Development Banks

The Industrial Bank of Kuwait K.S .C.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Government Support Rating	a
Sovereign Risk (Kuwait)	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AA+
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 (September 2023)

Related Research

Fitch Affirms Industrial Bank of Kuwait at 'A'; Outlook Stable (March 2024)
Middle East Banks Outlook 2024 (December 2023)
EM100 Banks Tracker – End-1H23 (December 2023)
Kuwait (October 2023)
Fitch Affirms Kuwait at 'AA-'; Outlook Stable (September2023)

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Key Rating Drivers

The Industrial Bank of Kuwait K.S.C.'s (IBK) Issuer Default Ratings (IDRs) reflect potential support from the Kuwaiti authorities, as captured by the Government Support Rating (GSR) of 'a'. The Stable Outlook on IBK's Long-Term IDR reflects that on the Kuwaiti sovereign rating (AA-/Stable).

The 'F1' Short-Term IDR is the lower of two options mapping to a 'A' Long-Term IDR because a significant part of Kuwaiti banks' funding is related to the government, and financial distress for IBK would be likely come at a time when the sovereign itself is experiencing some form of stress.

Government Support Rating of 'a': The Kuwaiti authorities have a strong ability and willingness to provide support to domestic banks irrespective of the bank's size, franchise, funding and level of government ownership. This view considers the state's record of supporting domestic banks and willingness to maintain market confidence and stability, given high contagion risk among domestic banks.

IBK's policy role and majority government ownership are neutral to our assessment of the bank's GSR, which is in line with Fitch's GSR for domestic systemically important Kuwaiti banks.

Stable Operating Environment: Fitch expects the Kuwaiti operating environment to remain stable, with forecast real GDP growth of 3.6% in 2024 and real non-oil GDP growth of 3.1%. In the absence of a public debt law, high oil prices and extremely strong external assets will continue to support government spending on wages and investments, and maintain business confidence. Fitch expects the sector's credit growth to be modest at 3%-4% in 2024, tempered by high interest rates and moderate real GDP growth.

Policy Role: IBK is Kuwait's sole development bank, with a mandate of providing concessionary medium- and long-term financing for the establishment, expansion and modernisation of private-sector industries. IBK's commercial operations (about half of the loan book) are mainly working-capital industrial financing.

Sizeable Market Risk: The bank holds a material investment portfolio, the majority of which represents investments in private equity funds. These are measured at fair value, which could lead to earnings volatility.

High Concentrations; Low Impairments: The share of impaired loans (90+ days overdue) was a low 0.5% at end-2023. The loan book is highly concentrated due to the nature of IBK's franchise but comprises a low 37% of total assets.

Good Profitability: Performance is good, with an annualised operating profit of 3.3% risk-weighted assets in 1H23 (2022: 4.9%), supported by fair-value gains on investments. However, profitability is not the bank's main goal due to its policy role.

Strong Capital Metrics: IBK operates with high capital metrics with a common equity Tier 1 (CET1) ratio above 40% over the past five years. At end-2023, the CET1 ratio was 46%, easing pressures from high concentration risks.

Majority Government Funding: The bank is mainly funded by a KWD300 million long-term loan from the state (59% of non-equity funding at end-1H23). The loan matures in 2027 but it has been continuously rolled over in the past, supporting the bank's development mandate. Customer deposits are only attracted from corporate clients and accounted for 11% of non-equity funding at end-1H23.

Rating Sensitivities

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

A downgrade of IBK's Long-Term IDR would require a downgrade of its GSR. The latter would likely stem from a weaker ability to support, as reflected in a Kuwaiti sovereign downgrade, which is not our base case considering the Stable Outlook on the sovereign rating.

A weaker propensity of the Kuwaiti authorities to support IBK would also lead to negative rating action, but this is unlikely in Fitch's view given their strong record of supporting domestic banks.

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

An upgrade of IBK's Long-Term IDR could come from an upgrade of its GSR. The latter would likely stem from a stronger ability to support, as reflected in a Kuwaiti sovereign upgrade. However, this is unlikely in the near term given the already high level of the GSR, and the Stable Outlook on the sovereign.

Other Debt and Issuer Ratings

Optional section 'Debt Rating Summary' has been hidden. It can be displayed and enabled for authoring by re-enabling it via the side-bar.

Significant Changes from Last Review

Regulatory Intervention and Domestic Competition Continue to Pressure Net Interest Margins

The Central Bank of Kuwait (CBK) has increased its discount rate (the benchmark rate for Kuwaiti dinar lending) by a cumulative 275bp since March 2022, to 4.25%. The Federal Reserve's cumulative increase was 525bp over the same period. The CBK does not automatically follow the Fed's rate changes, with the Kuwaiti dinar pegged to a basket of currencies – with the US dollar being the major currency. The CBK has also increased the overnight (to 3.875%) and one-week (to 4.125%) repo rates by a cumulative 300bp, and the one-month repo rate (to 4.375%) by a cumulative 275bp since March 2022; the repo rate is the reference rate for Kuwaiti dinar deposits. This has resulted in tighter spreads between the discount rate and repo rates, and pressured Kuwaiti banks' net interest margins.

High competition for corporate lending in an overbanked economy will also continue to put pressure on Kuwaiti banks' net interest margins, although corporate loans in Kuwait reprice fast (typically within three months from the discount rate change). Retail lending (end-3Q23: 35% of loans) has a pricing cap in Kuwait, consumer loans are on a fixed-rate basis, and instalment loans reprice only every five years. This therefore also pressures loan-repricing capabilities. Migrations from current and savings accounts (CASAs) to term deposits in the higher interest rate environment also put pressure on banks' funding costs. Fitch expects net interest margins to slightly improve by 10bp in 2024.

Ratings Navigator

Optional section 'VR Table – Legend' has been hidden. It can be displayed and enabled for authoring by re-enabling it via the side-bar.

Company Summary and Key Qualitative Factors

Operating Environment

Stable Sovereign Rating

Fitch affirmed Kuwait's sovereign rating at 'AA-'/Stable on 15 September, reflecting the sovereign's exceptionally strong fiscal (year to end-March 2023 (FY23): gross government debt/GDP was low at 8.7%) and external (2023E–2024F: net foreign assets averaging 505% of GDP) balance sheets. However, frequent institutional gridlock and political constraints on reforms hinder the sovereign from addressing the fiscal and structural challenges related to heavy oil dependence, a generous welfare state and a large public sector and low governance indicators.

Stable Operating Environment

Fitch expects the general business and operating environment for Kuwaiti banks to remain broadly the same in 2024 as in 2023, with forecast moderate real GDP growth of 3.6% in 2024 and real non-oil GDP growth of 3.1%, supported by government spending on wages and investments. Fitch expects the banking sector's credit growth to remain fairly modest at 3%–4% in 2024 (3Q23: 1.4%), hindered by high interest rates and only moderate real GDP growth. Kuwait's fiscal and external metrics will remain sensitive to oil revenue and the private sector will remain heavily dependent on public spending.

Stable Banking Sector

Fitch expects loan quality to remain stable in 2024, with low Stage 3 loans ratios (1.5%-2%) and moderate Stage 2 loans ratios (below 10%), supported by restructuring and write-offs. Loan quality will remain exposed to event risk due to high single-obligor and sector concentrations, reflecting the narrow and interconnected nature of the domestic economy, as is typical in the region. Fitch expects total reserve coverage of Stage 3 loans to remain high (above 200%) in 2024 given the stringent provisioning requirements in Kuwait. Profitability has recovered from the pandemic (operating profit/risk weighted assets: 1.5%-1.7%) and should remain stable in 2024 due to high interest rates, reasonable business volumes and good cost efficiency. Pressures from high domestic competition, continuous investment in digitalisation, and high regulatory provisioning requirements will continue to limit any positive profitability changes in 2024.

Banks' capitalisation will remain adequate in 2024 (common equity Tier 1 capital: 13%-13.5%), supported by stable loan quality, high loan loss allowances, internal capital generation and modest loan growth. High concentrations remain the key risk to capital. Liquidity should remain strong in 2024, supported by large and stable deposits from government-related entities (GREs; typically 25%–30% of customer deposits), benefitting from high oil prices. With high oil prices, Fitch believes debt law ratification is not essential to maintain funding stability in the short-term, but is essential to preserve liquidity stability in the medium-to-long term. The liquidity coverage ratio and the net stable funding ratio will remain above 100% in 2024.

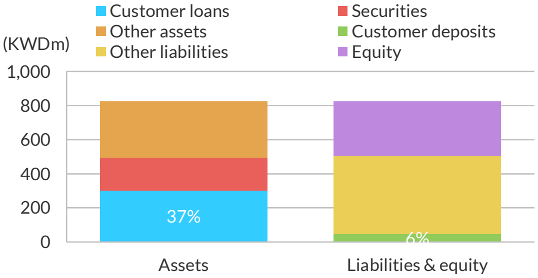
Business Profile

IBK operates as a policy bank under the government mandate to support Kuwait's industrial sector. The bank is majority owned by the state, which directly and indirectly holds about 70% stake in the bank. The bank has a small 1% domestic market share in sector loans. IBK finances borrowers from the industrial segment by providing medium- and long-term loans at a preferential rate. Industrial loans issued under the mandate accounted for 49% of the gross portfolio at end-2023. Commercial loans (51% of total) are largely working-capital financing issued at market rates and also provided to corporates from the industrial segment. Diversification into other lending segments in unlikely. Due to the license restrictions and its development mandate, IBK does not have a retail franchise.

The policy role within the industrial segment does not allow room for significant credit growth, which is why IBK's net loans made up only 37% of assets. Investments and securities made up a further 23% of assets, allowing for revenue diversification. These are domestic government bonds (25% of total) and equities (75%), mostly well-known international private equity funds.

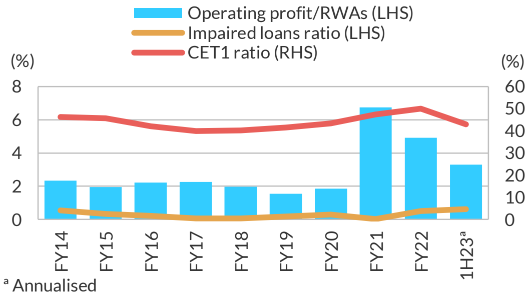
The bank's strategy assumes continuous financing of the industrial sector in Kuwait, both within the government mandate and on commercial terms. However, credit demand from the industrial companies could be low and volatile. IBK's performance through the cycle has been adequate with a 9% return on average equity (ROAE) over the past four years, though profitability is not IBK's target given its policy role. Funding is mainly attracted from the government at preferential terms.

Balance Sheet
End-June 2023



Source: Fitch Ratings, Fitch Solutions, IBK

Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, IBK

Risk Profile

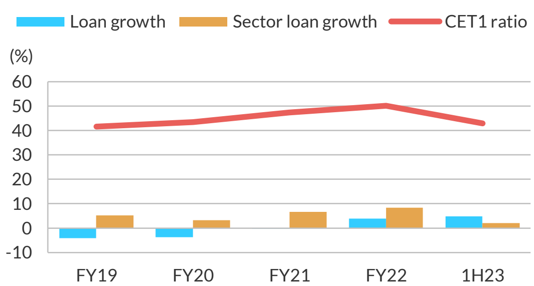
The bank's underwriting standards are driven by its development mandate and assume lending to domestic companies operating in the industrial segment.

The narrow and undiversified nature of both the economy and the industrial segment in Kuwait leads to visible concentrations in the loan book. These are, however, unavoidable and typical among domestic banks. At end-2023, the largest 20 funded groups of borrowers accounted for 67% of total loans, or 0.7x equity.

The fixed-income securities portfolio is entirely with domestic sovereign debt, and the bank has no appetite to diversify the bond portfolio. Equity investments are sizeable, at 43% of equity as of end-2023 (regulatory limit: 50%). The majority of these are foreign private-equity funds. The large securities and investments portfolio expose IBK to market risks, as it is reported at fair value. Valuation of the funds is performed by third-party asset managers. The bank has booked significant revaluation gains from these in the past, but Fitch views these investments as risky by nature due to their potential volatility, depending on the macro-economic conditions.

Interest rate risk is manageable as IBK is mainly funded by a long-term KWD300 million loan from the state. The bank pays a fixed 0.5% interest rate on the amounts of the loans (including undrawn commitments) granted to borrowers at a preferential fixed rate. The unused share of the KWD300 million loan bears a three months' KIBOR-floating rate. Thus, the margin on the industrial loan portfolio, issued under a fixed low rate, does not correlate with market interest rates.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, IBK

Financial Profile

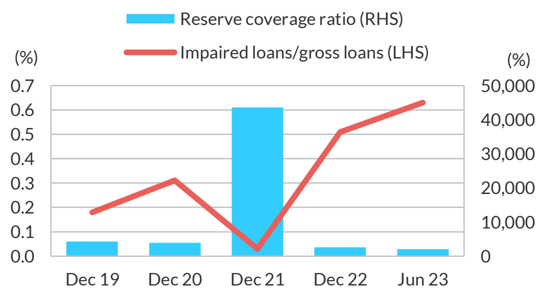
Asset Quality

We view IBK's asset quality metrics as reasonable but sensitive to the economic cycles given the nature of IBK's franchise, significant loan concentrations and high exposure to investments.

Stage 3 loan ratio was 3.0% at end-2023 (end-2022: 5.7%), while regulatory impaired loans ratio (90+ days overdue) was significantly lower at 0.5%. Low impaired loans through the cycle have been supported by write offs. Stage 2 loans were high at 33% of gross loans as of end-2023, largely capturing past restructurings, including project implementation delays. Coverage of gross loans by total loan loss allowances is strong at 12.5%, which we view as necessary given the concentration risks and high share of Stage 2 exposures.

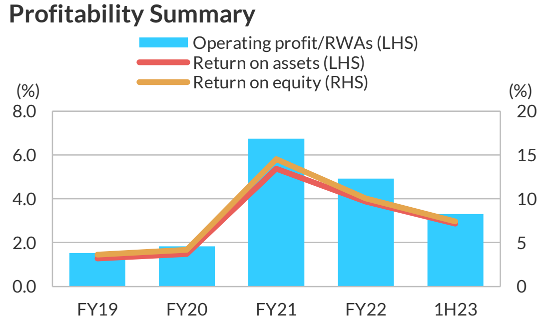
Non-loan exposures are mainly liquid assets placed with investment-grade banks and low-risk debt securities (40% of end-1H23 assets). The investment portfolio (18% of assets) is well diversified both by name and geography but is subject to revaluation risks.

Asset Quality Summary



Source: Fitch Ratings, Fitch Solutions, IBK

Profitability Summary



Source: Fitch Ratings, Fitch Solutions, IBK

Earnings and Profitability

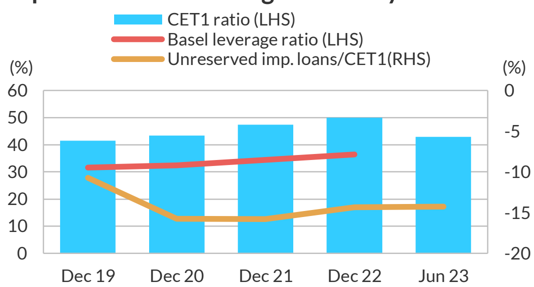
Operating income is supported by strong net investment gains from mark-to-market securities and equities revaluations. These made up a third of operating income in 1H23 (2022: 31%), while net interest income contributed a further 58% (2021: 52%). Investment gains have been volatile through the cycle.

The margin on the industrial portfolio issued at a preferential rate is fixed and does not depend on market conditions. The repricing of the commercial loan book issued at floating rates supports IBK's margins and profitability on the back of higher interest rates. The bank's provisioning policy is driven by the CBK, which regulates the volume of precautionary reserves for each bank depending on the risk profile. In 1H23, the bank reported a reasonable ROAE of an annualised 7%. However, profitability is not IBK's priority due to its development mandate.

Capital and Leverage

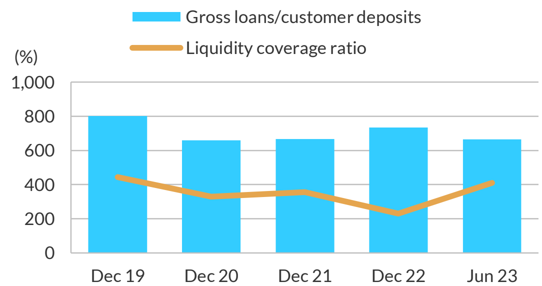
IBK's capital metrics are among the strongest in the region. At end-2023, the bank's CET1 ratio of 46% ratio was significantly above the minimum requirement. Strong capital ratios reflect subdued growth over past years due to low demand within the industrial segment, as well as high concentration risks. Capitalisation could slightly go down if we see a stronger demand within the industrial loan portfolio. However, we do not expect significant depletion of capital ratios in the medium term. The CET1 ratio has been maintained at above 40% since end-2018. Internal capital generation has been good. IBK pays out dividends on a regular basis and generally distributes about 50% of net income.

Capitalisation & Leverage Summary



Source: Fitch Ratings, Fitch Solutions, IBK

Funding & Liquidity Summary



Source: Fitch Ratings, Fitch Solutions, IBK

Funding and Liquidity

IBK has historically been mainly funded by a senior KWD300 million loan attracted from the state. The loan matures in 2027, but we believe it will be rolled over as long as the bank continues to execute it policy role and has a mandate to support the industrial sector of the economy. The bank also attracts medium-term loans from banks in foreign currency (US dollar and euros) in order to finance its foreign-currency-denominated investment portfolio. These were equivalent to 21% of non-equity funding at end-1H23.

The bank's license restricts it from attracting retail deposits. Corporate accounts are small, at 11% of non-equity funding, and are unlikely to materially increase due to intense competition and the bank's limited franchise.

Liquidity is healthy, with a strong LCR of 419% and an NSFR of 149% at end-2023.

Optional section 'Forecasting Tool Note' has been hidden. It can be displayed and enabled for authoring by re-enabling it via the side-bar.

Financials

		31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
	12 Months	12 Months	12 Months	12 Months	12 Months
	USDm	KWDm	KWDm	KWDm	KWDm
	Audited – Unqualified	Audited – Unqualified	Audited – Unqualified	Audited – Unqualified	Audited – Report Not Seen
Summary Income Statement					
Net interest and dividend income	51	16	13	16	18
Net fees and commissions	14	4	4	4	4
Other operating income	34	10	35	15	15
Total operating income	99	30	52	35	37
Operating costs	46	14	15	11	12
Pre-impairment operating profit	53	16	38	23	25
Loan and other impairment charges	-45	-14	-1	13	17
Operating profit	98	30	39	10	9
Other non-operating items (net)	–	–	–	–	0
Tax	2	1	1	0	0
Net income	96	29	38	10	9
Other comprehensive income	–	–	–	–	–
Fitch comprehensive income	96	29	38	10	9
Summary Balance Sheet					
Assets					
Gross loans	1,093	335	322	323	336
– of which impaired	6	2	0	1	1
Loan loss allowances	149	46	44	39	26
Net loans	945	289	279	284	310
Interbank	912	279	237	163	125
Derivatives	0	0	–	–	–
Other securities and earning assets	629	192	209	207	220
Total earning assets	2,485	761	725	653	655
Cash and due from banks	21	7	8	24	18
Other assets	42	13	9	11	12
Total assets	2,549	780	742	688	685
Liabilities					
Customer deposits	149	46	48	49	42
Interbank and other short-term funding	74	23	36	44	41
Other long-term funding	1,257	385	347	332	346
Trading liabilities and derivatives	–	–	–	–	–
Total funding and derivatives	1,480	453	431	425	428
Other liabilities	73	22	29	15	14
Preference shares and hybrid capital	–	–	–	–	–
Total equity	996	305	282	248	243
Total liabilities and equity	2,549	780	742	688	685
Exchange rate		USD1 = KWD0.30605	USD1 = KWD0.3025	USD1 = KWD0.3036	USD1 = KWD0.30305

Source: Fitch Ratings, Fitch Solutions, The Industrial Bank of Kuwait K.S.C.

	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	4.9	6.7	1.8	1.5
Net interest income/average earning assets	2.1	1.8	2.4	2.8
Non-interest expense/gross revenue	46.7	28.2	32.0	31.2
Net income/average equity	10.0	14.5	4.2	3.6
Asset quality				
Impaired loans ratio	0.5	0.0	0.3	0.2
Growth in gross loans	3.9	-0.3	-3.8	-4.1
Loan loss allowances/impaired loans	2,676.5	43,600.0	3,930.0	4,333.3
Loan impairment charges/average gross loans	-4.2	-0.4	3.8	4.7
Capitalisation				
Common equity Tier 1 ratio	50.0	47.4	43.4	41.5
Fully loaded common equity Tier 1 ratio	—	—	—	—
Fitch Core Capital ratio	—	—	—	—
Tangible common equity/tangible assets	39.1	37.9	36.0	35.4
Basel leverage ratio	36.4	34.3	32.4	31.6
Net impaired loans/common equity Tier 1	-14.4	-15.8	-15.8	-10.7
Net impaired loans/Fitch Core Capital	—	—	—	—
Funding and liquidity				
Gross loans/customer deposits	733.8	666.9	660.9	801.7
Gross loans/customer deposits + covered bonds	—	—	—	—
Liquidity coverage ratio	229.9	355.4	328.6	444.0
Customer deposits/total non-equity funding	10.1	11.2	11.5	9.8
Net stable funding ratio	151.8	146.1	138.2	152.1

Source: Fitch Ratings, Fitch Solutions, The Industrial Bank of Kuwait K.S.C.

Support Assessment

Policy Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	a
Government Support Rating	a
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Stable
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Positive
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Positive
Ownership	Neutral
Policy role and status	
Ownership	Notched Down
Policy role	Notched Down
Guarantees and legal status	Notched Down

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

Fitch's assessment of potential government support to Kuwaiti banks, if needed, factors in the sovereign's strong ability to provide support, as reflected in the sovereign rating (AA-/Stable), underpinned by Kuwait's exceptionally strong external balance sheet and vast net foreign assets. Fitch's assessment also factors in the sovereign's strong willingness to provide support irrespective of the banks' size, franchise, funding structure and level of government ownership. This view is reinforced by the authorities' record of support for the domestic banking system.

The CBK operates a strict regime with active monitoring to ensure the viability of banks, and has acted swiftly in the past to provide support when needed. This view considers the high contagion risk given the small number of banks and high concentration of banks in the system, as well as the importance of maintaining the soundness and reputation of the banking system.

As a result, the GSRs of all Kuwaiti-rated banks are the same as the domestic systemically important bank GSR of 'a', with the exception of National Bank of Kuwait S.A.K.P. (a+) given the bank's flagship status, its role in the Kuwaiti banking sector, and its close business and strategic links with the state. IBKs' policy role and government ownership are neutral to Fitch's assessment of the bank's GSR.

Environmental, Social and Governance Considerations

FitchRatings **The Industrial Bank of Kuwait K.S .C.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

The Industrial Bank of Kuwait K.S .C. has 5 ESG potential rating drivers

- The Industrial Bank of Kuwait K.S .C. 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
not a rating driver	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

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.

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

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 https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.