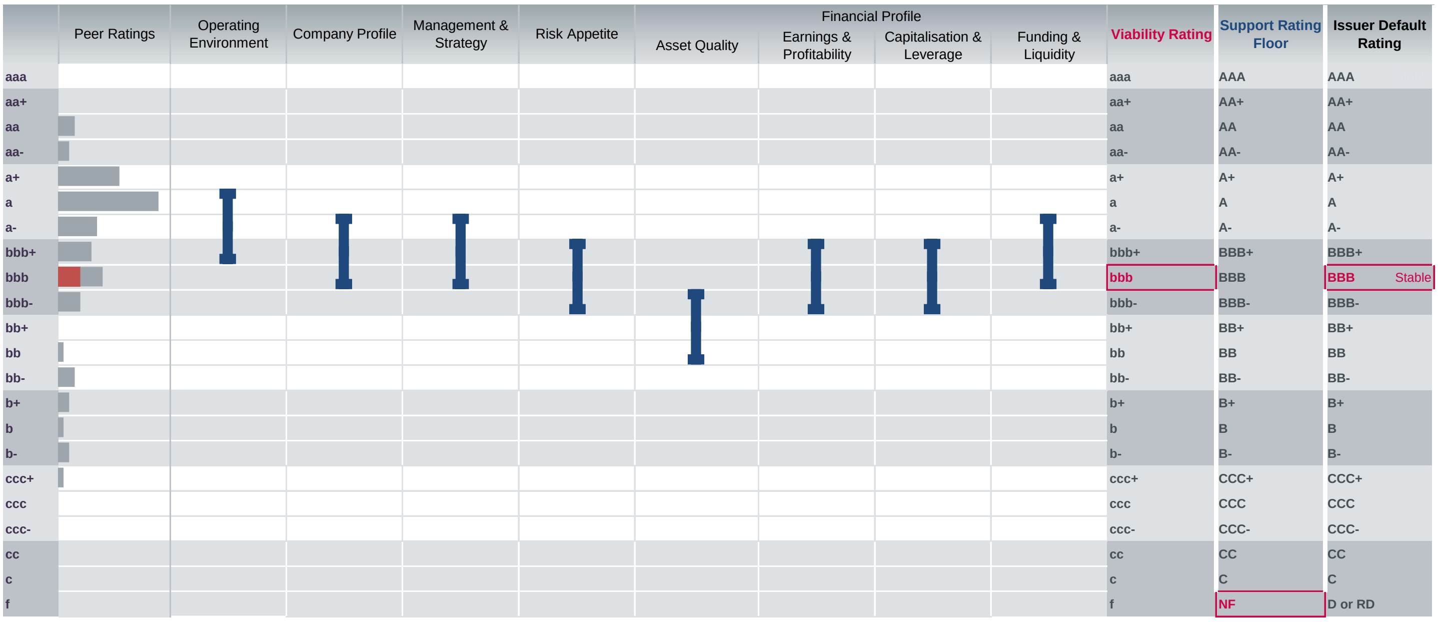
Subordinated Tier 2 debt ratings are notched down twice from the banks' VRs, reflecting the likelihood of poor recovery prospects for the notes arising from subordination in the event of a non-viability event. We do not notch for non-performance risk because the terms of the notes do not provide for loss absorption on a going-concern basis.

AT1 notes are rated four notches below BOIG's VR, comprising two notches for loss severity relative to senior unsecured creditors, and two notches for incremental non-performance risk.

Ratings Navigator

Bank of Ireland Group Public Limited Company

ESG Relevance:



Significant Changes

Operating Environment Back to Stable Amid Robust Economic Rebound

We revised the outlook on the operating environment for Irish banks to stable from negative. Immediate pandemic-related risks have largely receded for the banks and we expect the Irish economy will continue to perform strongly after a robust rebound this year, which should continue to support the banks' performances and further risk reduction.

Fitch expects robust economic activity to continue in Ireland, with 14% GDP growth forecast for 2021, before moderating to still very strong levels in 2022 and 2023. Fitch forecasts modified domestic demand, which excludes the GDP-inflating effects of multinational companies and better reflects the country's actual level of economic activity, to recover. Pandemic-related risks should recede and confidence continue to improve in 2022, supported by the unwinding of domestic savings accumulated during the pandemic. The worst-hit sectors should recover given the large fiscal support available since 2Q20.

Our assessment of BOIG's operating environment also considers its material operations in the UK. As the group reduces the balance sheet of its UK subsidiary in line with its plan and expands its Irish loan book through the announced acquisitions, our assessment of the Irish operating environment might become more relevant for the overall VR.

Inorganic Transactions

BOIG announced in 2021 it had reached an agreement to buy Davy's, Ireland's largest stockbroker and to acquire about EUR9 billion predominantly performing loans (including EUR300m of non-performing mortgage loans, at a discount to par) from KBC Bank Ireland and its deposits (about EUR4.4 billion), as KBC Group plans to leave the Irish market. Both transactions are planned to complete in 2022, pending regulatory and competition approvals. The Davy's and KBC acquisitions will be financed by internal capital resources, with the Davy's acquisition expecting to impact the CET1 ratio by 80bp and the KBC acquisition by about120bp.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

⇧ Positive	⇩ Negative
⇳ Evolving	▫ Stable

Peer Group Summary

Peer Group Summary	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating
AIB Group Public Limited Company	bbb+	bbb	bbb+	bbb	bb+	bbb	bbb	bbb+	bbb
Bank of Ireland Group Public Limited Company	a-	bbb+	bbb+	bbb	bb+	bbb	bbb	bbb+	bbb

Company Summary and Key Qualitative Assessment Factors

Dominant Banking Group in Ireland; Diversified Business Model

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 the diversification into the UK and 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 (285 at end-1H21; 285 Ireland, 28 Northern Ireland), as well as digital channels. The branch network is currently under resizing, with a further 89 branches expected to close in Ireland, and 15 in Northern Ireland from June 2021 to end-2021. The closure will be offset partly by a new partnership with An Post (the state-owned postal service) which will offer 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 is in the process of restructuring. It is now moving towards a greater focus on specialised higher-margin products.

Credible Management; Focus on Reducing Costs, Improving Returns

BOIG's strategic priorities include addressing the group's cost efficiency with an updated cost target of EUR1.5 billion for 2023, reduced from the EUR1.65 billion targeted for FY2021. This is to be achieved through digitalisation, accelerated by pandemic-induced changes in customer behaviour; branch and headcount reductions; UK business model simplification and a reduced property footprint. Continuing to build on BOIG's source of fee income through its wealth and insurance business remains one of the bank's strategic priorities, and the Davy acquisition should help support this aim. BOIG is set to release updated mid-term targets in a strategy update in 2022.

Sustainably reducing the bank's stock of non-performing exposures (NPEs) by means of organic and non-organic measures is also key. The bank's record of reducing its stock of NPEs is strong and investor demand for Irish assets is supportive, as evidenced by a EUR0.3 billion (gross carrying value of about EUR344 million) NPE transaction in 1H21.

The UK subsidiary has made meaningful progress in shrinking its balance sheet and improving funding costs and net interest margin (NIM). It has also grown the share of higher yielding bespoke mortgage lending and reduced more expensive deposit accounts. Northern Ireland branch closures have already progressed.

Sound Underwriting, Adequate Controls, Modest Market Risk

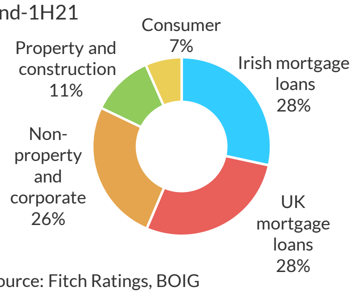
We consider BOIG's underwriting standards to be broadly in line with international peers' after having been tightened following the financial crisis. Lending over the past ten years has performed well, although it has benefited from low interest rates and a supportive domestic economic environment. Mortgage loan origination in Ireland is conservative and supported by central bank regulations which limit the proportion of higher loan-to-value ratios (LTV) in new lending and a maximum loan-to-income. New average LTV lending in Ireland for BOIG was 74% in 1H21.

The group's risk control framework is adequate and underpinned by persistent oversight from the Irish regulator. BOIG's risk awareness was evidenced by a prudent increase in loan loss provisions early in the coronavirus crisis. About 40% of loan loss allowances at end-1H21 related to Stage 1 and Stage 2 loans.

Gross new lending of EUR6.5 billion (excluding corporate revolving credit facilities) in 1H21 was 12% higher than its 1H20 level, due to an improving recovery to the economy from last year's subdued lending due to impact of the coronavirus. Significant redemptions of EUR7.9 billion offset its gross new lending due to the bank's deleveraging strategy in the UK. But FX effects on the loan book added EUR1.6 billion in 1H21, so the loan book increased by a net 0.7%.

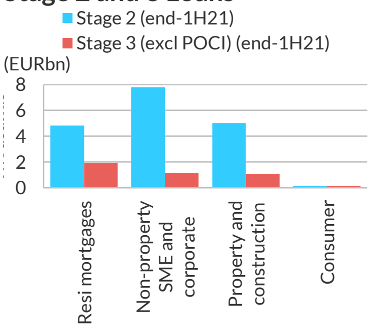
Gross Loans

(EUR79bn)
End-1H21



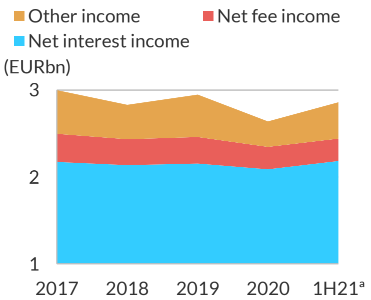
Source: Fitch Ratings, BOIG

Stage 2 and 3 Loans



Source: Fitch Ratings, BOIG

Revenue Breakdown



a Annualised data
Source: Fitch Ratings

Summary Financials and Key Ratios

	30 Jun 21		31 Dec 20	31 Dec 19	31 Dec 18	31 Dec 17
	6 months - interim	6 months - interim	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement						
Net interest and dividend income	1,287	1,083.0	2,090.0	2,156.0	2,136.0	2,172.0
Net fees and commissions	151	127.0	256.0	305.0	297.0	326.0
Other operating income	248	209.0	295.0	488.0	400.0	502.0
Total operating income	1,686	1,419.0	2,641.0	2,949.0	2,833.0	3,000.0
Operating costs	1,204	1,013.0	1,888.0	1,949.0	1,945.0	2,010.0
Pre-impairment operating profit	482	406.0	753.0	1,000.0	888.0	990.0
Loan and other impairment charges	1	1.0	1,133.0	214.0	-42.0	15.0
Operating profit	481	405.0	-380.0	786.0	930.0	975.0
Other non-operating items (net)	1	1.0	-380.0	-141.0	-95.0	-123.0
Tax	77	65.0	-53.0	197.0	160.0	160.0
Net income	405	341.0	-707.0	448.0	675.0	692.0
Other comprehensive income	428	360.0	-266.0	175.0	-19.0	-369.0
Fitch comprehensive income	833	701.0	-973.0	623.0	656.0	323.0
Summary balance sheet						
Assets						
Gross loans	94,296	79,347.0	78,823.0	80,795.0	78,693.0	78,487.0
- Of which impaired	5,065	4,262.0	4,376.0	3,099.0	4,483.0	4,043.0
Loan loss allowances	2,532	2,131.0	2,242.0	1,308.0	1,728.0	2,359.0
Net loans	91,763	77,216.0	76,581.0	79,487.0	76,965.0	76,128.0
Interbank	3,330	2,802.0	2,453.0	3,328.0	2,625.0	2,861.0
Derivatives	1,938	1,631.0	2,217.0	1,999.0	1,724.0	2,348.0
Other securities and earning assets	44,223	37,212.0	37,518.0	34,663.0	32,812.0	30,285.0
Total earning assets	141,254	118,861.0	118,769.0	119,477.0	114,126.0	111,622.0
Cash and due from banks	29,793	25,070.0	10,953.0	8,325.0	6,033.0	7,379.0
Other assets	7,132	6,001.0	4,032.0	4,081.0	3,510.0	3,553.0
Total assets	178,179	149,932.0	133,754.0	131,883.0	123,669.0	122,554.0
Liabilities						
Customer deposits	107,674	90,604.0	88,519.0	83,933.0	78,832.0	75,778.0
Interbank and other short-term funding	15,708	13,218.0	2,506.0	2,214.0	2,549.0	4,430.0
Other long-term funding	10,808	9,095.0	7,681.0	10,372.0	10,887.0	10,375.0
Trading liabilities and derivatives	2,471	2,079.0	2,257.0	2,478.0	1,835.0	1,987.0
Total funding	136,661	114,996.0	100,963.0	98,997.0	94,103.0	92,570.0
Other liabilities	29,142	24,522.0	23,050.0	22,326.0	19,394.0	20,195.0
Preference shares and hybrid capital	1,298	1,092.0	1,086.0	127.0	121.0	122.0
Total equity	11,078	9,322.0	8,655.0	10,433.0	10,051.0	9,667.0
Total liabilities and equity	178,179	149,932.0	133,754.0	131,883.0	123,669.0	122,554.0
Exchange rate		USD1 = EUR0.841468	USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382

Source: Fitch Ratings, Fitch Solutions, BOIG

Summary Financials and Key Ratios

	30 Jun 21	31 Dec 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	1.7	-0.8	1.6	2.0	2.2
Net interest income/average earning assets	1.8	1.8	1.8	1.9	n.a.
Non-interest expense/gross revenue	71.4	71.4	67.0	69.7	68.0
Net income/average equity	7.7	-7.5	4.4	6.8	n.a.
Asset quality					
Impaired loans ratio	5.4	5.6	3.8	5.7	5.2
Growth in gross loans	0.7	-2.4	2.7	0.3	n.a.
Loan loss allowances/impaired loans	50.0	51.2	42.2	38.6	58.4
Loan impairment charges/average gross loans	0.0	1.3	0.3	-0.1	n.a.
Capitalisation					
Common equity Tier 1 ratio	15.3	14.9	15.0	15.0	15.8
Fully loaded common equity Tier 1 ratio	14.1	13.4	13.8	13.4	13.8
Tangible common equity/tangible assets	5.1	5.1	6.6	6.6	6.3
Basel leverage ratio	6.5	7.1	7.1	7.0	7.0
Net impaired loans/common equity Tier 1	28.4	29.6	23.8	38.5	23.7
Funding and liquidity					
Loans/customer deposits	87.6	89.1	96.3	99.8	103.6
Liquidity coverage ratio	177.0	153.0	138.0	136.0	136.0
Customer deposits/funding	79.5	88.7	86.9	85.3	83.5
Net stable funding ratio	138.0	138.0	131.0	130.0	127.0

Source: Fitch Ratings, Fitch Solutions, BOIG

Key Financial Metrics – Latest Developments

Stable Asset Quality

BOIG's asset quality metrics before the pandemic were better than those of domestic peers, and this was still the case at end-1H21, in part due to a larger proportion of performing UK mortgage loans and the better-performing Irish mortgage book. Residential mortgage loans account for almost half of the group's Stage 3 loans split between Ireland (EUR1.2 billion) and the UK (EUR0.8 billion), with the remainder evenly split between SME and corporates (EUR1.2 billion) and property and construction (EUR1.1 billion).

The binding agreement in October 2021 to acquire KBC's mainly performing loans is expected to reduce BOIG's end-1H21 pro-forma NPE ratio by about 0.4%.

Adequate Structural Profitability; Supported by Moderating LICs

BOIG reported a strong 1H21 with a net income of EUR341 million against a EUR725 million loss for 1H20, which was driven by a EUR937 million impairment charge from the impact of the coronavirus crisis. In 1H21 the bank took a net loan and securities impairment charge of only EUR1 million. The bank expects 2H21 impairment charge to be similar to the 1H21, supported by the existing EUR2.1 billion loan loss allowances. In 1H21 the lower impairments helped to support an annualised operating profit/RWAs ratio of 1.66%, with a larger pre-impairment operating profit, mainly driven by increased insurance income and net trading gains.

The Davy acquisition will include wealth management, and corporate broking and finance services, where the acquisition is expected to be accretive to earnings in the first full year of ownership, excluding transaction-related payments.

BOIG's Fitch calculated cost/income ratio improved to 71% in 1H21 from 78% in 1H20, helped by increased operating income. We expect further improvements over the medium term from loan book expansion and further operational efficiency gains from the bank's simplification program.

Adequate Capitalisation

BOIG's fully-loaded CET1 ratio increased (+70bp over 1H21) to 14.1% at end-1H21, as 90bp of organic capital generation was created due to growth in operating profit and an additional 15bp from an NPE sale. This was offset by 25bp of loan and RWAs growth and 30bp of transformation investment. The total capital ratio increased to 20.5% at end-1H21 driven by CET1 ratio growth and a 'Green' Tier 2 bond of EUR500 million in May 2021. At end-1H21 BOIG had a MREL ratio of 27.6% of RWAs and 10.4% on a leverage basis, fully complying with its January 2022 intermediate binding target 24.95% and 7.59% respectively.

Funding a Rating Strength

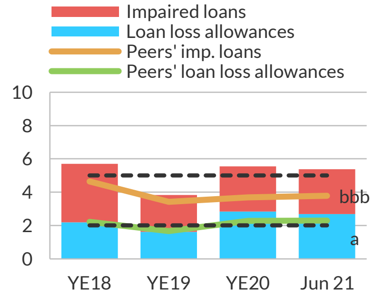
BOIG's funding is underpinned by its strong retail banking franchise and access to stable and granular retail deposits. Retail deposits totalled EUR82 billion (Retail Ireland: EUR62 billion; Retail UK: EUR20 billion) at end-1H21, 90% of total customer deposits. Overall customer deposits grew by EUR2 billion in 1H21 due mainly due to higher retail and SME volumes in Ireland, with the loans/deposits (LTD) ratio lowering to 88% at end-1H21 (89% end-2020, 96% end-2019).

BOIG is planning on expanding the threshold for negative rates and expects close to EUR15 billion of customer deposits will go to negative rates by end-2021, around 16% of deposits. At end-1H21 EUR8.5 billion of deposits were on negative rates, up from EUR3.3 billion at end-1H20. Wholesale funding is modest, totalling 15% of total liabilities. The majority of wholesale funding is secured funding from central banks (EUR14 billion), mainly EUR10.8 billion of drawings from TLTRO III.

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 EUR45.5 billion (30% of total assets); mainly cash and balances at central banks (EUR25 billion) and highly rated government bonds (EUR13 billion). The bank's liquidity coverage ratio and net stable funding ratio have been comfortably above minimum requirements.

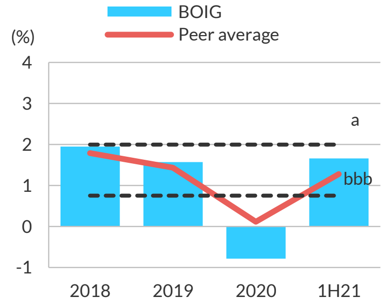
Asset Quality

(% gross loans)



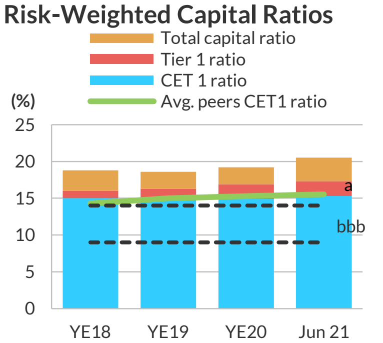
Source: Fitch Ratings, banks

Operating Profit/RWAs



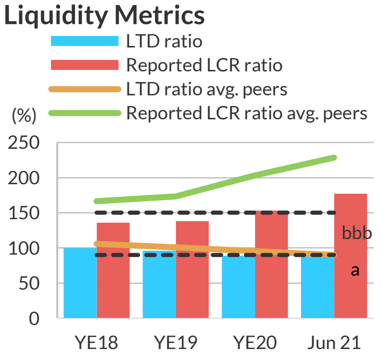
Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

Liquidity Metrics



Source: Fitch Ratings, banks

Note on Charts

Black dashed lines in the charts represent indicative quantitative ranges and corresponding implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category. Peer average includes Bank of Ireland Group Public Limited Company (VR: bbb), AIB Group Public Limited Company (bbb), Banco de Sabadell, S.A. (bbb-), CaixaBank, S.A. (bbb+), Credito Emiliano S.p.A. (bbb-), Kutxabank, S.A. (bbb+) and Virgin Money UK PLC (bbb+). Virgin Money UK PLC was excluded from the latest average calculation due to data unavailability.

Sovereign Support Assessment

No Sovereign Support Factored into Ratings

We believe that BOIG's and BOI's senior creditors cannot rely on extraordinary support from the Irish authorities if the bank is declared non-viable. This is in line with other Irish and eurozone banks. It reflects our belief that the authorities' propensity to support the banking system and their ability to do so ahead of senior bondholders participating in losses has decreased materially following the implementation of recovery and resolution legislation.

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			A or A-
Actual country D-SIB SRF			NF
Support Rating Floor:			**NF**
Support Factors	**Positive**	**Neutral**	**Negative**
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem			✓
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)		✓	
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support			✓
Sovereign propensity to support bank			
Systemic importance		✓	
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	

Environmental, Social and Governance Considerations

FitchRatings **Bank of Ireland Group Public Limited Company** — Banks Ratings Navigator

Credit-Relevant ESG Derivation

Bank of Ireland Group Public Limited Company has 5 ESG potential rating drivers

- Bank of Ireland Group Public Limited Company 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	Company Profile; Management & Strategy; Risk Appetite; 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	Company Profile; Management & Strategy; Risk Appetite	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	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

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.

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