FitchRatings

Banks
Wholesale Commercial Banks
Germany

Bayerische Landesbank

Key Rating Drivers

Savings Banks' Support Drives Ratings: Bayerische Landesbank's (BayernLB) Issuer Default Ratings (IDRs) and senior debt ratings are driven by Fitch Ratings's view of a strong likelihood of support from the bank's owners, the State of Bavaria and the regional members of Germany's savings banks group, Sparkassen-Finanzgruppe (SFG, A+/Negative). The Negative Outlook mirrors the revision, driven by the coronavirus crisis, of the Outlook on SFG's Long-Term IDR, which serves as anchor for BayernLB's Long-Term IDR.

Economic Outlook Worsening: Fitch has lowered its assessment of German banks' operating environment because the sector's structural weaknesses will make it challenging to maintain acceptable earnings as disruptions from the coronavirus outbreak unfold. High fragmentation, intense competition, and vulnerable business models have prevented German banks from earning adequate profits even after years of a strong domestic economic environment.

Vulnerable Business Model and Earnings: BayernLB is entering the coronavirus crisis from a position of relative weakness given its below-average profitability and a loss in 1Q20. The crisis is likely to affect revenue generation in the short term. This poses execution risk for the bank's strategic transition programme, which aims to expand the SME and retail business of its subsidiary DKB and requires material investments and restructuring expenses.

Asset Quality Will Deteriorate: As with peers, BayernLB's asset quality will weaken in the short term. This is despite sizeable programmes set up by the German government to support the economy as well as increased flexibility in the accounting and prudential treatment of the impact of the crisis on loan quality. The bank has substantial exposure to German corporates, especially cyclical industries. We also expect the weakening financial health of more vulnerable consumers and SMEs to drive up DKB's loan impairment charges (LICs).

Weaker Capitalisation Ahead: The common equity Tier 1 (CET1) ratio of 14.7% at end-1Q20 compares well to German peers and offers an adequate buffer at its Viability Rating (VR) level. However, its leverage ratio is below most peers. We expect rating migration to test its CET1 ratio target of more than 14% despite measures to lower the core bank's risk exposure.

Liquidity Is a Relative Strength: We expect BayernLB's market funding needs to moderately decline in the coming years, in line with the core bank's lower business volume. The bank has privileged access to SFG's excess liquidity, and the ECB has considerably scaled up its refinancing programmes since the start of the crisis. This should enable BayernLB to withstand temporary funding market disruption and rising demands from cash-strapped corporates.

Rating Sensitivities

Downgrade of SFG's IDRs: The IDRs and senior debt ratings are primarily sensitive to changes in our assumptions around the propensity or ability of BayernLB's owners to provide timely support. This could result from a change to SFG's IDRs, to the owners' strategic commitment to BayernLB or to the bank's importance for its home region or for the savings bank sector.

Coronavirus Fallout: BayernLB has headroom to emerge from the coronavirus shock with its VR intact, but this will depend on the shape of the economic recovery. We would likely downgrade the VR if the economic and financial market disruption places sustained pressure on asset quality and earnings, ultimately leaving the bank's business model less sustainable.

Upside Sensitivities: An upgrade of BayernLB's VR would require the economic shock from the pandemic to be short-lived, followed by a swift recovery, with a limited impact on the bank's financial metrics, and a structural improvement in the bank's profitability, which seems unlikely in the near term.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F1
Viability Rating	bbb
Support Rating	1
Derivative Counterparty Rating	A(dcr)
Sovereign Risk	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

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

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Revises Bayerische Landesbank's Outlook to Negative, Affirms IDR at 'A-' (April 2020)

Fitch Takes Actions on 6 German Banking Groups on Coronavirus Uncertainties (March 2020)

German Banks' Weaknesses Exposed as Economic Outlook Worsens (April 2020)

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Debt Rating Classes

Long-term deposits	A
Short-term deposits	F1
Long-term senior preferred (SP) debt	A
Short-term SP debt	F1
Senior non-preferred (SNP) debt	A-
State-guaranteed senior unsecured and subordinated debt	AAA
Non-guaranteed Tier 2 subordinated debt	BB+

Source: Fitch Ratings

Deposits and SP Debt

BayernLB's long-term deposits and SP debt are rated one notch above its Long-Term IDR to reflect the protection provided by resolution buffers to these preferred creditors.

BayernLB's short-term deposit rating is the lower of the two possible short-term ratings that map to the 'A' long-term deposit rating, because the bank's funding and liquidity score of 'bbb+' does not warrant a higher short-term rating.

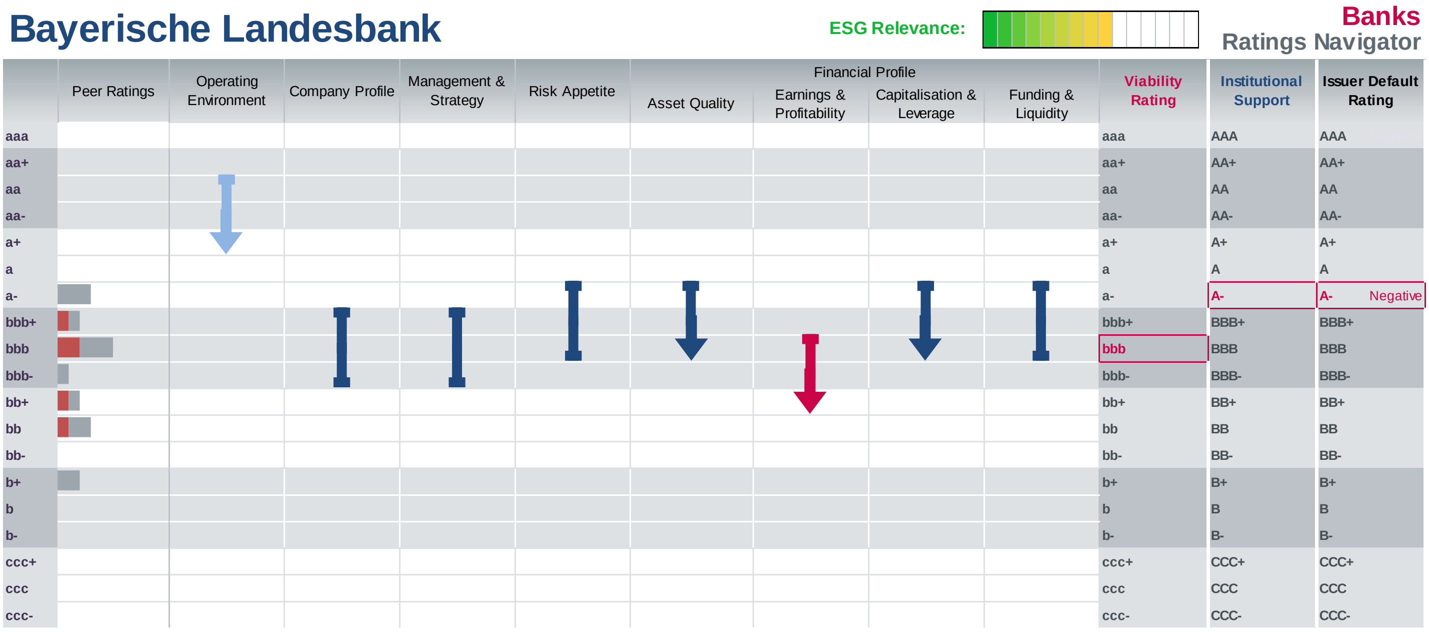
State Guaranteed Debt

The ratings of BayernLB's state-guaranteed senior and subordinated Tier 2 debt reflect the credit strength of Bavaria, the guarantor. We believe the grandfathered guarantee provides similar protection for senior and subordinated debt because the statutory guarantor's liability (Gewaehrtraegerhaftung) does not differentiate between seniorities. In our view, the EU state aid and regulatory frameworks do not constrain the support available to grandfathered debt.

Non-Guaranteed Tier 2 Subordinated Debt

BayernLB's non-guaranteed subordinated Tier 2 debt is rated two notches below its VR to reflect Tier 2 debt's higher loss-severity, since the bank's buffer of Tier 1 and Tier 2 debt is not sufficient to apply a reduced notching under our updated criteria.

Ratings Navigator



Institutional Support Assessment

Institutional Support			Value
Parent IDR			A+
Total Adjustments (notches)			-2
Institutional Support:			**A-**
Support Factors (negative)	**Equalised**	**1 Notch**	**2+ Notches**
Parent ability to support and subsidiary ability to use support			
Parent/group regulation			✓
Relative size		✓	
Country risks	✓		
Parent Propensity to Support			
Role in group		✓	
Potential for disposal	✓		
Implication of subsidiary default		✓	
Integration			✓
Size of ownership stake	✓		
Support track record	✓		
Subsidiary performance and prospects		✓	
Branding	✓		
Legal commitments			✓
Cross-default clauses			✓

Bar Chart Legend

Vertical bars – VR range of Rating Factor
Bar Colors – Influence on final VR
- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook
- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

High Probability of Support from Owners

Our institutional support assumptions are based on the statutes of the institutional protection scheme of SFG and the Landesbanken. BayernLB's statutory roles include supporting the regional economy and acting as the central institution for the regional savings banks and as house bank for the State of Bavaria. We believe these roles make its owners' investment in BayernLB long-term and strategic. We derive BayernLB's support-driven ratings from SFG's Long-Term IDR, because we believe support would need to come from both SFG and Bavaria to avoid triggering state-aid considerations and resolution if BayernLB fails.

We notch down BayernLB's Long-Term IDR twice from SFG's 'A+' to reflect regulatory restrictions to support due to the requirement for state aid examination under the EU competition rules. This is despite the exemption announced by the European Commission in March 2020 that allows for state aid to compensate for losses that are directly related to the coronavirus outbreak, because we expect the exemption to be temporary. The two-notch difference also reflects BayernLB's strategic, but not key and integral, role for its owners.

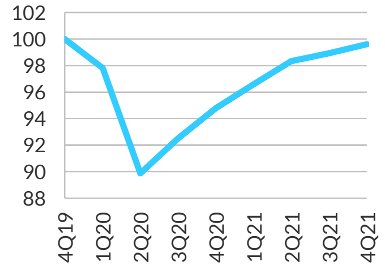
Significant Changes

Economic Outlook Rapidly Worsening

The ultimate economic and financial market implications of the coronavirus outbreak are unclear, but Fitch considers the risks to German banks' credit profiles to be clearly skewed to the downside. We revised our sector outlook for German banks to negative in December 2019 to reflect, at the peak of the credit cycle, the domestic banking sector's inability to generate adequate returns during periods of strong economic growth due to its structural weaknesses.

In addition, we lowered the operating environment score for German banks to 'aa-'/Negative from 'aa'/Stable in March 2020 as the coronavirus outbreak will exacerbate vulnerability to a rapid and severe deterioration of earnings and asset quality. The negative trend signals that we could lower the operating environment score further if there are signs that the domestic economy may suffer in the longer term from the crisis, or if the banking sector is unable to restore its profitability, which is likely to require greater pricing discipline and consolidation to remove excess capacity in the sector.

Germany GDP Level Forecast
(Index 4Q19 = 100)



Source: Fitch Ratings Estimate, 29 June 2020

Brief Company Summary

Medium-Sized Commercial Bank with Regional Corporate Focus

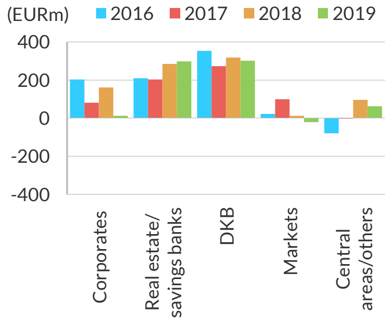
BayernLB is a publicly-owned wholesale bank that performs statutory roles as a Landesbank for the State of Bavaria and the Bavarian savings banks. It has a strong commercial franchise rooted in its core region and operates selectively across Germany, primarily in corporate finance, real estate and project financing. Its retail and SME business is concentrated at DKB, which is a key pillar of its business model and a major contributor to the group's pre-tax profit.

The bank faces intense competition in most business segments despite its established relationships which large corporates of high importance for the Bavarian economy. This structurally limits its pricing power and weighs on its profitability.

The bank is vulnerable to cyclical fluctuations and concentration risks from large borrowers despite the acceptable diversification of its corporate loan book. It is also highly exposed to real estate markets, although largely via lower-risk residential mortgage loans. BayernLB consolidates Bayerische Landesbodenkreditanstalt. This development bank primarily engages in subsidised housing and municipal business in Bavaria, and its liabilities (which account for 7% of BayernLB's total liabilities) are irrevocably guaranteed by the State of Bavaria.

BayernLB's international franchise is modest and largely based in Western Europe, but the bank supports its corporate customers globally from key international financial centres.

Pre-tax Profits by Segment



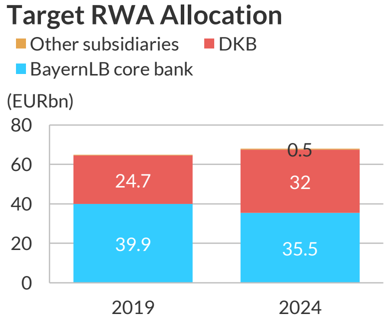
Source: Fitch Ratings, BayernLB

Coronavirus Crisis Could Undermine Execution of Strategic Restructuring

BayernLB's strategic plan to 2024 establishes DKB as the group's growth engine by intending to double the subsidiary's number of clients to eight million and expand its real estate business, primarily in Germany and selectively abroad. DKB's future importance is increased by the recent merger of BayernLB's low-yielding and volatile financial markets operations into its corporate segment, which will be streamlined.

Given the prevailing margin pressure, the ability of DKB's aggressive growth plans to generate sufficiently profitable client relationships has yet to be proven. If well executed, this strategy has the potential to raise BayernLB's medium-term profitability while utilising risk-weighted assets (RWAs) more efficiently. However, the coronavirus crisis could delay execution and jeopardise the revenue growth needed to finance the required investments. BayernLB will rely on the performance of these two segments, which limit its flexibility to react to adverse market developments.

Target RWA Allocation



Source: Fitch Ratings, BayernLB; 2024 estimates

Summary Financials and Key Ratios

	31 Dec 19 (EURm)	31 Dec 18 (EURm)	31 Dec 17 (EURm)	31 Dec 16 (EURm)
Summary income statement				
Net interest and dividend income	1,875	1,721	1,659	1,475
Net fees and commissions	287	270	263	296
Other operating income	33	210	177	229
Total operating income	2,195	2,201	2,099	2,000
Operating costs	1,580	1,459	1,355	1,367
Pre-impairment operating profit	615	742	744	633
Loan and other impairment charges	-251	-135	94	87
Operating profit	866	877	650	546
Other non-operating items (net)	-213	-8	2	162
Tax	187	41	-27	158
Net income	466	828	679	550
Summary balance sheet				
Gross loans	144,997	138,872	134,686	134,760
- Of which impaired	1,488	1,497	3,994	4,109
Loan loss allowances	963	1,034	1,178	1,295
Net loans	144,034	137,838	133,508	133,465
Interbank	31,096	36,601	37,776	28,783
Derivatives	10,348	8,779	9,980	14,491
Other securities and earning assets	28,638	29,970	26,663	31,090
Total earning assets	214,116	213,188	207,927	207,829
Cash and due from banks	8,512	3,335	3,556	2,096
Other assets	3,337	3,704	3,038	2,225
Total assets	**225,965**	**220,227**	**214,521**	**212,150**
Customer deposits	89,540	82,406	79,965	74,557
Interbank and other short-term funding	54,044	66,122	65,092	61,443
Other long-term funding	53,398	46,021	44,694	47,285
Trading liabilities and derivatives	11,536	8,990	8,522	12,098
Total funding	208,518	203,539	198,273	195,383
Other liabilities	5,490	4,957	4,975	5,230
Preference shares and hybrid capital	427	497	502	1,550
Total equity	11,530	11,234	10,771	9,987
Total liabilities and equity	**225,965**	**220,227**	**214,521**	**212,150**
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.3	1.3	1.1	0.8
Net interest income/average earning assets	0.8	0.8	0.8	0.7
Non-interest expense/gross revenue	72.0	66.3	64.6	68.4
Net income/average equity	4.1	7.6	6.4	5.5
Asset quality				
Impaired loans ratio	1.0	1.1	3.0	3.1
Growth in gross loans	4.4	3.1	-0.1	-0.8
Loan loss allowances/impaired loans	64.7	69.1	29.5	31.5

Source: Fitch Ratings, Fitch Solutions, Bank

Summary Financials and Key Ratios

	31 Dec 19	31 Dec 18	31 Dec 17	31 Dec 16
Loan impairment charges/average gross loans	-0.2	-0.1	0.1	0.1
Capitalisation				
Common equity Tier 1 ratio	15.9	15.2	15.3	14.7
Tangible common equity/tangible assets	4.9	4.9	4.8	4.5
Basel leverage ratio	4.1	4.1	4.0	4.2
Net impaired loans/common equity Tier 1	5.1	4.6	30.0	29.4
Funding and liquidity				
Loans/customer deposits	161.9	168.5	168.4	180.8
Liquidity coverage ratio	168.0	143.0	159.0	136.0
Customer deposits/funding	44.8	41.9	41.9	40.2

Source: Fitch Ratings, Fitch Solutions, Bank

Key Financial Metrics – Latest Developments

Recession Amplifies Credit Quality Risks in Corporate and SME Lending

BayernLB's impaired loans ratio (Stage 3 loans/gross customer loans) reached a cyclical low of 1.0% at end-2019, similar to that of its peers. This reflects the benign economic environment in the bank's core operating region and successful loan work-outs in recent years, including a resolution of its legacy exposure to Austria's Hypo Alpe Adria (now HETA Asset Resolution).

The German government has put in place considerable programmes to support companies and households affected by the coronavirus crisis. Regulatory forbearance for the classification of crisis-driven non-performing loans, as well as regulators' guidance to adopt transitional rules and through-the-cycle provisioning assumptions when applying IFRS 9, should initially mitigate a large part of the negative rating migration, RWA inflation and provisioning needs.

Nevertheless, when the initial benefits of the state support measures abate, credit losses could rise significantly toward the end of 2020 and through 2021, in particular in the corporate portfolio. BayernLB is a key lender to Bavarian large caps and Mittelstand firms. Its corporate portfolio entails multi-billion exposures to cyclical sectors, leaving it vulnerable to credit losses in the next two years. We expect many corporate borrowers to emerge from the crisis with weaker credit profiles that could take several years to recover. More vulnerable borrowers in more severely affected sectors are likely to default despite the aforementioned measures.

About a third of BayernLB's credit exposure is booked at DKB and is more granular, notably its large, lower-risk infrastructure finance and residential mortgage books as well as SME loans. Their robust historic performance has so far upheld the resilience of BayernLB's asset quality. However, we expect LICs to rise significantly as unemployment affects consumers and small businesses' financial health despite Germany's widespread use of short-time work schemes.

The quality of the bank's securities portfolio remains sound, and almost half of its financial institutions portfolio relates to savings banks, with which BayernLB shares an institutional protection scheme.

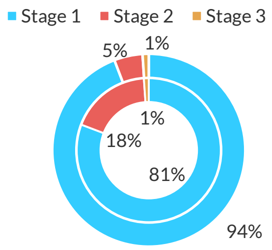
Modest Pre-Crisis Pre-Impairment Profits Provide Thin First Line of Defence

We expect BayernLB's financial performance to be weak in 2020 as the coronavirus will cause revenue losses and loan impairments, and the new strategy entails additional investments and restructuring costs. The bank's 2018 and 2019 results were supported by substantial loan loss reversals as well as the good performance of DKB and of the real estate segment. However, margin pressure and higher LICs for selected borrowers already weakened the corporate and financial markets segments before the crisis.

BayernLB's EUR151 million loss in 1Q20 was driven by negative fair value adjustments of EUR65 million and LICs of EUR72 million (including a management adjustment for COVID-19).

IFRS9 Loan Classification

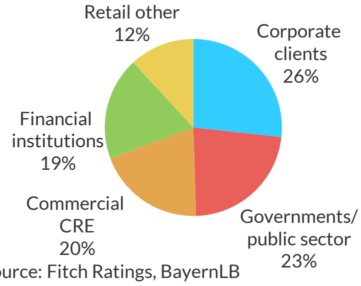
(Outer circle: End-2019)
(Inner circle : End-2018)



Source: Fitch Ratings, BayernLB

Gross Credit Volume by Subportfolio

2019 total: (EUR279.7bn)



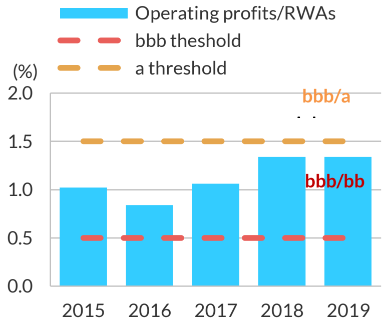
Source: Fitch Ratings, BayernLB

BayernLB's pre-impairment profits offer a very thin buffer to absorb an economic dislocation of the scale of the current crisis. LICs of less than 50bp of gross loans would wipe off an average year of pre-impairment operating profit. Consequently, a loss for 2020 is a possibility.

Cost development (+6.6% in 1Q20 yoy) remains unsatisfactory. BayernLB has failed to contain continuous cost inflation in recent years driven by IT and infrastructure investments and regulation. The strategic plan to 2024 assumes that the subsidiaries' growth-induced cost inflation will partly neutralise cost savings in the core bank, limiting the overall cost relief.

The pressure on BayernLB's profitability will be aggravated by the fact that the current crisis makes interest rates likely to remain extremely low for even longer than initially expected.

Moderate Profitability



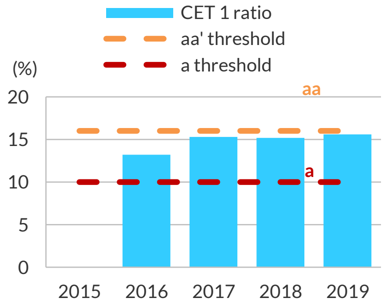
Source: Fitch Ratings; BayernLB

Capitalisation Could Deteriorate Rapidly but Regulatory Forbearance Will Help

BayernLB's CET1 ratio amounted to 15.6% at end-2019 before deducting the dividend payment of EUR150 million planned for 2019 but postponed until 4Q20 in line with the ECB's guidance. The CET1 ratio ranks well against German and European peers. The CET1 capital of EUR10.1 billion end-2019 in excess of regulatory requirements can absorb sizeable negative rating migration. However, our negative outlook on capitalisation reflects the vulnerability to coronavirus-driven credit losses and RWA inflation, while the bank's weakened profitability does not offer any substantial first line of defence.

The EU and German regulators have temporarily reduced several requirements to help banks navigate the crisis. Germany's countercyclical capital buffer, initially set at 25bp from July 2020, was cut back to zero at least until end-2020, but this provides little relief. The ECB's temporary forbearance to fully use the Pillar 2 guidance and capital conservation buffer, and the anticipated permission to fulfil Pillar 2 requirements with Tier 2 and additional Tier 1 instruments, generally offer banks considerable flexibility, but will benefit BayernLB less. This is because, in the absence of additional Tier 1 capital issuance in recent years, CET1 capital dominates the bank's regulatory capital structure.

Lower Capitalisation Ahead



Source: Fitch Ratings; BayernLB

Fitch will also scrutinise the extent to which expected credit losses incurred for Stage 1 and Stage 2 loans in 2020 and 2021 will be added back to CET1 capital if this measure is approved by the European Commission and Parliament.

We believe BayernLB can maintain sufficient regulatory capitalisation through the crisis, although its CET1 ratio could fall well below its strategic target of above 14%. Building up capital after the crisis will be challenging in light of the bank's weak capital generation, and the largely exhausted potential for reducing non-core legacy credit exposures or optimise internal models.

Funding and Liquidity Likely to Withstand Stress

BayernLB's funding and liquidity are a relative rating strength, and its refinancing structure is stable. The bank's wholesale funding benefits from its solid institutional client base and covered bond franchise (including at DKB). The planned downsizing of its corporate and capital market business will reduce its capital market funding needs significantly from 2020. BayernLB generally does not use DKB's retail deposits (EUR41 billion at end-2019) for intragroup funding.

BayernLB's membership in SFG's institutional support scheme ensures privileged access to the savings banks' excess liquidity. The savings banks' resilient retail business model and safe haven status apparent during the 2008 financial crisis would be a key stabilising factor if a resurgence of the coronavirus crisis creates severe market dislocation.

BayernLB has a substantial pool of highly liquid assets (mainly German and supranational Level 1 assets) and other central-bank eligible and unencumbered assets that provide material headroom to withstand outflows before having to resort to the ECB's temporary exemption from liquidity-coverage ratio requirements.

Liquidity outflows spiked shortly after the outbreak of the pandemic in March, driven by (largely precautionary) drawdowns by SMEs and corporates of some of BayernLB's EUR26 billion of outstanding committed credit lines, but the situation normalised shortly thereafter. In addition, the aftermath of the crisis may drain excess liquidity from some government institutions such as the federal employment agency for longer, and the liquidity they place with banks could dry up. However, massive liquidity support measures provided by the ECB (including considerable take-up of the recently launched TLTRO III), appear sufficient to prevent or compensate bouts of uncontrolled volatility in the funding markets.

BayernLB significantly exceeds its minimum requirement for own funds and eligible liabilities that has been set at 7.75% of its total liabilities and own funds (equivalent to 25.3% of RWAs) at end-2019 thanks to its large stock of legacy SNP debt. We expect the ratio to decline gradually over time as legacy SNP debt matures, but to remain comfortably above required levels thanks to the bank's regular issuance of SNP debt.

Environmental, Social and Governance Considerations

BayernLB's highest level of ESG credit relevance is a score of '3'. This means that ESG issues are credit neutral or have only a minimal credit impact on BayernLB, either due to their nature or the way in which they are being managed by the bank. For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg.

FitchRatings **Bayerische Landesbank**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Bayerische Landesbank has 5 ESG potential rating drivers

- Bayerische Landesbank 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
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy

G Scale: 5, 4, 3, 2, 1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

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

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

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

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

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.