Bank Leumi Le-Israel B.M.

Banks
Universal Commercial Banks
Israel

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F1
Long-Term IDR (xgs)	A-(xgs)
Short-Term IDR (xgs)	F1(xgs)
Viability Rating	a-
Government Support Rating	a-

Sovereign Risk (Israel)	
Long-Term Foreign-Currency IDR	A
Long-Term Local-Currency IDR	A
Country Ceiling	AA-

Outlooks	
Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Key Rating Drivers

VR and Support Drive IDRs: Bank Leumi Le-Israel B.M.'s Issuer Default Ratings (IDRs) are driven by its Viability Rating (VR) and are underpinned by Fitch Ratings' view of a very high probability that Israel (A/Negative/F1+) would provide support to the bank, if needed. Fitch believes Israel's ability and propensity to support Leumi is very high, particularly given the bank's systemic importance in the country, holding about 30% of banking system assets.

Diversified Business Model: Leumi's VR reflects a strong franchise in retail and corporate banking in Israel. Asset quality and earnings have been resilient, despite the macroeconomic effects of the war in Gaza, and we expect them to remain so given prudent underwriting and a multi-year focus on improving efficiency. The VR also reflects the bank's sound funding, given its diversified and granular deposit base, and adequate capitalisation.

Close Regulatory Oversight: Leumi's underwriting standards are conservative, helped by prudent regulatory limits and oversight. Like other Israeli banks, Leumi has material exposure to the construction and real estate sectors, which has been vulnerable to the disruption of the Israel–Hamas war. Market risk exposure in the banking book is in line with peers' and appropriately controlled by internal risk limits.

However, the bank is also exposed to market risk from equity investments in non-financial companies, typically made through Leumi Partners. The book value of these investments amounted to 9% of Leumi's consolidated common equity Tier 1 (CET1) capital at end-2023. We do not expect this exposure to increase significantly.

Asset-Quality Remains Sound: Leumi's impaired loans ratio (end-3Q24: 0.5%) compares favourably to both domestic and international peers. We expect higher loan impairment charges as loans season, given high loan growth in recent years. Asset quality will also be affected by higher interest rates and inflation, but, due to sound underwriting and a resilient operating environment, we expect the impaired loans ratio to remain below 1.5% over the next two years.

Strong Earnings Recovery: Net interest income has benefitted from loan growth and higher interest rates in recent years. Higher inflation has also benefited income in recent years given the bank's net long exposure to the consumer price index. We expect profitability to continue improving, driven by higher interest rates and improved efficiency. We forecast risk-adjusted operating profitability, which was 2.9% in 9M24, to remain above 2% for the next two years.

Capital Buffers Adequate: Headroom in our assessment is limited, but capitalisation remains adequate, with a common equity Tier 1 (CET1) ratio of 12.07% at end-3Q24. We view its 184bp buffer above requirements as adequate because Leumi, like other Israeli banks, calculates risk-weighted assets (RWAs) using the standardised approach, which results in fairly high RWAs (66% of total assets at end-3Q24). Our assessment also considers Leumi's strong internal capital generation.

Large, Stable Deposit Base: Leumi has a stable, granular and diversified deposit base. The bank also has proven access to domestic and international debt markets. Liquidity is sound, with a liquidity coverage ratio of 124% at end-3Q24, which provides adequate buffers above the 100% minimum regulatory requirement.

Leumi's 'F1' Short-Term IDR is the higher of two possible options that map to an 'A-' Long-Term IDR because we view the sovereign's propensity to support as more certain in the near term.

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Bank Leumi at 'A-'; Outlook Negative (November 2024)

Global Economic Outlook (September 2024)

Fitch Downgrades 4 Israeli Banks to 'A-'/Negative/'F1' after Sovereign Action (August 2024)

Fitch Downgrades Israel to 'A'; Outlook Negative (August 2024)

Major Israeli Banks – Peer Review 2024 (February 2024)

Analysts

Michael Bojko, CFA
+44 20 3530 2723
michael.bojko@fitchratings.com

Rory Rushton
+44 20 3530 1919
rory.rushton@fitchratings.com

Rating Sensitivities

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

A downgrade of the sovereign ratings would result in a downgrade of Leumi's Long-Term IDR if accompanied by a downgrade of the bank's VR.

A sharp increase in the bank's risk environment that increases the likelihood of asset quality deterioration could result in a downgrade. A deterioration of asset quality that results in an impaired loan ratio of above 2% for an extended period combined with the CET1 ratio declining below current levels and weakening internal capital generation could also result in a VR downgrade. Given the bank's significant exposure to the real estate sector, a sharp decline in real estate prices would put pressure on asset quality, and therefore on the VR.

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

An upgrade of Leumi's IDRs is unlikely due to the Negative Outlook on the sovereign's Long-Term IDR. We would revise the Outlook to Stable if the sovereign Outlook was revised to Stable.

An upgrade of Leumi's VR is unlikely, given the bank's geographical concentration. It would require a material and structural improvement in profitability that allows the bank to generate stronger and more stable operating profit/RWAs while also maintaining materially higher capital ratios, which we do not expect.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior unsecured: long term	A-
Subordinated: long term	BBB

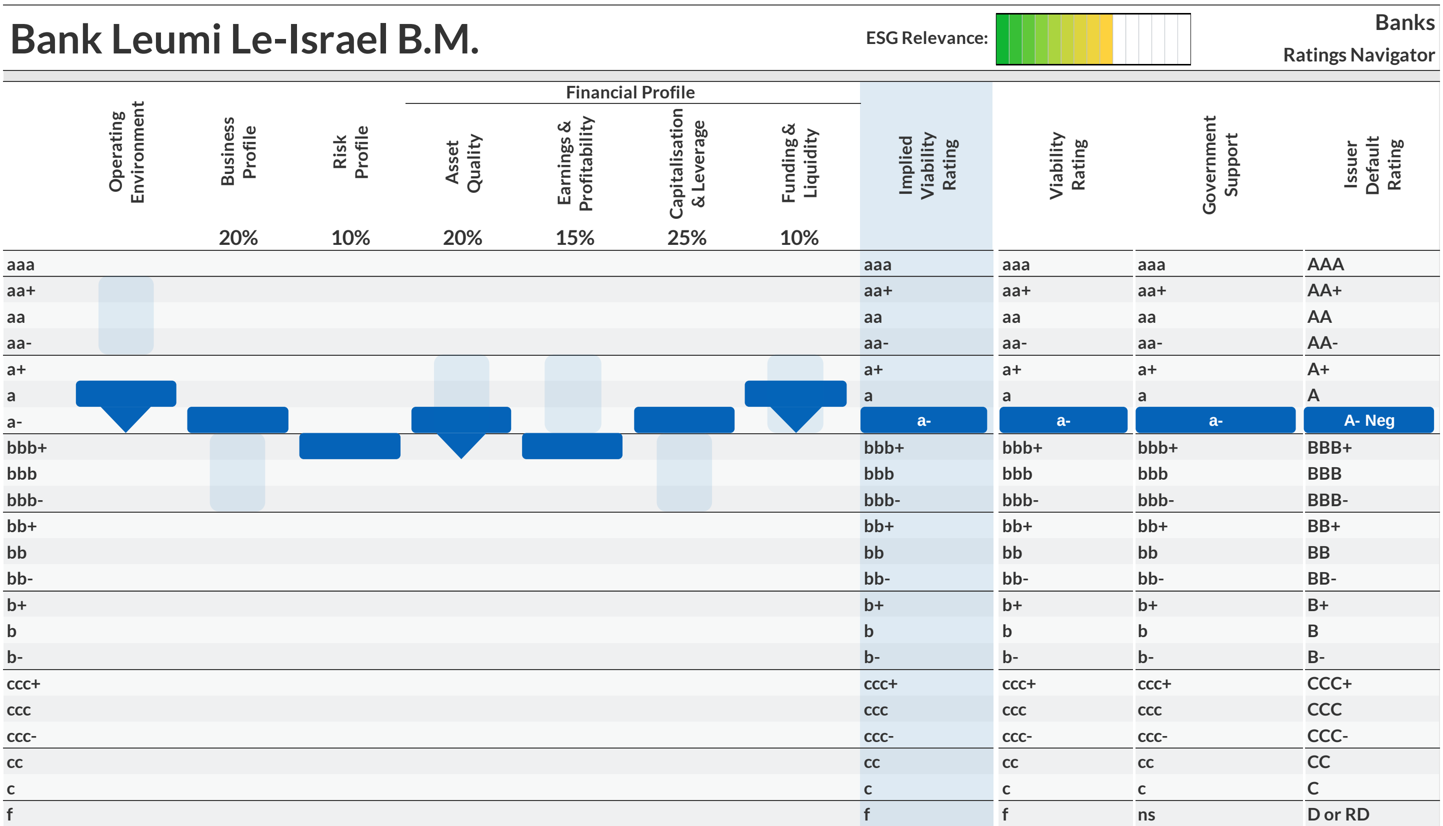
Source: Fitch Ratings

Leumi's senior unsecured notes are rated in line with the Long-Term IDR. This reflects our view that a default on senior unsecured debt equates to a default of the bank. It also reflects Fitch's expectation of average recovery prospects.

Leumi's Tier 2 subordinated notes are rated two notches below the bank's VR to reflect poor recovery prospects in the event of a failure or non-performance of the bank.

The Long-Term IDR (xgs) of 'A-(xgs)' is at the level of the VR. The Short-Term IDR (xsg) of 'F1(xgs)' is the higher of two possible options that map to a 'A-' Long-Term IDR (xgs) due to Leumi's 'a' funding and liquidity score.

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 operating environment score of 'a' is below the 'aa' implied category score for the following adjustment reasons: sovereign rating (negative), size and structure of economy (negative).

The business profile score of 'a-' is above the 'bbb' implied category score for the following adjustment reason: market position (positive).

The earnings and profitability score of 'bbb+' is below the 'a' implied category score for the following adjustment reason: earnings stability (negative).

The capitalisation and leverage score of 'a-' is above the 'bbb' implied category score for the following adjustment reason: leverage and risk-weight calculation (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Fitch downgraded Israel's sovereign rating one notch to 'A'/Negative in August 2024 due to the impact of the continuation of the war, including pressure on public finances. However, our operating environment assessment for Israeli banks is unchanged as, in our view, the sovereign downgrade does not reduce the banks' ability to generate new business within their current risk appetites.

Our operating environment assessment also reflects our view that the resilience of the sector is a regulatory priority. Government support for borrowers has supported banks' asset quality. The Bank of Israel has also used its foreign-exchange reserves to intervene in the currency market and reduce the volatility in the shekel. While Israeli banks do not have high foreign-currency exposures, the interventions support wider macroeconomic stability.

The negative outlook on the operating environment score reflects the Negative Outlook on the sovereign rating, which caps the score.

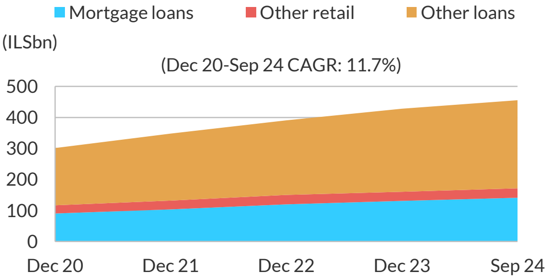
Business Profile

Leumi is Israel's largest bank by total assets at end-3Q24, although it is only slightly larger than the second-largest bank. Leumi operates a universal banking business model and provides a wide range of retail, commercial, capital market and private banking services, with high domestic market shares across all these segments. It also holds equity stakes in non-financial businesses via its private equity subsidiary, Leumi Partners.

Leumi's business model is diversified by client segment, but remains reliant on net interest income. Non-interest income is mainly from account fees, fees on financing transactions and commissions on client trading. The Bank of Israel, Leumi's regulator, is highly focused on stimulating competition and reducing some of these charges, particularly for retail and SME customers, so we do not expect fees to grow as quickly as net interest income.

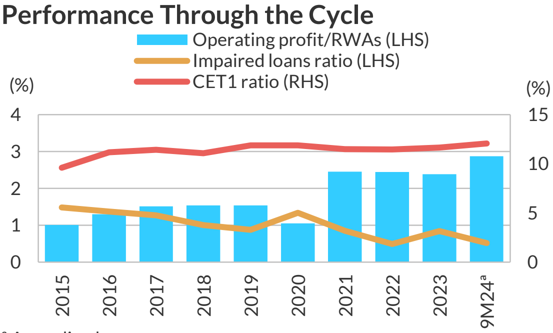
In April 2022, Leumi completed the sale of its US subsidiary, Leumi USA, to Valley National Bancorp (Valley), a regional US bank. Leumi's ownership of Valley (unrated) reduced to 13% in November 2024, following a share offering in which Leumi did not participate, but Leumi remains Valley's largest shareholder. Like peers, Leumi has reduced its international operations in recent years, and we expect it to focus on domestic growth.

Loan Book Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, Leumi

Performance Through the Cycle



ª Annualised
Source: Fitch Ratings, Fitch Solutions, Leumi

Risk Profile

We view risk controls as robust, although we recognise downside risks as a result of the Israel–Hamas war. In particular, operational risk, including cyber risk, is high. In addition, Leumi and other domestic banks may be more exposed to market risks because of the potential impact of different war scenarios on the exchange rate, interest rates and inflation.

Loan underwriting standards are generally conservative, more stringent than global peers, and similar to the other large Israeli banks. Residential mortgages are subject to underwriting limits prescribed by the regulator, including maximum 75% loan-to-value (LTV) ratios for first-time buyers and a maximum term of 30 years. This limits banks' ability to weaken underwriting standards to grow market share. Loan loss allowances are high, due partly to conservative provisioning policies required by the regulator, and sector concentrations are also subject to regulatory limits.

The construction and real estate sector has been identified by the regulator as a potential risk, and so Leumi and peers are subject to regulatory limits and increased scrutiny of exposures and collateral. We also expect an increase in exposure to infrastructure projects, though risk will likely be mitigated by government support – whether direct or indirect – for these major investments, as well as the syndication of large project loans across multiple lenders.

Leumi's exposure to equity market risk, through ownership of large equity stakes in non-financial companies and mutual funds, is slightly higher than that of peers, although we do not expect the bank to significantly increase its exposure to these types of equity investments. About half of the equity exposure is in marketable funds, while the other half is in non-marketable investments, where market prices are unavailable and valuations are driven by models and therefore less certain. The investments are recorded at historical cost.

Leumi's investment in Valley represented less than 5% of CET1 capital at end-3Q24, whether measured by book value or market value. In 2Q24, the investment in Valley was impaired by ILS0.6 billion as the share price declined. The shares now trade above Leumi's book value and the share price would have to fall significantly (and be viewed as permanent) to result in further impairment.

Financial Profile

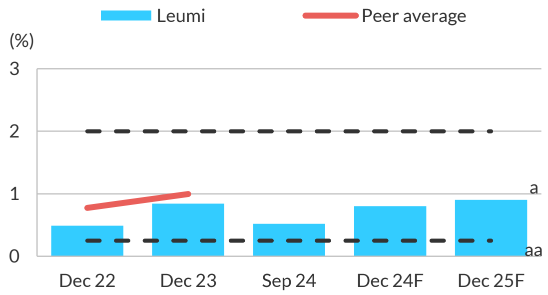
Asset Quality

Residential mortgage loans have grown as a proportion of the loan book (end-3Q24: 31% of loans) in recent years due to high levels of house price and population growth in Israel. Mortgage loans expanded by 8% in 9M24, and we expect this to remain a high-growth segment, following demographic trends. Arrears remain very low.

Exposure to construction and real estate accounted for 28% of credit risk exposure at end-3Q24. This sector has been affected by labour shortages on construction sites due to travel restrictions affecting the Palestinian territories. However, demand for new buildings remains strong, driven by high population growth.

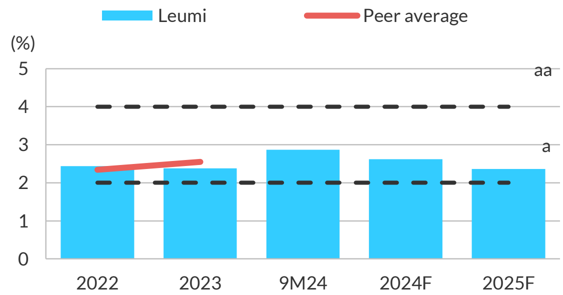
We forecast the impaired loans ratio to remain below 1.0%. While some lending segments, such as the construction and real estate sector, continue to be directly affected by the Israel-Hamas war, their loan performance has not significantly deteriorated, due to strong underwriting and prices remaining strong.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Leumi's Fitch-calculated net interest margin of 2.8% in 9M24 is strong on an international basis, even in the low-interest-rate environment, due to a large base of stable and low-cost current accounts. Like other Israeli banks, Leumi maintains a net long position to the Consumer Price Index (CPI), which contributed ILS1,460 million, or about 9% of operating income in 9M24. Profitability in 2Q24 was affected by an ILS0.6 billion impairment of Leumi's stake in Valley due to a decline in share price.

Costs have remained under control due to efficiency programmes, which include digitalisation and back-office automation. Leumi's cost/income ratio (9M24: 31%) compares favourably with that of international peers. Ongoing investment is needed to maintain and improve Leumi's digital capabilities, but major cost restructuring through branch closures and redundancies is largely complete.

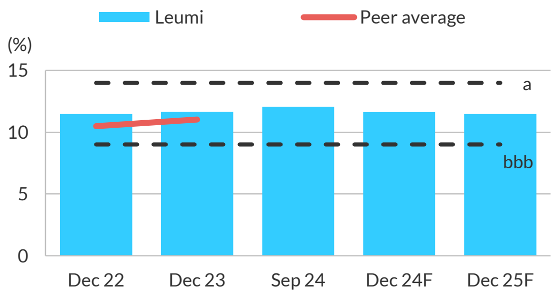
We forecast the operating profit/RWAs ratio to remain above 2% over the next two years. While we expect loan impairment charges to increase, the bank has large buffers of loan loss allowances to absorb this deterioration. This is because Leumi, like its domestic peers, increased collective credit provisions at the start of the war, but has not had a significant deterioration of asset quality. As a result, we would expect the bank to remain profitable even if asset quality deteriorates significantly. Our assessment also considers that earnings may be less stable given geographic concentration in Israel.

Capitalisation and Leverage

Leumi's capitalisation is adequate for its risk profile, but the buffer above its 10.23% minimum CET1 requirement is tighter than at many similarly rated international peers. High risk-weights under the standardised approach mitigate the risk of RWA inflation, in our view. Prudent provisioning policies also provide a large buffer to absorb asset-quality deterioration, as does the bank's improved capital generation, which is why we view the buffer as adequate. We expect capital ratios to decrease once risks from the war reduce, and we view Leumi's capitalisation as adequate for its risk profile.

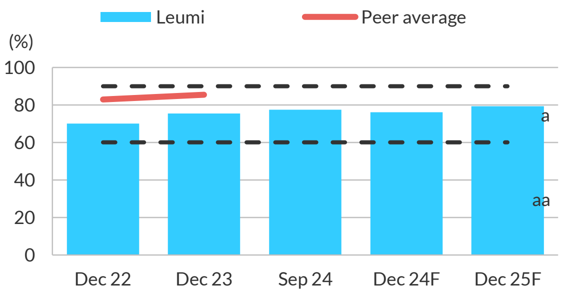
The total capital ratio remained strong at 14.8% with a solid buffer over the 13.5% total capital requirement at end-3Q24. Leumi's Basel leverage ratio of 7% was adequately above the 5.5% minimum requirement at end-3Q24. This minimum requirement reflects temporary relief due to the war, and we expect it to return to 6.0% in 1H26.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Leumi has a solid funding base consisting mostly of customer deposits, which represented 90% of total non-equity funding at end-3Q24. Wholesale funding needs are limited due to the bank's strong domestic deposit franchise with retail, corporate and SMEs. We expect the loans/deposits ratio to increase slightly as Leumi, like other banks, increasingly has to pass on higher interest rates to deposits, and passing these rate increases onto depositors is increasing Leumi's interest expenses. Liquidity is sound, with a liquidity coverage ratio of 124% in 3Q24.

We would likely lower our funding and liquidity assessment if the sovereign is downgraded, given its implicit support for the banking sector. This is because a sovereign downgrade would likely be accompanied by a deterioration in the operating environment and could result in less favourable wholesale funding conditions and put pressure on deposits, though we have not observed this in practice.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or M&A activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent 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. 'F' represents Fitch's forecasts. Peer average includes Bank Hapoalim B.M. (VR: a-), Mizrahi Tefahot Bank Ltd (a-), Israel Discount Bank Limited (a-).

Financials

Financial Statements

	30 Sep 24		31 Dec 23	31 Dec 22	31 Dec 21
	9 months - 3rd quarter	9 months - 3rd quarter	Year end	Year end	Year end
	(USDm)	(ILSm)	(ILSm)	(ILSm)	(ILSm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	3,444	12,777	16,069	13,251	10,374
Net fees and commissions	763	2,829	3,589	3,404	3,384
Other operating income	224	830	508	981	1,988
Total operating income	4,430	16,436	20,166	17,636	15,746
Operating costs	1,399	5,192	6,746	6,704	7,306
Pre-impairment operating profit	3,031	11,244	13,420	10,932	8,440
Loan and other impairment charges	161	599	2,432	545	-746
Operating profit	2,869	10,645	10,988	10,387	9,186
Other non-operating items (net)	224	830	27	896	156
Tax	1,113	4,128	3,988	3,564	3,275
Net income	1,980	7,347	7,027	7,719	6,067
Other comprehensive income	203	753	706	-380	-117
Fitch comprehensive income	2,183	8,100	7,733	7,339	5,950
Summary balance sheet					
Assets					
Gross loans	122,838	455,729	428,009	390,877	348,331
- Of which impaired	640	2,376	3,610	1,908	2,949
Loan loss allowances	1,839	6,821	6,717	4,986	4,512
Net loans	120,999	448,908	421,292	385,891	343,819
Interbank	n.a.	n.a.	19,546	17,948	13,558
Derivatives	7,415	27,509	27,410	26,638	14,027
Other securities and earning assets	35,223	130,676	167,115	90,931	90,487
Total earning assets	163,637	607,093	635,363	521,408	461,891
Cash and due from banks	36,839	136,673	85,930	168,621	183,844
Other assets	2,661	9,873	10,204	9,137	10,719
Total assets	203,137	753,639	731,497	699,166	656,454
Liabilities					
Customer deposits	158,600	588,407	567,984	557,331	537,569
Interbank and other short-term funding	8,432	31,282	34,552	26,258	27,652
Other long-term funding	8,642	32,061	22,800	27,805	15,428
Trading liabilities and derivatives	7,143	26,500	26,636	23,311	15,551
Total funding and derivatives	182,817	678,250	651,972	634,705	596,200
Other liabilities	4,077	15,126	15,709	15,018	18,202
Preference shares and hybrid capital	n.a.	n.a.	9,314	0	n.a.
Total equity	16,243	60,263	54,502	49,443	42,052
Total liabilities and equity	203,137	753,639	731,497	699,166	656,454
Exchange rate		USD1 = ILS3.71	USD1 = ILS3.627	USD1 = ILS3.519	USD1 = ILS3.15

Source: Fitch Ratings, Fitch Solutions, Bank Leumi Le-Israel

Key Ratios

	30 Sep 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.9	2.4	2.4	2.5
Net interest income/average earning assets	2.8	2.8	2.7	2.4
Non-interest expense/gross revenue	30.9	32.0	38.9	46.7
Net income/average equity	17.0	13.6	16.8	14.9
Asset quality				
Impaired loans ratio	0.5	0.8	0.5	0.9
Growth in gross loans	6.5	9.5	12.2	15.6
Loan loss allowances/impaired loans	287.1	186.1	261.3	153.0
Loan impairment charges/average gross loans	0.2	0.6	0.1	-0.3
Capitalisation				
Common equity Tier 1 ratio	12.1	11.7	11.5	11.5
Tangible common equity/tangible assets	8.0	7.3	7.0	6.4
Basel leverage ratio	7.0	6.7	6.4	6.1
Net impaired loans/common equity Tier 1	-7.5	-5.8	-6.3	-3.6
Funding and liquidity				
Gross loans/customer deposits	77.5	75.4	70.1	64.8
Liquidity coverage ratio	124.0	124.0	131.0	124.0
Customer deposits/total non-equity funding	90.3	89.5	91.2	92.6
Net stable funding ratio	115.0	118.0	128.0	131.0

Source: Fitch Ratings, Fitch Solutions, Bank Leumi Le-Israel

Support Assessment

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

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

Leumi's IDRs are driven by its GSR, which is in line with the domestic systemically important bank (D-SIB) GSR for Israel and reflects Fitch's view of a very high probability that Israel would provide support to Leumi, if needed. In Fitch's view, Israel has a strong ability to support its banking sector, and its propensity to support Leumi is high, particularly given the Leumi's systemic importance in the country with a market share of about 30% of banking-sector assets.

Environmental, Social and Governance Considerations

FitchRatings **Bank Leumi Le-Israel B.M.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Bank Leumi Le-Israel B.M. has 5 ESG potential rating drivers

- Bank Leumi Le-Israel B.M. 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	Business Profile (incl. Management & governance); Risk Profile; 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	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)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
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 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.

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