FitchRatings

ABN AMRO Bank N.V.

Banks
Universal Commercial Banks
Netherlands

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

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
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

Mortgage Market Index: Netherlands - 2H24 (October 2024)

Global Economic Outlook (September 2024)

ABN AMRO's Resilient NII Underpins 1H24 Performance (August 2024)

Fitch Affirms the Netherlands at 'AAA'; Outlook Stable (August 2024)

Major Benelux Banks - Peer Review 2024 (July 2024)

Analysts

Gary Hanniffy, CFA
+49 69 768076 266
gary.hanniffy@fitchratings.com

Julien Grandjean
+33 1 44 29 91 41
julien.grandjean@fitchratings.com

Key Rating Drivers

Strong Standalone Credit Profile: ABN AMRO Bank N.V.'s ratings reflect its strong and fairly diversified universal banking business model, complemented by a solid European private banking foothold, and its moderate risk profile, which results in resilient asset quality. Its capitalisation, funding and liquidity are rating strengths. The ratings also consider the bank's adequate profitability with solid earnings but weaker cost efficiency than peers.

Strong Dutch Franchise: The bank has a leading and well-entrenched position as the third-largest bank in the Netherlands. It offers a broad range of products and services to Dutch retail, corporate and wealth management clients. Solid positions in these segments in selected northwest European markets and a leading global position in international clearing services provides moderate geographical and business diversification.

Moderate Risk Appetite, Sound Controls: ABN AMRO's underwriting standards are prudent, with a strategic focus on low-risk domestic mortgage loans (almost 60% of loans). Risk controls are robust and sophisticated, with granular limits. ABN AMRO has effective tools, including advanced and rating-based models, stress testing and scenario analyses. The bank's appetite for traded market risk is low.

Resilient Asset Quality: The bank's high share of low-risk residential mortgage loans underpins its asset quality. Credit quality also benefits from the bank's focus on sectors with moderate risk profiles in northwest Europe, diversified Dutch SME lending and prudent corporate loan origination. Fitch Ratings expects the impaired loans ratio to remain close to 2% in the short term as credit losses rise moderately, albeit from a low base.

Satisfactory Earnings; Persisting Cost Pressure: ABN AMRO's earnings benefit from the high revenue contribution of low-risk retail banking and some diversification from fee income. However, the bank's cost efficiency is likely to remain generally weaker than similarly-rated northern Europe peers due to still-high anti-money laundering (AML)-related expenses and necessary investments in data and IT together with wage inflation. We expect the operating profit/risk-weighted assets (RWAs) ratio to be maintained close to 2% in 2024-2025.

Sound Capitalisation: Our view of capitalisation considers ABN AMRO's satisfactory buffers above regulatory minimum requirements, its moderate risk profile, and improved internal capital generation. Its common equity Tier 1 (CET1) ratio was a solid 13.8% at end-June 2024. We expect it to be maintained close to 14% in the near term, modestly above its target of about 13.5% by end-2026 under Basel III end-game rules.

Stable, Diversified Funding; Sound Liquidity: ABN AMRO's funding and liquidity profile benefits from its strong domestic deposit franchise, which typically provides around two-thirds of its funding, good access to wholesale markets and ample liquidity that comfortably covers short-term wholesale maturities. We expect the loans/deposits ratio (end-June 2024: 97%) to remain largely stable in the near term.

Rating Sensitivities

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

Fitch believes a downgrade is unlikely in the near term, given ABN AMRO's significant headroom at its current rating. However, we could downgrade the ratings if there were a combined and lasting deterioration in ABN AMRO's operating profit/RWAs below 1.5%, CET1 capital ratio durably below 14% and impaired loans ratio to above 4%. The latter would lead to a re-assessment of the bank's risk profile.

Negative rating pressure could also arise if ABN AMRO experiences outsized losses from its core operations, as this would suggest some weaknesses in its risk controls and governance.

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

Positive rating action is unlikely in the short term, as it would require further material diversification of the bank's business model and significant market share gains in ABN AMRO's core segments. To be rating positive, diversification that structurally improves earnings would have to be delivered while maintaining a conservative risk appetite.

In the longer term, a more diversified business model coupled with structurally improved impaired loans ratio below 2%, operating profit/RWAs close to 3% on a sustained basis and a CET1 ratio of around 15% could lead to an upgrade.

Other Debt and Issuer Ratings

Rating Level	Rating
ABN AMRO Bank N.V.	
Derivative counterparty rating	A+(dcr)
Senior preferred debt and deposits	A+/F1
Senior non-preferred debt	A
Tier 2 subordinated debt	BBB+
Additional Tier 1 notes	BBB-
ABN AMRO Funding USA LLC	
Senior unsecured debt	F1

Source: Fitch Ratings

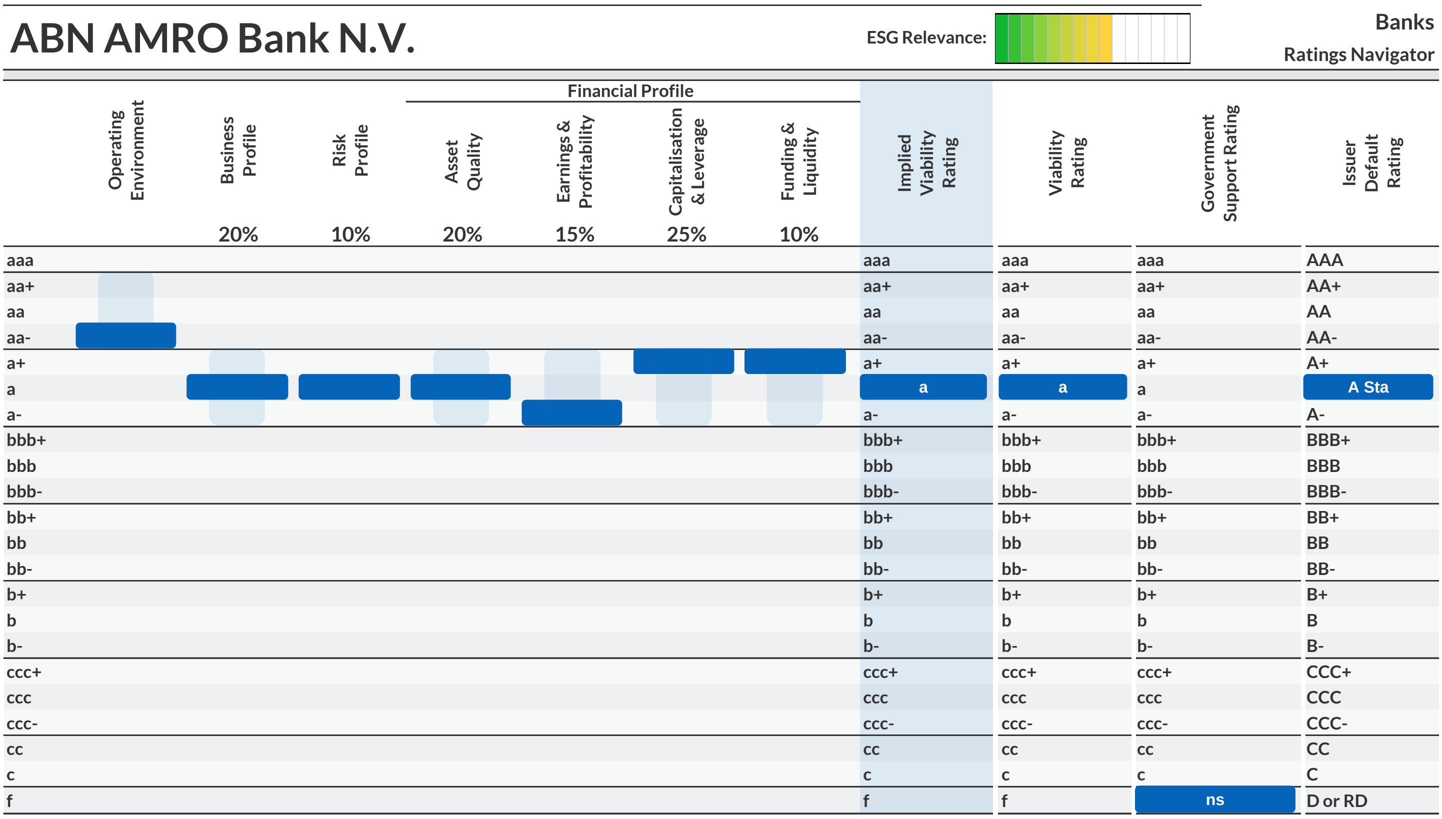
The long-term senior preferred debt and deposit ratings and Derivative Counterparty Rating (DCR) are one notch above the Long-Term IDR, and the long-term senior non-preferred debt rating is aligned with the Long-Term IDR. This reflects the protection that could accrue to senior preferred creditors from the bank's junior resolution debt buffers, as the bank plans to fulfil its expected minimum requirement for own funds and eligible liabilities (MREL) of 28.8% of RWAs with senior non-preferred and junior debt only.

The short-term senior preferred debt and deposit ratings are the lower of the two options mapping to the long-term rating of 'A+' and reflect the funding and liquidity score of 'a+'.

The Tier 2 debt rating is notched twice from the VR to reflect the higher loss severity of this debt class. The Additional Tier 1 (AT1) instrument rating is notched four times from the VR, twice for loss severity and twice for non-performance risk due to fully discretionary coupon omission. The AT1 rating also reflects our expectation that the bank will maintain a CET1 capital ratio comfortably above its maximum distributable amount thresholds.

The rating of the US commercial paper programme issued by ABN AMRO Funding USA LLC, a fully owned US-based funding vehicle, is aligned with ABN AMRO's short-term senior preferred rating to reflect the fact that the commercial paper is guaranteed by ABN AMRO and that the guarantee is unconditional, irrevocable and timely.

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.

Company Summary and Key Qualitative Factors

Business Profile

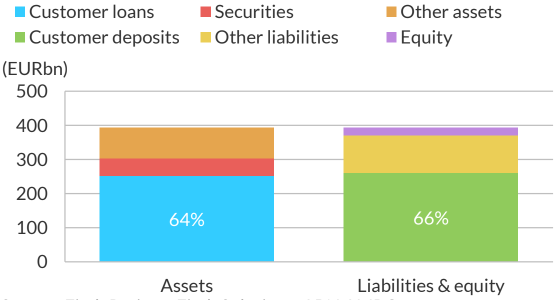
ABN AMRO has a well-established market position in the Netherlands, with a broad offering for retail and business clients, complemented by a solid private banking foothold in key northwest European markets. The bank is the second-largest domestic mortgage lender and its stable retail banking business comprises mainly low-risk mortgage loans, which accounted for close to 60% of total loans at end-June 2024. It is the leader in the domestic onshore private banking market and has top-three and top-five positions in Germany and in France, respectively. The bank's revenue diversification also benefits from its position as a top-three global provider of international clearing. Net interest income (NII) accounted for about 70% of revenue on average in recent years (1H24: 73%).

The Dutch state ultimately owns about 40% of ABN AMRO and has announced plans to reduce the stake to about 30% in the near term. We do not expect any significant changes as a result of the state's reduced ownership, because under its tenure the government has behaved as a passive financial investor and has not been involved in its day-to-day management.

ABN AMRO's strategy focuses on businesses with robust growth potential (Dutch SMEs, affluent clients and mortgage loans) or where it considers it has a competitive edge (notably private banking and clearing). Performance against financial targets in 1H24 was satisfactory. Higher interest rates helped to deliver an 11.2% return on equity (based on the bank's calculation) that was above the bank's 2026 target of 9%-10%, although the target is below that of many peers. However, cost efficiency remains a notable weakness and we expect it to be challenged to meet its 2026 cost/income ratio target of 60% due to necessary investments in data capabilities, process digitisation and still-high AML costs.

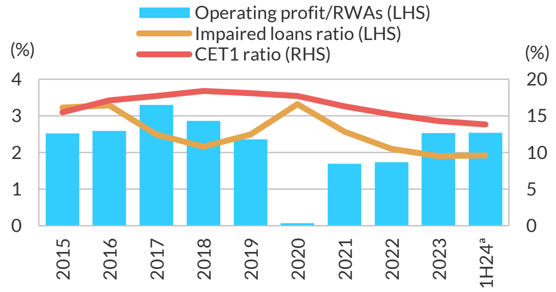
Balance Sheet

End-June 2024



Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Risk Profile

ABN AMRO's risk profile benefits from its focus on low-risk domestic mortgage loans. Lending is predominantly secured, with prudent concentration limits. Exposure to clearing clients such as proprietary traders is material, but the bank does not assume direct market risk and credit risk is mitigated by strict collateral requirements. Surplus liquidity is invested in highly rated debt securities.

ABN AMRO's mortgage lending mainly pertains to prime, owner-occupied properties. Like its peers', the bank's underwriting standards test borrowers' resilience to interest rate rises and apply affordability metrics. The average loan-to-value (LTV) of ABN AMRO's mortgage loan book fell to 56% by end-June 2024 (end-2023: 58%) as house prices rebounded. The share of amortising loans in the book has increased in recent years, reaching 48% by end-June 2024 (end-2023: 47%; end-2012: 3%). The vast majority of interest-only loans have LTV ratios below 50%.

The exposure to commercial real estate (CRE) represented only about 6% of total gross loans but was close to 80% of total CET1 capital at end-June 2024. The exposures are well spread by asset type, with residential accounting for the largest portion at around 45%. Retail and office comprised about 18% and 12%, respectively. Development CRE accounted for a moderate 10% of the total. Only about 6% of the CRE book had LTVs above 70% by end-June 2024, which should help it withstand potential further valuation pressure.

Interest rate risk in the banking book is ABN AMRO's main exposure to market risk. The bank applies a combination of portfolio and single transaction hedges to keep the interest rate sensitivity within its risk appetite. NII loss in case of an immediate 200bp rate cut over a one-year horizon was EUR147 million at end-June 2024 (equivalent to about 2% of annualised 1H24 NII). The impact of a 200bp parallel upward shift of the yield curve on the economic value of equity was EUR2 billion (about 10% of CET1 capital at end-June 2024).

Financial Profile

Asset Quality

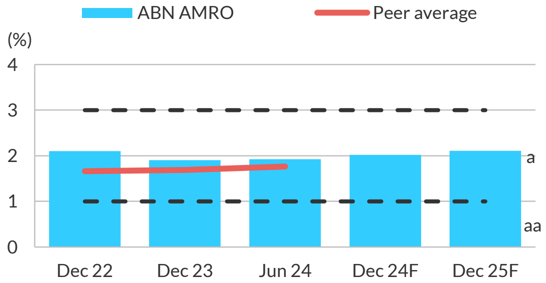
The bank's stable asset quality benefits from prudent underwriting standards and a high share of well performing Dutch mortgage loans. The Stage 3 ratio was stable at 1.9% at end-June 2024. We expect it to modestly weaken in the near term, due to a lagged effect of higher inflation and interest rates on more vulnerable borrowers. However, we expect the ratio to remain close to 2% with inflation and interest rates on a downward trend. Loan impairment charges will rise from a low base (1H24: nil), but we expect them to remain at the lower end of the bank's through-the-cycle guidance of around 15bp-20bp in the short term.

We expect mortgage loans (0.9% Stage 3 ratio at end-June 2024) to remain healthy in 2025 with credit losses remaining low, due to rising house prices and low unemployment. Negligible credit losses since 2019, about 20% portfolio coverage by the Nationale Hypotheek Garantie and the limited housing stock available in the densely populated Netherlands explain the low coverage ratio of ABN AMRO's Stage 3 mortgage loans (9% at end-June 2024).

The corporate loan book accounts for just over one third of total loans and includes loans to Dutch SMEs, which are well diversified and have been resilient to the pandemic and the higher interest rate environment. At end-June 2024, the largest sector comprised short-term exposures to the clearing and markets business, followed by manufacturing, CRE, and food and beverage.

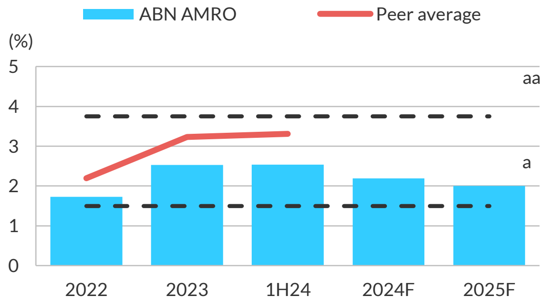
The CRE and unsecured retail loan portfolios (6% and 3% of total loans, respectively) had low Stage 3 ratios at end-June 2024 of 2% and 3%, respectively. The bank's prudent underwriting standards should limit the extent of any asset quality weakening in both books. We believe CRE borrowers' refinancing risk is moderate, due to generally well spread refinancing maturities and widespread use of contracts that pass on inflation from the property owners to their tenants.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

ABN AMRO's earnings have benefited from its high share of revenue contribution from NII. Its 1H24 operating profit/RWAs ratio was satisfactory at 2.5%, broadly in line with the European average, but we expect the ratio to gradually fall to about 2% in 2025, mostly due to higher operating costs and loan impairment charges. This would still be higher than in 2021-2022 (1.7%), as the bank's structural profitability will benefit from higher euro-interest rates.

NII fell by 1% yoy in 1H24 as lower margins in retail lending and lower corporate loan volumes were almost fully offset by slightly higher deposit margins and solid mortgage loan growth. The bank revised its 2024 NII guidance to above EUR6.4 billion (from around EUR6.3 billion; 1H24: EUR3.2 billion) due to the higher-for-longer interest rate outlook. We expect NII to be challenged by lower deposit margins in 2025 from further cuts to the policy interest rate. However, this will be offset by better business volume and fee income, including from the acquisition of Hauck Aufhaeuser Lampe Privatbank AG (HAL; BBB+/Rating Watch Positive) that is likely to close in 1H25.

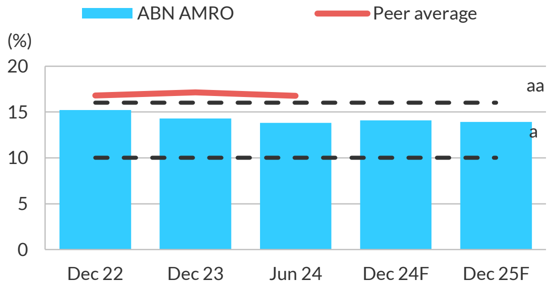
Operating expenses were well contained in 1H24 (-1%), largely due to lower regulatory charges. However, the bank re-iterated its expense growth target of about 2% in 2024, partly due to a new collective labour agreement from 1 July 2024. This will also put pressure on costs in 2025, as will expenses on remediation and investment programmes, but we expect expense growth to be contained at about 1% overall.

Capitalisation and Leverage

ABN AMRO's end-June 2024 CET1 capital ratio of 13.8% was a satisfactory 250bp over its regulatory minimum of 11.3%. We expect the ratio to be maintained close to 14% over 2024-2025, equating to a modest buffer above its 13.5% target by end-2026 under Basel III end-game rules. Our forecast considers the bank's improved internal capital generation in a positive interest rate environment, further RWAs inflation from model add-ons and loan growth, the negative impact on capital from the acquisition of HAL (45bp), a dividend pay-out of 50% in line with the bank's guidance, and potential further share buybacks.

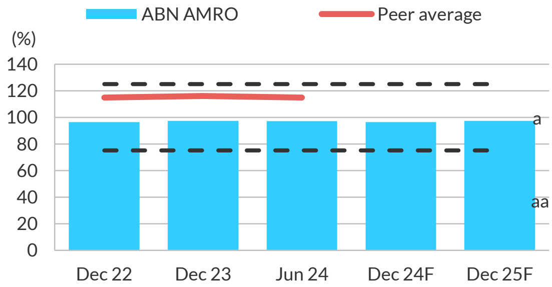
Leverage is satisfactory and in line with peers, as measured by the regulatory leverage ratio (5.3% at end-June 2024) and tangible common equity/tangible assets (5.6%). Capital encumbrance by unreserved impaired loans is modest and also in line with peers.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

ABN AMRO's funding and liquidity profile benefits from its strong deposit franchise in the Netherlands, where it serves about 20% of the population. Customer deposits account for about two-thirds of total funding on average, are well diversified and mainly pertain to stable relationships. About a third of the bank's senior debt funding of about EUR67 billion at end-June 2024 consisted of covered bonds, but asset encumbrance is manageable at 14%. Debt is well spread by maturity and currency, with an average residual maturity of about six years.

ABN AMRO's liquidity buffer of EUR104 billion at end-June 2024 accounted for a high 27% of assets. About 80% of the buffer was liquidity coverage ratio eligible, as it consisted predominantly of cash, central bank deposits and highly rated government bonds, and it covered more than 4x the volume of wholesale funding maturing within one year. The bank repaid its last tranche of TLTRO funding in 2Q24 with negligible impact on liquidity.

Additional Notes on Charts

The forecasts in the charts above reflect Fitch's forward view on the bank's core metrics under Fitch's Bank Rating Criteria. They reflect a combination of Fitch's economic forecasts, sector outlook and bank-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, Fitch considers such information 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 'aa' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Cooperatieve Rabobank U.A. (VR: a+), ING Groep N.V. (a+), de Volksbank N.V. (a-), Danske Bank A/S (a+), Nordea Bank Abp (aa-), Lloyds Banking Group plc (a), Credit Agricole (a+). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	1st half	1st half	12 months	12 months	12 months
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed – unqualified	Reviewed – unqualified	Audited – unqualified	Audited – unqualified	Audited – unqualified
Summary income statement					
Net interest and dividend income	3,436	3,198	6,278	5,422	5,210
Net fees and commissions	1,001	932	1,783	1,778	1,663
Other operating income	257	239	556	493	396
Total operating income	4,694	4,369	8,617	7,693	7,269
Operating costs	2,709	2,521	5,231	5,425	5,324
Pre-impairment operating profit	1,986	1,848	3,386	2,268	1,945
Loan and other impairment charges	-1	-1	-158	39	-46
Operating profit	1,987	1,849	3,544	2,229	1,991
Other non-operating items (net)	–	–	–	147	-153
Tax	573	533	847	509	604
Net income	1,414	1,316	2,697	1,867	1,234
Other comprehensive income	62	58	527	385	506
Fitch comprehensive income	1,476	1,374	3,224	2,252	1,740
Summary balance sheet					
Assets					
Gross loans	271,864	253,014	247,537	245,954	260,667
– Of which impaired	5,230	4,867	4,707	5,175	6,701
Loan loss allowances	1,613	1,501	1,602	2,026	2,416
Net loans	270,251	251,513	245,935	243,928	258,251
Interbank	3,523	3,279	2,143	2,782	2,602
Derivatives	4,917	4,576	4,403	5,212	3,785
Other securities and earning assets	94,211	87,679	64,838	60,447	61,022
Total earning assets	372,902	347,047	317,319	312,369	325,660
Cash and due from banks	40,922	38,085	53,837	61,065	67,064
Other assets	8,888	8,272	6,753	6,147	6,389
Total assets	422,713	393,404	377,909	379,581	399,113
Liabilities					
Customer deposits	280,258	260,826	254,466	255,015	251,218
Interbank and other short-term funding	42,782	39,816	30,352	41,884	56,747
Other long-term funding	60,505	56,310	58,058	48,826	58,059
Trading liabilities and derivatives	4,339	4,038	3,773	4,789	5,031
Total funding and derivatives	387,884	360,990	346,649	350,514	371,055
Other liabilities	7,972	7,419	7,092	6,253	6,059
Preference shares and hybrid capital	2,933	2,730	1,987	1,985	1,987
Total equity	23,924	22,265	22,181	20,829	20,012
Total liabilities and equity	422,713	393,404	377,909	379,581	399,113
Exchange rate		USD1 = EUR0.930665	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.5	2.5	1.7	1.7
Net interest income/average earning assets	1.9	1.9	1.6	1.6
Non-interest expense/gross revenue	57.3	61.0	71.5	73.5
Net income/average equity	11.9	12.7	9.1	6.3
Asset quality				
Impaired loans ratio	1.9	1.9	2.1	2.6
Growth in gross loans	2.2	0.6	-5.6	2.0
Loan loss allowances/impaired loans	30.8	34.0	39.2	36.1
Loan impairment charges/average gross loans	0.0	-0.1	0.0	0.0
Capitalisation				
Common equity Tier 1 ratio	13.8	14.3	15.2	16.3
Fully loaded common equity Tier 1 ratio	14.0	14.3	16.0	–
Tangible common equity/tangible assets	5.6	5.7	5.1	4.4
Basel leverage ratio	5.3	5.3	5.2	5.0
Net impaired loans/common equity Tier 1	16.7	15.5	16.1	22.3
Funding and liquidity				
Gross loans/customer deposits	97.0	97.3	96.5	103.8
Gross loans/customer deposits + covered bonds	89.5	88.9	88.2	92.3
Liquidity coverage ratio	140.1	144.0	144.0	168.0
Customer deposits/total non-equity funding	72.2	73.6	73.2	68.1
Net stable funding ratio	136.8	140.0	133.0	138.0

Source: Fitch Ratings, Fitch Solutions, ABN AMRO

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	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

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

ABN AMRO's Government Support Rating (GSR) of 'no support' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign if the bank becomes non-viable. The EU's bank resolution regime requires senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support. This is despite the Dutch government still holding about 40% of ABN AMRO's shares.

Environmental, Social and Governance Considerations

FitchRatings **ABN AMRO Bank N.V.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

ABN AMRO Bank N.V. has 5 ESG potential rating drivers				ESG Relevance to Credit Rating
➡ ABN AMRO Bank N.V. 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.	key driver	0	issues	5
➡ Governance is minimally relevant to the rating and is not currently a driver.	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 reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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