FitchRatings

Banks
Universal Commercial Banks
Austria

Erste Group Bank AG

Key Rating Drivers

Business Profile Drives Ratings: Erste Group Bank AG's ratings are underpinned by its well-established universal-banking business model with a leading franchise in in retail and SME banking in Austria and central and eastern Europe (CEE). The ratings also factor in the group's resilient asset quality, strong earnings, adequate capitalisation and stable funding. The group's material operations in less developed and more volatile countries in CEE translate into a weaker operating environment than for peers that solely focus on Austria.

Diversified Business Profile: Erste's universal-banking business model with a leading franchise in retail and SME banking in Austria and its strong market position in CEE countries provide broad diversification and earnings enhancement to the group's overall credit profile. Fitch Ratings believes these markets will continue to deliver good risk-adjusted returns over the economic cycle. The bank's consistent strategic commitment to the region underpins our assessment of the group's business profile.

Established Risk Procedures: Erste applies uniform risk standards adapted to local market conditions across its portfolio. Credit standards are prudent and in line with market practice in Austria but are more stringent than local peers' in CEE combined with thorough risk controls. This contributes to a balanced risk profile across geographies and sectors. Structural interest rate and foreign-currency risks are modest, but political risks, such as the implementation of windfall taxes, remain a source of unpredictability.

Resilient Asset Quality: Erste's asset quality was resilient despite slower economic growth, rising interest rates and high inflation, including in CEE countries. We expect the impaired loans ratio to moderately increase in the next two years due to lagged economic effects on corporates and households' financials.

We estimate Erste's four-year average impaired loans ratio to remain below 4%, commensurate with an asset quality score of 'bbb+', as asset quality benefits from adequate loan book collateralisation, adequate diversification and comfortable impaired loans coverage.

Higher Rates Drive Profitability: Erste's operating profit/risk-weighted assets (RWAs) ratio increased to an exceptionally high 3.3% in 2023 due to very strong net interest income (NII) due to very sound operating margins, despite higher administrative expenses. A particularly positive contribution came from CEE countries, where rates rose earlier and higher than in Austria.

We expect profitability to moderate over the next two years because of cost inflation and higher loan impairment charges (LICs). However, Erste's earnings are likely to benefit from loan growth, given the expected economic recovery in its core regions. We expect the group's four-year average operating profit/RWA ratio to remain above 2% over the cycle.

Adequate Capitalisation: Erste's fully loaded common equity Tier1 (CET1) ratio of 15.7% at end-2023 is commensurate with the group's risk profile, providing an adequate buffer over regulatory requirements. We expect Erste's core capitalisation to remain above the bank's 14% target to accommodate its capital return policy, including share buy-backs of EUR500 million in 2024. Erste's leverage ratio of 7.1% at end-2023 is higher than large European peers'.

Stable Funding; Comfortable Liquidity: Erste's funding benefits from its strong deposit franchise, which limits the bank's reliance on capital markets. Ample, high-quality liquidity reduces refinancing risk. We believe Erste's multiple-point-of-entry (MPE) resolution strategy limits intra-group contagion risk and supports the group's policy of largely self-funded CEE operations. The MPE strategy does not constrain intra-group support, in our view, as we expect Erste to pre-emptively support its foreign subsidiaries if needed.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Derivative Counterparty Rating	A(dcr)
Viability Rating	a
Government Support Rating	ns
Sovereign Risk (Austria)	
Long-Term Foreign-Currency IDR	AA+
Long-Term Local-Currency IDR	AA+
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 (March 2024)

Related Research

Fitch Affirms Erste Group at 'A'; Stable Outlook (October 2023)

Analysts

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Rating Sensitivities

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

We could downgrade the VR and Long-Term IDR if asset quality and operating profitability deteriorate substantially and on a sustained basis, most likely due to severe damage to the SME and corporate loan portfolios. In particular, an impaired loan ratio above 5% or operating profitability/RWAs materially below 2% on a sustained basis, indicating a weakening of Erste's business profile, would lead to a downgrade.

We would also downgrade the ratings if the CET1 ratio falls below its 13.5% target for a sustained period. Erste's Short-Term IDR would be downgraded if both Erste's Long-Term IDR and funding and liquidity score are downgraded.

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

Rating upside for Erste is limited in the medium term. An upgrade of its VR and Long-Term IDR and debt ratings would require further improvement of its operating environment in CEE, stronger earnings and higher capital ratios, while keeping the current strong asset-quality metrics.

Other Debt and Issuer Ratings

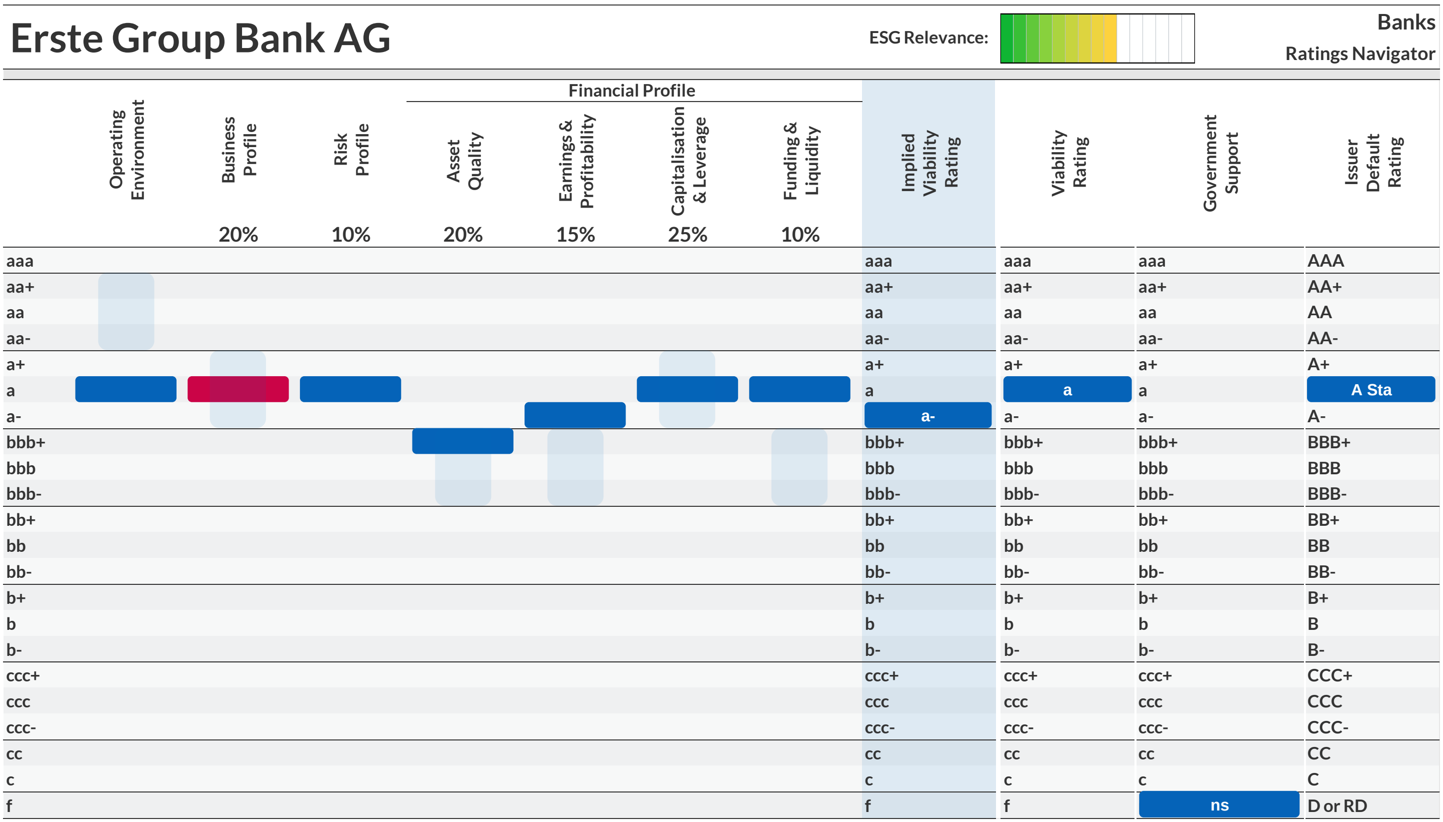
Rating level	Rating	Outlook
Senior Non-Preferred: Long Term	A-	
Senior Preferred: Long Term	A	
Senior Preferred: Short Term	F1	
Subordinated: Long Term	BBB+	

Source: Fitch Ratings

Erste's Derivative Counterparty Rating (DCR) and senior preferred (SP) debt ratings are aligned with its IDRs, and its senior non-preferred (SNP) debt is rated one notch below its Long-Term IDR to reflect the risk of below-average recoveries for SNP creditors in a resolution. This is because we expect Erste to use SP debt to meet its resolution buffer requirements, and we do not expect SNP and more junior debt to sustainably exceed 10% of the Austrian resolution group's RWAs. The Tier 2 debt is rated two notches below the VR to reflect subordinated creditors' above-average loss severity.

Erste's Short-Term IDR of 'F1' is the lower of the two short-term ratings mapping to a Long-Term IDR of 'A' and reflects the group's funding and liquidity score of 'a'. The rating of Erste Finance (Delaware) LLC's commercial paper programme is aligned with Erste's Short-Term IDR, based on Erste's guarantee of the programme.

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 VR is one notch above the implied VR, reflecting the high importance for Erste's ratings of the group's diversified business profile, which is underpinned by its leading franchise in retail and SME banking in Austria and several CEE markets.

The operating environment score of 'a' is below the 'aa' implied category score due to the following adjustment reason: international operations (negative).

The earnings & profitability score of 'a-' is above the 'bbb' implied category score due to the following adjustment reason: revenue diversification (positive).

The funding & liquidity score of 'a' is above the 'bbb' implied category score due to the following adjustment reason: deposit structure (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Erste's score for the operating environment (OE) is below the implied score and the score assigned to Austrian domestic banks to reflect Erste's international operations in countries with weaker OE scores than Austria.

Erste's OE score is the average of the OE scores of its markets of operations, using loan exposures as weights. The OE score reflects the group's operations across CEE, including countries with more volatile and less advanced economies and modestly developed banking sectors and capital markets.

Business Profile

Erste's business model benefits from its strong franchise, with focus on retail and SME lending, and geographic diversification across its core Austrian and CEE markets. Erste has leading market shares in Austria and is one of the largest banks in CEE, with leading market shares in the Czech Republic, Romania and Slovakia, and smaller retail and corporate operations in Croatia, Hungary and Serbia. Most loans and deposits are in Austria, but a significant share of operating profits (about 46% in 2023) are generated in CEE as returns in these markets – albeit more volatile in the past – are generally stronger than in Austria. The bank's strong market position, scale and conservative risk profile in CEE markets also underpins the group's strong business profile.

Erste Group Bank AG, the group's listed parent bank, manages the group in its function as the Austrian savings banks' central institution and owns the Austrian and CEE subsidiaries. In Austria, Erste's retail and SME banking franchise includes Erste Bank der oesterreichischen Sparkassen AG (EBOe) and over 40 smaller savings banks linked to the parent by an institutional protection and cross-guarantee scheme (Haftungsverbund).

Erste consolidates all savings banks as it controls all scheme members via its 63.5% stake in the scheme's steering company. The mutual support scheme sets, monitors and enforces common risk policies upon all members. In exchange, it supports troubled members by guaranteeing certain liabilities. Support measures have not been required in recent years due to the solid Austrian economy and the steering company's early warning system, which has ensured timely pre-emptive actions.

Erste's structure is more standard in CEE, where the group's parent is the dominant or sole owner of the local units. The CEE subsidiaries are excluded from the Austrian mutual support scheme, but we view Erste's willingness to support them as very high, given the parent's record of extensive support in the CEE region, which has core importance for the group. Historically, local CEE market performances can differ substantially from one another, reflecting economic and market developments, as well as regulatory or government interventions (such as changes to the underlying tax regimes introduced in Hungary, Croatia and the Czech Republic in 2022). However, we believe the sound profitability of the CEE banking sector underpins Erste's strong long-term commitment to its core region.

Erste plans to grow primarily organically in CEE, but also screens the market for bolt-on M&A opportunities and portfolio acquisitions. For example, it bought a EUR1.9 billion loan portfolio from failed Sberbank CZ in November 2022 through its Czech subsidiary. Increased emphasis is also put on digital offerings where the bank's proprietary retail platform George has been rolled out to six markets, attracting more than 9.7 million customers at end-2023.

Risk Profile

Erste's risk profile is fairly conservative, with a focus on core banking services, and is positively affected by its large and granular savings banks and CEE retail exposures. Higher business risks from more volatile sources such as trading or investment in risky financial assets, such as leveraged loans, are modest.

Erste's generally prudent risk appetite is supported by tightly monitored credit standards. These are broadly in line with market practice in Austria, but are more stringent than local peers' in CEE. Erste's risk-management framework is also underpinned by the group's centralised risk controls. Except for euro-denominated loans in Serbia, lending in CEE is generally extended in local currency, although euro loans for retail clients are permitted to clients with matching euro income. This approach contributed to a high share of performing loans in recent years across its geographic sphere.

The proportion of unsecured loans in the retail portfolios varies by country but, with the exception of Croatia, mortgages make up the majority of retail loans in CEE and Austria. The share of variable-rate mortgage loans in the bank's retail portfolio is high compared to European peers, and Erste has increased scrutiny on household affordability. However, despite interest-rate-induced increased vulnerabilities, we do not expect a surge in loan defaults. This is because the proportion of buy-to-let mortgages in the portfolio is low, demand overhang should mitigate significant corrections in property valuations, and we do not expect unemployment rates to rise materially in Erste's core markets.

Erste's corporate loan book is SME heavy but well diversified by sector. Its gross real estate exposure was EUR45.1 billion at end-2023 and is adequately collateralised, which should limit the impact of rising interest rates on this portfolio. The portfolio includes predominantly income-producing assets; the share of real estate developments is very low. Erste's real estate exposure includes lower-risk EUR19.4 domestic commercial residential assets, of which EUR7.3 billion is with Austrian non-profit housing associations, with historically sound asset quality performance.

Financial Profile

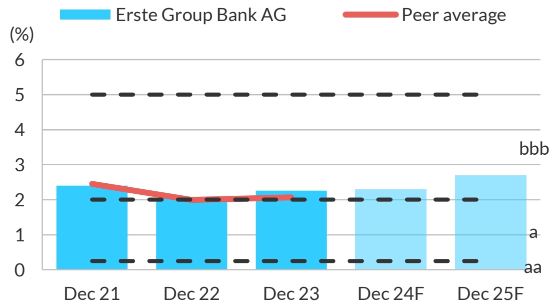
Asset Quality

Erste maintained a low impaired loan ratio (including purchased or originated credit impaired loans) throughout recent quarters despite notable challenges from the weaker operating environment. The bank reported an impaired loan ratio of 2.3% at end-2023, which remains at historically low levels.

Impaired loans are almost fully covered by loan loss allowances, with a coverage ratio of 85% excluding collateral. Loan loss allowances have remained high, reflecting the bank's prudent policy to implement precautionary provisions and forward-looking indicators. Based on strong credit performance in 2023, Erste booked low LICs of 9bp/gross loans.

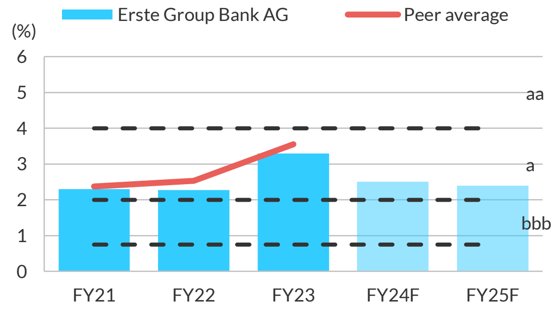
Fitch expects impairments and rating migrations to drive LICs up to about 30bp over the coming years, due to a weaker operating environment, high inflation and deteriorating credit conditions. We expect the impaired loans ratio to increase from its current low; however, we expect it will remain below 3% of gross loans on average.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Erste's profitability increased over the past three years on a combination of high loan growth, rising interest rates, increasing fee income and low risk costs. Over the cycle, we expect Erste's operating profit/RWAs ratio to reach up to 2.5%.

Most recently, NII has been the strongest revenue driver, rising 21% in 2023, and driving Erste's operating return on RWAs to an unsustainably high 3.3%. The increase in NII reflected the benefit from rising interest rates in the eurozone, while deposits were repriced gradually, supporting higher net interest margins. In addition, Erste's loan book benefits from a substantial share of floating-rate loans, which repriced rapidly. We expect the NII increase to have peaked in 2023, as deposit pricing already slowly increased in 2H23.

Net commission income also rose, driven by higher securities and asset management fees and payment services – albeit at a notably lower rate. Trading revenues, which are not a key driver of Erste's financial performance, also reversed a negative contribution a year earlier.

Total non-interest expenses increased 10% in 2023, due to cost inflation, mainly driven by rising personnel expenses based on higher collective salary agreements and higher IT costs across regions to support digitalisation. We believe the group's cost base will evolve broadly in line with inflation, but that there are limited opportunities for significant reductions on the group's long-term growth strategy. However, we believe Erste is likely to converge towards its targeted cost/income ratio of 50% in the medium term, given strong revenue generation. However, maintaining this cost/income level sustainably over the coming years will also depend on the bank's ability to contain further cost inflation.

Capital and Leverage

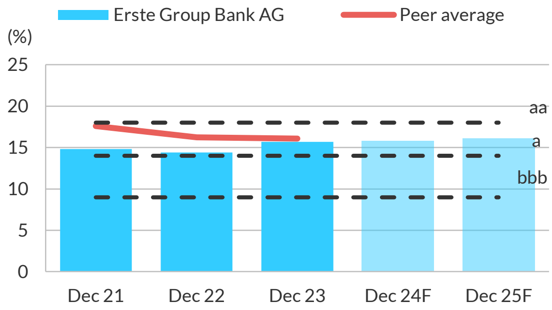
We view Erste's capitalisation as appropriate for its risk profile. Erste's capitalisation benefits from its control over the mutual support scheme that, under EU regulation, exempts the group from deducting EUR6.6 billion of minority interests in the Austrian savings banks from the group's CET1 capital.

Erste reported a CET1 ratio of 15.7% at end-2023 (end-2022: 14.2%), which is in line with its target of the ratio being above 14%.

Erste's improved profitability has enhanced its already sound organic capital generation, as has its dividend pay-out ratio, targeted at 40%–50% of reported net profit to accommodate the group's loan growth targets. We also believe the bank would implement capital-enhancing countermeasures should the CET1 ratio fall close to its target minimum.

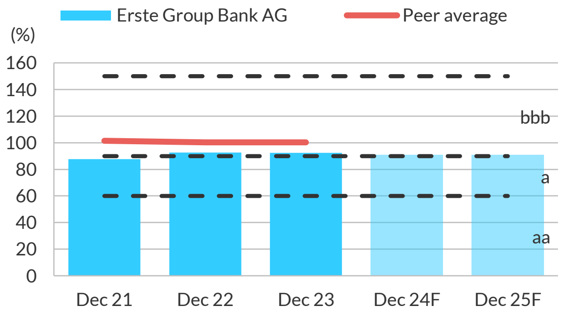
Erste's leverage ratio of 7.1% compares favourably with that of large European peers', driven by the CEE operations' higher RWA density and the Austrian savings banks' use of the standardised approach for calculating credit risk RWAs.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Erste's funding is primarily underpinned by the group's leading deposit franchises in its core markets, particularly in Austria, where it sources over half of its client deposits. Erste also reported deposit growth in the CEE region in recent quarters, owing to higher local rates. Customer deposits, of which more than 60% are sourced from retail clients, increased 3.1% in 2023 (offsetting loan growth), and reached a total of EUR229.5 billion.

In line with most peers', interbank deposits declined to EUR18.9 billion at end-2023 (end-2022: EUR27.1 billion), resulting primarily from Erste's TLTRO repayments. Reliance on this funding source has decreased significantly since 2005, falling from about 22% of the group's total liabilities to around 6% at end-2023. We expect Erste's liquidity to remain strong, based on a rising portfolio of highly liquid assets over the recent quarters, underpinning a liquidity coverage ratio of 136% at end-2023.

Erste's wholesale funding requirements are low, as its local franchises in CEE are largely deposit funded and have excess liquidity in local currencies. The group's parent will continue to issue most wholesale funding. Nevertheless, the CEE subsidiaries should continue to issue altogether up to EUR4 billion until end-2024, to meet their resolution buffer requirements. We view this as manageable, even in the higher interest rate environment.

We believe Erste's MPE resolution strategy limits intra-group contagion risk and supports the group's policy of largely self-funded CEE operations. The MPE strategy does not constrain intra-group support, in our view, as we expect Erste to pre-emptively support also its foreign subsidiaries if needed.

About Fitch Forecasts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics in line with the agency'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. Fitch's forecasts may therefore 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, it will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category. Light-blue columns represent Fitch's forecasts. Peer average includes Ceska Sporitelna, a.s. (VR: a), KBC Group NV (a), UniCredit S.p.A. (bbb), Danske Bank A/S (a+), ING Groep N.V. (a+).

Financials

	December 31, 2023		December 31, 2022	December 31, 2021	December 31, 2020
	(USD Mil.)	(EUR Mil.)	(EUR Mil.)	(EUR Mil.)	(EUR Mil.)
Summary income statement					
Net interest and dividend income	7,961	7,266	5,980	5,009	4,795
Net fees and commissions	2,637	2,407	2,452	2,304	1,977
Other operating income	809	738	63	397	390
Total operating income	11,406	10,411	8,495	7,709	7,162
Operating costs	6,003	5,479	4,973	4,617	4,441
Pre-impairment operating profit	5,403	4,932	3,522	3,092	2,721
Loan and other impairment charges	140	128	300	159	1,295
Operating profit	5,263	4,804	3,222	2,933	1,426
Other non-operating items (net)	-10	-9	n.a.	n.a.	-58
Tax	958	874	556	525	343
Net income	4,296	3,921	2,666	2,408	1,026
Other comprehensive income	352	321	-119	-6	-161
Summary balance sheet					
Assets					
Gross loans	232,109	211,856	206,043	184,206	170,053
- Of which impaired	5,238	4,781	4,210	4,415	4,599
Loan loss allowances	4,457	4,068	3,981	3,938	4,003
Net loans	227,653	207,788	202,062	180,268	166,050
Interbank	23,525	21,472	18,482	21,001	21,466
Derivatives	1,556	1,420	1,840	2,338	3,165
Other securities and earning assets	70,331	64,194	59,695	52,503	45,366
Total earning assets	323,064	294,874	282,078	256,110	236,047
Cash and due from banks	40,192	36,685	35,685	45,495	35,839
Other assets	6,131	5,596	6,102	5,823	5,508
Total assets	369,387	337,155	323,865	307,428	277,394
Liabilities					
Customer deposits	251,408	229,471	222,575	209,895	189,801
Interbank and other short-term funding	32,239	29,426	35,163	34,750	27,592
Other long-term funding	44,469	40,589	30,960	29,894	29,124
Trading liabilities and derivatives	2,838	2,590	3,636	2,783	2,814
Total funding and derivatives	330,954	302,076	292,333	277,322	249,332
Other liabilities	7,206	6,577	6,227	6,593	5,651
Preference shares and hybrid capital	2,635	2,405	2,236	2,236	2,733
Total equity	28,592	26,097	23,069	21,277	19,677
Total liabilities and equity	369,387	337,155	323,865	307,428	277,394
Exchange rate		USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings

	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	3.3	2.3	2.3	1.2
Net interest income/average earning assets	2.5	2.2	2.0	2.0
Non-interest expense/gross revenue	52.7	58.7	60.0	62.1
Net income/average equity	15.9	12.1	11.7	5.3
Asset quality				
Impaired loans ratio	2.3	2.0	2.4	2.7
Growth in gross loans	2.8	11.9	8.3	4.0
Loan loss allowances/impaired loans	85.1	94.6	89.2	87.0
Loan impairment charges/average gross loans	0.1	0.1	0.0	0.7
Capitalisation				
Common equity Tier 1 ratio	15.7	14.4	14.8	14.5
Fully loaded common equity Tier 1 ratio	15.7	14.2	14.5	14.2
Tangible common equity/tangible assets	7.3	6.6	6.5	6.6
Basel leverage ratio	7.1	6.6	6.5	6.7
Net impaired loans/common equity Tier	3.1	1.1	2.5	3.5
Funding and liquidity				
Gross loans/customer deposits	92.3	92.6	87.8	89.6
Gross loans/customer deposits + covered bonds	86.7	88.0	83.5	83.8
Liquidity coverage ratio	153.4	138.0	168.6	189.3
Customer deposits/total non-equity funding	75.8	76.3	75.6	76.0
Net stable funding ratio	142.4	139.1	150.2	n.a.

Source: Fitch Ratings

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to 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	Neutral
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

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

Erste's 'no support' Government Support Rating reflects Fitch's view that senior creditors can no longer rely on full extraordinary state support. This is driven by the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism, which provide a resolution framework that is likely to require senior creditors participating in losses, if necessary, instead, or ahead, of a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings **Erste Group Bank AG**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Erste Group Bank AG has 5 ESG potential rating drivers

- Erste Group Bank AG 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
				1

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 result in 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.
1	Irrelevant to the entity rating and irrelevant to the sector.

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