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 its strong domestic franchise in the small Irish economy and diversified business model, adequate regulatory capitalisation and a stable funding and liquidity profile. The ratings also consider Fitch Ratings' expectation of below average asset quality in 2021-2022 and adequate profitability, which will be challenged by the health crisis.

Above-Average Impaired Loans: We expect Stage 3 loans to increase significantly, but to levels below those seen after the 2008 crisis due to the bank's tightened underwriting standards. BOIG's Stage 3 loan ratio increased to 5.6% at end-2020 from 3.8% at end-2019 (mostly due to the implementation of new definition of default), and Stage 2 loans soared to 20% of gross loans. However, most loans on payment breaks have reverted to normal payment patterns.

Variable Profitability: Underlying profitability is supported by BOIG's diversified business model and dominant market position. The health crisis led to high loan impairment charges (LICs) in 2020, and the bank expects these to be significantly lower for 2021. However, we believe there is a risk that profitability would structurally normalise at pre-pandemic levels.

Adequate Capitalisation: We believe capitalisation levels can absorb moderate increases in LICs and risk-weighted assets (RWAs) and still be adequate. Regulatory capital and leverage ratios remain sound despite the 2020 loss, with the fully-loaded common equity Tier 1 (CET1) ratio of 13.4% at end-2020. Capital encumbrance by unreserved impaired loans is fairly high compared with peers (30% of CET1 capital).

Funding Rating Strength: Funding is a strength, with the group benefiting from a strong retail banking franchise and access to a stable and granular deposit base. Non-interest-bearing current accounts make up a large proportion of customer deposits, supporting a stable funding base. The group has proven and diversified access to the 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

Negative Outlook: The Negative Outlook reflects significant downside risks to Fitch's baseline economic forecast, which could result in much higher pressure on BOIG's earnings and strategy execution as well as asset quality.

Delayed or Weak Recovery: The ratings would likely be downgraded if the recovery of the Irish economy in 2021 becomes less likely or is materially weaker than we expect. A delay to the recovery would likely result in sustained pressure on the bank's earnings and deeper damage to asset quality, which would be difficult to restore within a short period of time. Capitalisation level below the bank's pre-pandemic target of 13% fully-loaded CET1 ratio, without credible prospects to restore it in a reasonable timeframe, could also lead to a downgrade.

Swift Crisis Resolution: The Outlook on the Long-Term IDR could be revised to Stable if the negative impact of the pandemic and of UK-EU trade relationships on the Irish and UK economy is short. Post-pandemic, the ratings could be upgraded if the group successfully executes its strategy to improve cost efficiency and profitability and demonstrates its ability to operate with lower levels of problem loans and much reduced capital encumbrance.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Viability Rating	bbb
Support Rating	5
Support Rating Floor	NF
Sovereign Risk	
Long-Term Foreign-Currency IDR	A+
Long-Term Local-Currency IDR	A+
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Affirms Bank of Ireland Group at 'BBB'; Outlook Negative (October 2020)

Irish Banks' Non-Performing Loans to Rise as Borrower Help Ends (March 2021)

Fitch Rates Bank of Ireland Group's EMTN Programme, Senior, Tier 2 and AT1 Notes (March 2021)

Ireland (March 2021)

Fitch Ratings 2021 Outlook: Western European Banks (December 2020)

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Issuer Ratings

Rating level	Bank of Ireland (BOI)	Bank of Ireland (UK) Plc
Long-Term IDR	BBB+/Negative	BBB+/Negative
Short-Term IDR	F2	F2
Viability Rating (VR)	bbb	bbb
Support Rating	5	2
Support Rating Floor	NF	
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, 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 IDR and DCR are one notch above the VR. This is to reflect the level of protection offered to BOI's senior third-party liabilities by existing resolution funds ultimately raised by BOIG, downstreamed to BOI, and designed to protect the operating company's external senior creditors in a group failure.

Debt Rating Classes

Rating level	BOIG	BOI
Senior unsecured	BBB	BBB+/F2
Tier 2 subordinated debt	BB+	BB+
Additional Tier 1	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. No notching is applied for incremental non-performance risk as the write-down of the notes will only occur after the point of non-viability is reached and there is no prior coupon flexibility.

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:

Banks
Ratings Navigator

Significant Changes

Milder Impact on GDP but Domestic Economic Performance in Decline

Our assessment of BOIG's operating environment takes into account its material operations in the UK. The trends on the assessments of operating environments for domestic Irish and UK banks are negative reflecting significant risks to economic recovery in both countries.

Irish real GDP rose by 3.2% in 2020, supported by the activities of multinational enterprises and strong exports, but the domestic economy experienced a decline. We expect an increase in real Irish GDP of 3.7% in 2021, after a weak first quarter, with forecast growth of 5.1% in 2022. Fitch expects the headline unemployment rate (which excludes those on pandemic-related government support) to rise to an average of 8.0% in 2021 from 4.9% at end-2019 and edge down in 2022.

We expect the operating environment for Irish banks in 2021 to remain as challenging as it was in 2020, with the effect of Brexit adding to what we expect to be a less acute pandemic state as some businesses have adapted to the new norm and government support measures are channelled to the most affected sectors. For 2021, we believe the demand for new lending will remain frail and bank revenues will continue to feature softness and volatility. We expect defaults to rise but a recovery in economic growth will still present business opportunities.

Strategic Targets Refined, More to Follow

BOIG updated its strategy around further cost savings and digitalisation initiatives in 1Q21, with further updates expected later this year as the strategic cycle comes to an end. For 2018-2021 the bank was targeting significant Irish mortgage loan growth, increased lending to under-served segments of the UK market and growth in corporate lending in both countries. However sluggish retail demand and subsequently the pandemic rendered the growth targets unachievable within the plan's timeframe.

In April 2021 BOIG and Belgian KBC Group entered into a Memorandum of Understanding for the acquisition of KBC Bank Ireland's performing loans (about EUR8.8 billion of predominantly owner-occupied residential mortgage loans) and liabilities (about EUR5 billion of customer deposits). If completed, the transaction is in our view neutral for BOIG's ratings, but positive for the group's profitability and pricing power through strengthened market shares; it also offers cross-selling opportunities, including for the group's insurance business. The capital impact of

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

the transaction is estimated to be manageable by us given the comfortable regulatory capital position at end-2020.

Company Summary and Key Qualitative Assessment Factors

Largest 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 insurance business in 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 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 continuing to address the group's cost efficiency with an updated cost target of EUR1.5 billion for 2023, reduced from the EUR1.65 billion targeted for 2021. 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. Leveraging its position as a bancassurer and increasing its customer penetration rate (35% at end-2020) remains one of the bank's strategic priorities.

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 still robust, as evidenced by the recent NPL sales on the market.

While the strategic goals are reducing costs and increasing revenue, they expose the group to execution and to higher credit risk, particularly in the UK where under-served borrowers segments are targeted.

Sound Underwriting, Adequate Controls , Modest Market Risk

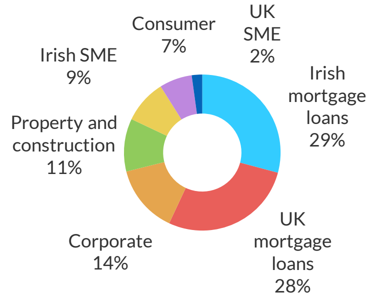
We consider BOIG's underwriting standards to be broadly in line with international peers' after having been tightened following the financial crisis. Lending over the past ten years has performed well, although it has benefited from low interest rates and a supportive domestic economic environment. Pandemic-driven loan losses have so far been primarily limited to large legacy property exposures.

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 60% of 2020 loan impairment charges (LICs) related to Stage 1 and Stage 2 assets.

Market risk is modest, arising mainly from structural interest rate risk in its banking book. This is appropriately mitigated through hedging techniques.

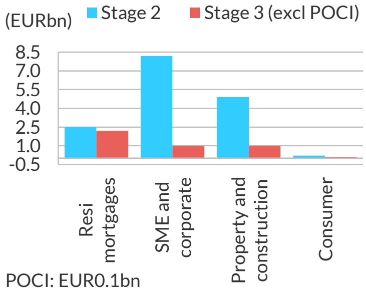
Growth trends in 2020 were negatively affected by the pandemic: gross customer loans declined by 2.4% driven by muted credit demand and high redemptions. 2020 net lending was stable yoy supported by revolving credit facilities drawdowns. We expect the bank to set more conservative growth targets, particularly at a time when the extent of the economic recovery domestically and in the UK is still highly uncertain.

Gross Loans (EUR78.5bn)
End-2020



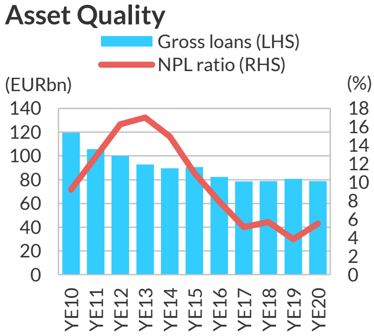
Source: Fitch Ratings, BOIG

Stage 2 and 3 Loans
End-2020



POCI: EUR0.1bn
Source: Fitch Ratings, BOIG

Asset Quality



Source: Fitch Ratings, BOIG

Summary Financials and Key Ratios

	31 Dec 20		31 Dec 19	31 Dec 18	31 Dec 17
	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	2,543	2,090.0	2,156.0	2,136.0	2,172.0
Net fees and commissions	311	256.0	305.0	297.0	326.0
Other operating income	359	295.0	488.0	400.0	502.0
Total operating income	3,213	2,641.0	2,949.0	2,833.0	3,000.0
Operating costs	2,297	1,888.0	1,949.0	1,945.0	2,010.0
Pre-impairment operating profit	916	753.0	1,000.0	888.0	990.0
Loan and other impairment charges	1,378	1,133.0	214.0	-42.0	15.0
Operating profit	-462	-380.0	786.0	930.0	975.0
Other non-operating items (net)	-462	-380.0	-141.0	-95.0	-123.0
Tax	-64	-53.0	197.0	160.0	160.0
Net income	-860	-707.0	448.0	675.0	692.0
Other comprehensive income	-324	-266.0	175.0	-19.0	-369.0
Fitch comprehensive income	-1,184	-973.0	623.0	656.0	323.0
Summary balance sheet					
Assets					
Gross loans	95,896	78,823.0	80,795.0	78,693.0	78,487.0
- Of which impaired	5,324	4,376.0	3,099.0	4,483.0	4,043.0
Loan loss allowances	2,728	2,242.0	1,308.0	1,728.0	2,359.0
Net loans	93,168	76,581.0	79,487.0	76,965.0	76,128.0
Interbank	2,984	2,453.0	3,328.0	2,625.0	2,861.0
Derivatives	2,697	2,217.0	1,999.0	1,724.0	2,348.0
Other securities and earning assets	45,644	37,518.0	34,663.0	32,812.0	30,285.0
Total earning assets	144,494	118,769.0	119,477.0	114,126.0	111,622.0
Cash and due from banks	13,325	10,953.0	8,325.0	6,033.0	7,379.0
Other assets	4,905	4,032.0	4,081.0	3,510.0	3,553.0
Total assets	162,725	133,754.0	131,883.0	123,669.0	122,554.0
Liabilities					
Customer deposits	107,692	88,519.0	83,933.0	78,832.0	75,778.0
Interbank and other short-term funding	3,049	2,506.0	2,214.0	2,549.0	4,430.0
Other long-term funding	9,345	7,681.0	10,372.0	10,887.0	10,375.0
Trading liabilities and derivatives	2,746	2,257.0	2,478.0	1,835.0	1,987.0
Total funding	122,832	100,963.0	98,997.0	94,103.0	92,570.0
Other liabilities	28,043	23,050.0	22,326.0	19,394.0	20,195.0
Preference shares and hybrid capital	1,321	1,086.0	127.0	121.0	122.0
Total equity	10,530	8,655.0	10,433.0	10,051.0	9,667.0
Total liabilities and equity	162,725	133,754.0	131,883.0	123,669.0	122,554.0
Exchange rate		USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382

Source: Fitch Ratings, Fitch Solutions, BOIG

Summary Financials and Key Ratios

	31 Dec 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	-0.8	1.6	2.0	2.2
Net interest income/average earning assets	1.8	1.8	1.9	n.a.
Non-interest expense/gross revenue	71.4	67.0	69.7	68.0
Net income/average equity	-7.5	4.4	6.8	n.a.
Asset quality				
Impaired loans ratio	5.6	3.8	5.7	5.2
Growth in gross loans	-2.4	2.7	0.3	n.a.
Loan loss allowances/impaired loans	51.2	42.2	38.6	58.4
Loan impairment charges/average gross loans	1.3	0.3	-0.1	n.a.
Capitalisation				
Common equity Tier 1 ratio	14.9	15.0	15.0	15.8
Fully loaded common equity Tier 1 ratio	13.4	13.8	13.4	13.8
Fitch Core Capital ratio	n.a.	16.1	16.1	16.0
Tangible common equity/tangible assets	5.1	6.6	6.6	6.3
Basel leverage ratio	7.1	7.1	7.0	7.0
Net impaired loans/common equity Tier 1	29.6	23.8	38.5	23.7
Net impaired loans/Fitch Core Capital	n.a.	23.0	37.1	24.3
Funding and liquidity				
Loans/customer deposits	89.1	96.3	99.8	103.6
Liquidity coverage ratio	153.0	138.0	136.0	136.0
Customer deposits/funding	88.7	86.9	85.3	83.5
Net stable funding ratio	138.0	131.0	130.0	127.0

Source: Fitch Ratings, Fitch Solutions, BOIG

Key Financial Metrics – Latest Developments

Stable Asset Quality Despite Expected Non-Performing Loans Increase

We expect that the asset non-performance caused by the pandemic will be commensurate with our assessment of the bank's asset quality. We consider exposure to commercial and SME clients active in the vulnerable hospitality and wholesale/retail sectors most at risk, but the impact on asset quality will be across all lending segments given the broad economic implications of the health crisis. Exposure to other higher-impact sectors is low. The performance of personal loans is currently supported by income support schemes introduced by the government. The same applies to SME and larger businesses, which are also supported by various grant schemes, rent and tax deferrals, even though the take-up of state-guaranteed loans and payment breaks is quite low. But we expect asset quality to deteriorate once the support schemes are unwound.

Compared to domestic peers, BOIG has a large proportion of well-performing UK mortgage loans, which benefits its Stage 3 loan ratio. The latter increased in 2020 mostly due to the new definition of default. Stage 2 loans saw a nearly threefold increase compared to end-2019 levels, reflecting weaker economic outlook, and mostly in non-property SME and corporate portfolio (about 60% of the increase) and property and construction (one-third of the increase) in line with our assessment of the most-hit sectors. The loan loss allowance coverage of gross loans increased to 2.8% from 1.6%.

We expect Stage 3 loans to increase in 2021 and 2022, especially if support measures are extended, delaying the recognition of non-viable businesses, but to levels much lower than in the aftermath of 2008 financial crisis. The bank is committed to bringing Stage 3 loans down, including through selective disposals and securitisations (largely of Irish residential mortgage loans).

Adequate Structural Profitability

There are downside risks to the economic recovery, including that of profitability being negatively affected by high LICs and lower business volumes from muted credit demand. This is partly compensated for by BOIG's diversified business model and dominant market position.

Lower interest rates are negatively affecting interest income, and fee income is suffering from much-reduced customer activity, with only a gradual pick-up expected in 2021. To offset this fall in income, the group is working on optimising its product mix. The bank remains committed to reducing its cost base further, but the heavy transformation investment committed by the bank represents an additional strain. Cost efficiency lags behind international peers, with BOIG's cost/income ratio (CIR) of 71% in 2020, and the health crisis is likely to push its gradual improvement further out.

The bank reported a EUR707 million loss in 2020, driven by EUR1.1 billion of LICs and lower operating income.

Adequate Capitalisation, Moderate Encumbrance by Impaired Loans

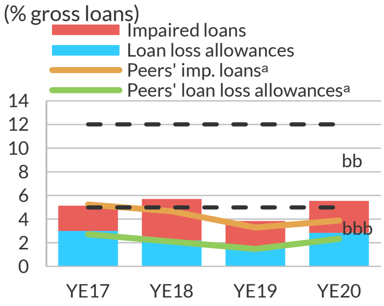
BOIG's fully-loaded CET1 ratio decreased to 13.4% at end-2020 primarily due to the impact of credit quality deterioration, regulatory change and investment in the transformation programme, with a transitional ratio of 14.9%. The regulatory 2021 CET1 requirement came down to 9.77% from 10.65% at end-2019 as a result of regulatory changes, implying a headroom of around 510bp above its minimum distributable amount threshold. Although the new target for its CET1 ratio has not yet been disclosed, the bank forecasts its fully-loaded CET1 ratios in 2021 to stay in line with December 2020 levels. Dividend payments, which have been put on hold, might recommence based on future performance and capital position.

Notes 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 'a' category. The peer average includes Bank of Ireland Group Public Limited Company (VR: bbb), AIB Group Public Limited Company (bbb), Banco de Sabadell, S.A. (bbb-), Kutxabank, S.A. (bbb+) and Virgin Money UK PLC (bbb+).

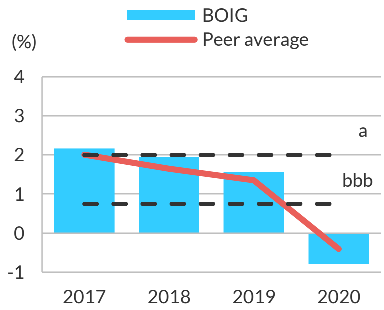
Asset Quality

(% gross loans)



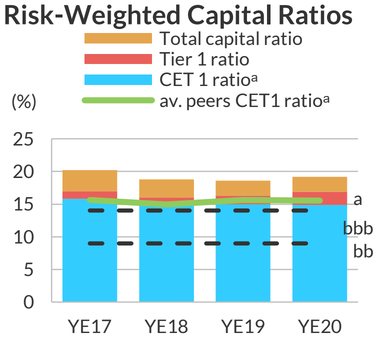
Source: Fitch Ratings, banks

Operating Profit/RWAs



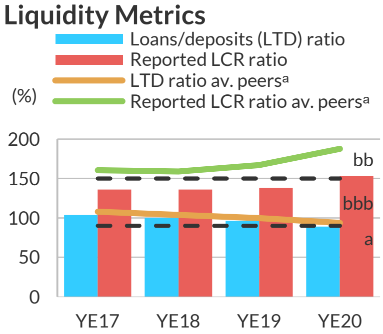
Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

Liquidity Metrics



Source: Fitch Ratings, banks

Funding a Rating Strength

Given the retail nature of a large proportion of BOIG's deposit base (90% at end-2020), funding concentrations are low (top-20 customer deposits accounted for only 4% of total customer deposits) and the bank has reasonable contingency funding plans. Non-interest-bearing current account balances make up a large proportion of customer deposits (end-2020: 51%) lowering the bank's overall cost of funding and supporting the stability of the bank's deposit base.

To offset pressure on net interest income, BOIG is expanding customer deposit base subject to negative deposit rates: it increased more than threefold to EUR8.5 billion at end-2020, with further expansion to around EUR15 billion planned for 2021. This will apply to large corporate deposits, but the main driver of the banks overall deposit growth of EUR4.6 billion in 2020 were retail deposits in Ireland owing to higher household and SME savings rates.

Central bank funding utilisation is modest. The group is on track to meet its interim Minimum Requirement for own funds and Eligible Liabilities (MREL) of 24.95% from January 2022 with anticipated issuances of around EUR1billion - EUR2 billion of MREL-eligible senior debt a year. Its MREL ratio stood at 24.6% at end-2020.

Liquidity is sound, with strong regulatory liquidity metrics (153% liquidity coverage ratio, 138% net stable funding ratio and low encumbrance ratio of 10% at end-2020).

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 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.

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		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

Environmental, Social and Governance Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. 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.

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.

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.