FitchRatings

**Banks**
Retail & Consumer Banks
**Germany**

# Santander Consumer Bank AG

## Key Rating Drivers

**Car and Consumer Finance Franchise:** Santander Consumer Bank AG's (SCB AG) Issuer Default Ratings (IDRs) are driven by the bank's Viability Rating (VR). The IDRs are further underpinned by Fitch Ratings' view of the strong support available from SCB AG's ultimate parent, Banco Santander, S.A. (Santander; A-/Stable), potentially channelled via SCB AG's intermediate parent Santander Consumer Finance SA (SCF; A-/Stable), and resulting in a Shareholder Support Rating (SSR) of 'a-'. The Stable Outlook on SCB AG's Long-Term IDR mirrors that on its parents.

SCB AG's VR reflects its leading German car and consumer financing franchise, which dominates its business model, earnings and risk profile. It results in good asset quality, sound profits and adequate capital, funding and liquidity profiles. The VR also reflects the bank's modest business diversification, given its small share in residential mortgages and SME lending.

**Integration Underpins Support:** We view Santander's propensity and ability to support SCB AG as very high, due to SCB AG's deep integration, shared brand name and small size relative to the group. Car and unsecured consumer financing are core businesses for the group. We believe that Santander would increase SCB AG's capital to support organic growth and acquisitions whenever needed, as it has in the past.

**Focused, Profitable Business Profile:** SCB AG's business model proved resilient in 2022, and new business volumes increased in all of the bank's focus segments, despite the economic downturn in Germany. However, higher interest rates and commission expenses put pressure on asset and liability margins. High inflation also negatively affected SCB's cost efficiency, which nonetheless remains competitive. We believe that SCB's business profile will continue to deliver a level of profitability above the German banking sector average.

**Sound Risk Profile:** We expect SCB AG's strong consumer finance expertise, sound execution record and well-tested risk management framework, underpinned by sound underwriting standards, will support the bank's credit quality through the cycle.

**Resilient Asset Quality:** SCB's loan quality was stable in 2022 despite challenges from the operating environment. We expect impaired loans to rise moderately in 2023 as higher interest rates and inflation test the financial headroom for households, SMEs and the mobility sector. However, we expect SCB AG's four-year-average impaired loan ratio to remain below 3% in the medium term.

**Costs Weigh on Profits:** SCB AG's through-the-cycle profitability is well above the domestic sector average and reflects wide interest rate margins, a competitive cost base and contained loan impairment charges (LICs). We expect LICs to increase in 2023 above the long-term average due to the economic downturn. However, the four-year-average operating profit/risk-weighted assets (RWAs) ratio is likely to remain above 1.5% in the medium term.

**Adequate Capitalisation:** Our assessment of SCB AG's capitalisation includes ordinary group support as the bank relies on capital injections from the group to back significant loan growth or acquisitions. The bank usually does not generate capital internally as annual profits are upstreamed to its German intermediate parent, based on a control-and-profit transfer agreement. Our assessment also considers a flexible approach for capital relief transactions and a good leverage ratio of 6.7% at end-2022.

## Ratings

| | |
|---|---|
| **Foreign Currency** | |
| Long-Term IDR | A- |
| Short-Term IDR | F2 |
| Derivative Counterparty Rating | A(dcr) |
| Viability Rating | a- |
| Shareholder Support Rating | a- |
| **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 (September 2022)

## Related Research

Fitch Affirms Santander Consumer Bank AG at 'A-'; Outlook Stable (May 2023)

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## Rating Sensitivities

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

SCB AG's IDRs would be downgraded if its VR was downgraded, and if, at the same time, the SSR was downgraded.

SCB AG's VR could be downgraded if the bank's operating profit durably declines below 1.5% of RWAs without credible prospects of restoring it above this threshold over the medium term, combined with a significant and structural deterioration in asset quality. A downgrade of Santander's VR could also put pressure on SCB AG's VR as the latter factors in ordinary support benefits from being part of the group.

A downgrade of Santander's VR, the sale of a significant stake in SCB AG or a decline in SCB AG's strategic importance for the group could reduce the likelihood of extraordinary support and trigger a downgrade of SCB AG's SSR.

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

An upgrade of Santander's IDRs would trigger an upgrade of SCB AG's IDRs. An upgrade of SCB AG's VR would first require an upgrade of Santander's VRs, as well as a major and sustainable increase in revenue diversification at SCB AG, with limited dilution of its operating profit/RWAs

## Issuer Ratings

| Rating level | Rating |
|---|---|
| Deposit ratings (long-term/short-term) | A/F1 |
| Senior non-preferred | A- |
| Senior preferred ratings (long-term/short-term) | A/F1 |

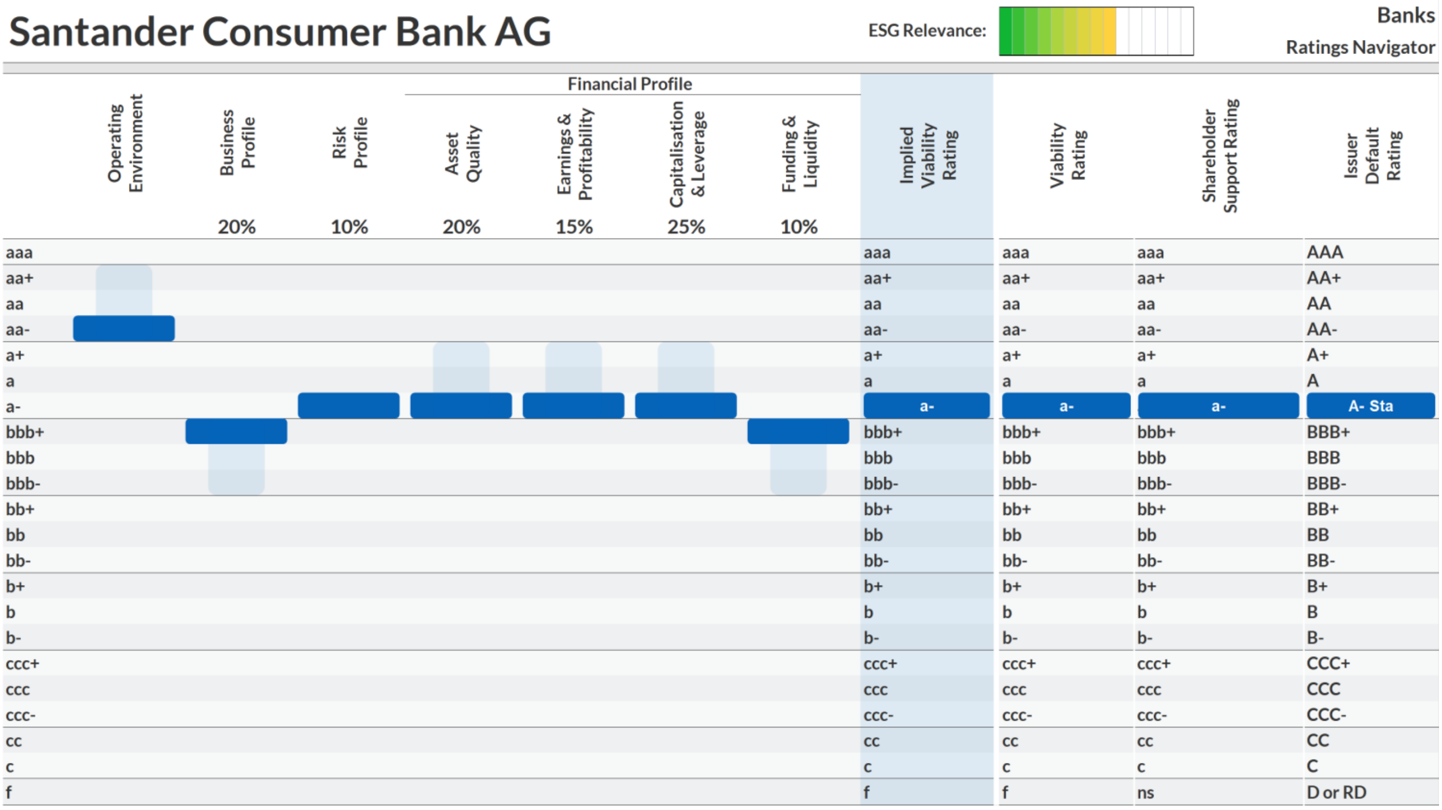
Source: Fitch Ratings

The Derivative Counterparty Rating (DCR), long-term senior preferred (SP) debt and long-term deposit rating are all one notch above the Long-Term IDR to reflect the protection accruing to preferred creditors from the SNP and junior debt buffers. SCB AG is issuing its resolution debt buffers internally to SCF/Santander, as it is part of the same resolution group. The short-term SP debt and deposit ratings of 'F1' are the lower of the two options mapping to the long-term ratings of 'A', because the liquidity and funding score of 'bbb+' prevents higher short-term ratings.

SCB AG's external senior non-preferred (SNP) debt rating is aligned with its Long-Term IDR, as we expect the bank to continue to meet its resolution buffer requirements with SNP and more junior debt only.

SCB AG's 'F2' Short-Term IDR is aligned with Santander's. It is also the lower of the two options mapping to the Long-Term IDR of 'A-', because SCB AG's liquidity and funding score of 'bbb+' prevents a higher Short-Term IDR.

## 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 Metrics

### Business Profile

#### *Profitable Consumer Lending Operations*

SCB AG runs Santander's German operations and focuses primarily on consumer finance, one of the group's core businesses. Its four business segments are mobility, consumer financial services – including invoicing for dealerships, and a rapidly growing e-commerce business – direct lending (unsecured consumer loans, credit cards and mortgage lending), and business and corporate banking, mostly for self-employed and export-driven SMEs. It also has small asset-management operations.

SCB AG has consistently been one of the most profitable German banks and a reliable source of strong returns for Santander, achieving an average return on equity of about 14% over the past four years. The German subsidiary closely aligns its strategic objectives and performance targets with Santander's, and benefits from the group's resources and expertise. It has played a key role in SCF's formation of a leading European consumer banking operations through acquisitions over the past decade. The bank generally fills senior management vacancies with Santander executives that have substantial international experience, reinforcing intragroup cohesion and consistency.

#### *Mobility and Unsecured Consumer Lending Dominates Business Mix*

We expect the mobility sector to remain SCB AG's largest segment. The bank is the largest non-captive car financing provider in Germany and the second largest overall behind VW Bank.

SCB AG has strengthened its distribution strategy in direct lending and has increased the share of fully digitalised processes. However, we believe that it will be challenging for the bank to build up its franchise materially in the competitive German market, where it has a small market share. We believe that, as a result, the profit contribution from some businesses, including asset management and mortgage lending, will remain low. Similarly, we believe the bank's credit card offering has low growth potential in the underdeveloped German market.

In late 2022 SCB AG announced the acquisition of MCE Bank GmbH from the Mitsubishi group. The acquisition, for which regulatory approval is expected by end-1H23, will expand SCB AG's existing captive business in Germany and underpins profitable growth of the bank's automotive business. SCF's sale of PSA Bank Deutschland GmbH, announced in December 2021, has not yet been completed and therefore the entity remained part of the group at end-2022.

#### *E-Commerce Increasingly Crucial to Developing the Consumer Lending Franchise*

We believe that SCB AG's revenue growth potential will increasingly depend on its ability to rapidly develop a large franchise in e-commerce financing to serve online buyers and merchants. This will be necessary to fend off the risk of losing market shares and existing client relationships to high-growth, pure online payment providers, which are rapidly gaining market share in the consumer finance market. We believe that SCB AG's highly efficient processing of large numbers of small transactions is a key competitive advantage.

#### *Post-Pandemic Revival in Corporate Lending*

SCB AG targets a niche position in corporate banking, focusing on German SMEs with links to Latin America, where Santander has a strong presence. However, the segment's development has remained below expectations since its inception, and only achieved its break-even in 2020. The business and corporate sections of the bank staged a small revival in 2022 and reported a pre-tax profit of EUR23 million, equivalent to about 6% of group profits.

### Risk Profile

#### *Sound Underwriting Standards*

SCB AG benefits from its decades-long expertise in German consumer lending, which includes tested and highly effective proprietary scoring, underwriting, monitoring and non-performing loan (NPL) collection processes. The bank's risk-management organisation is closely integrated into Santander's. SCB AG's much shorter risk-management record in housing and corporate lending has yet to be tested through the economic cycle.

Most of SCB AG's retail loans are secured by mortgages on residential real estate or by the transfer of title of the financed vehicles by way of security, or by the security assignment of wage claims to the bank. Strict valuation and Pfandbrief eligibility criteria support its mortgage origination. Competition in the market is increasing, driven by a rising number of banks (including large ones) that have identified consumer lending as one of a few areas that enable sound risk/return profiles in German banking. In this context, SCB AG's high market penetration in consumer finance makes any incremental gains of market shares increasingly challenging.

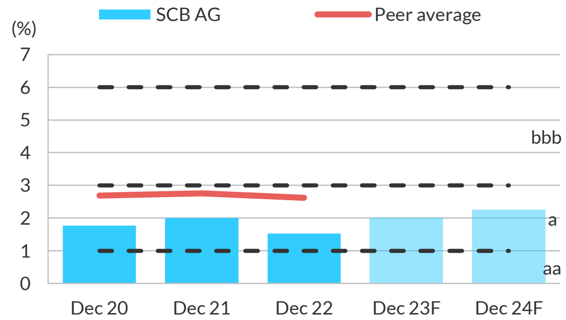
# Financial Profile

## Asset Quality

SCB AG's asset quality has remained resilient for several years, reflecting its prudent risk appetite, strong risk controls and adequate risk-based pricing despite the cyclicality of its loan exposures. Regular sales of defaulted exposures also contribute to a stable asset quality. The bank's impaired loan ratio remained below 2% in 2022 despite rising inflation and a related squeeze on households' and SMEs' debt-servicing capacity.

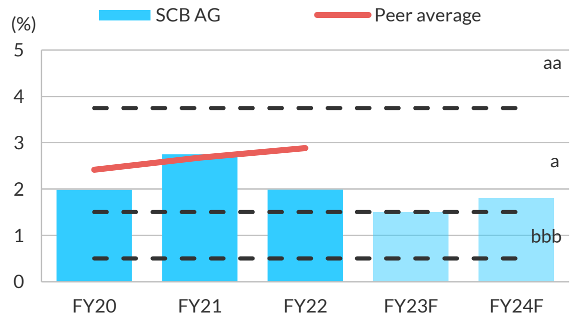
SCB AG's coverage ratio of impaired loans by loan loss allowances is traditionally sound. Loan impairment charges to average gross loans declined in 2022 to 36bp (from 45bp in 2021), mainly due to parameter improvements in the mobile sector, higher income from the annual sale of receivables, and a stable development of individual value adjustments in the corporate business. These factors outweighed rising arrears in the bank's retail business – particularly on instalment loans. We expect a rise in LICs in 2023, but also SCB's loan loss-absorption capacity to remain strong. We expect SCB AG's impaired loan ratio to remain well below 3% in 2023 and 2024, despite a challenging operating environment.

### Impaired Loans/Gross Loans




Source: Fitch Ratings, Fitch Solutions, SCB AG

### Operating Profit/Risk-Weighted Assets




Source: Fitch Ratings, Fitch Solutions, SCB AG

## Earnings and Profitability

Unlike most peers, SCB AG reported lower profit in 2022 according to local GAAP, down 17% from the record level achieved in 2021. SCB AG's net interest margin declined despite good business growth in 2022, reflecting largely higher interest expenses resulting from revised conditions on the ECB's targeted longer-term refinancing operations (TLTRO) facility. The sharp and fast rise in interest rates in 2022 also had a negative impact because the repricing of its loan book was relatively slow despite the comparably short tenor of assets.

We expect this transition process to continue in 2023 while interest rates keep rising, resulting in lower profitability in 2023. However, margins are set to moderately recover in 2024, when the process will likely come to an end and again support the bank's profitability. Given the competitive environment, SCB AG also had to pay higher fees for business intermediaries, which led to lower net commission income in 2022. SCB AG's cost efficiency is good despite its sizeable nationwide branch. However, inflationary pressures reflected negatively on costs in 2022, which led to a decline in the bank's cost–income ratio to 61% (from 57% in 2021).

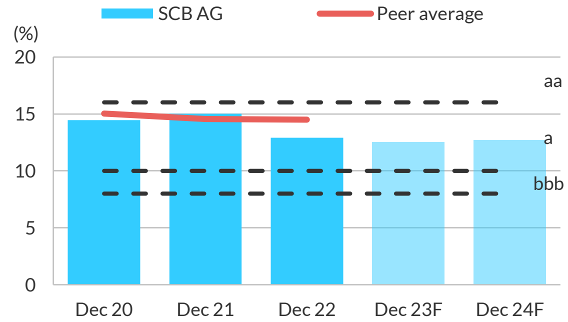
## Capitalisation and Leverage

Under SCB AG's control-and-profit transfer agreement, the bank generally up-streams its entire annual profit to its intermediate parent, Santander Consumer Holding, but SCB AG has some scope to retain profits needed for investments and growth.

The drop in SCB AG's CET1 ratio (end-2022: 12.9%) reflected strong business growth. In our view, this level represents a sufficient buffer to absorb potential cyclical swings against its CET1 SREP requirement, also in light of access to capital from its parent when needed.

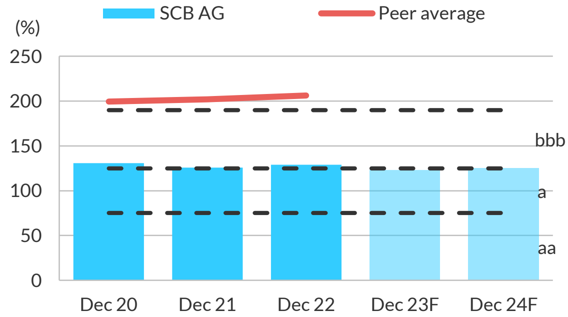
We expect the CET1 ratio to remain between 12.5 % and 13.0% while accommodating expected loan growth. The Basel III leverage ratio of 6.7% at end-2022 was sound.

### CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, SCB AG

### Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, SCB AG

## Funding and Liquidity

In line with the group's strategy to have self-funded subsidiaries, retail deposits are SCB AG's main funding source. SCB AG has made an opportunistic use of the ECB's targeted longer-term refinancing operations (TLTRO) drawing facility in the past, reaching a peak volume of EUR10.3 billion at end-2021. Following the recalibration of the conditions of TLTRO in October 2022, SCB AG repaid EUR1.8 billion in 2022 and will further reduce its exposure in 2023 and 2024.

We expect the bank's excess liquidity to gradually decline further, as the liquidity coverage ratio dropped to a comfortable 232%. SCB AG will adapt its funding strategy by way of an increased focus on deposits. As the number of current account customers has declined over the past decade, collecting new deposits will result in higher funding costs for SCB AG as it has to compete with other banks to achieve meaningful new volumes – particularly in term deposits. SCB AG will continue to make regular use of retained auto and consumer ABS as collateral to access ECB funding. The bank also has about EUR1 billion of covered bonds outstanding.

## 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 macro-economic 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 merger and acquisition 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 'aa' category. Light-blue columns represent Fitch's forecasts. Peer average includes Santander Consumer Finance, S.A. (VR: a-), Santander Consumer Bank AS (bbb+), Banco Santander, S.A. (a-).

## Summary Financials and Key Ratios

| | 31 Dec 22 | 31 Dec 21 | 31 Dec 20 | 31 Dec 19 |
|---|---|---|---|---|
| | Year end | Year end | Year end | Year end |
| | (EURm) | (EURm) | (EURm) | (EURm) |
| **Summary income statement** | | | | |
| Net interest and dividend income | 1,054 | 1,071 | 1,010 | 1,055 |
| Net fees and commissions | 163 | 182 | 158 | 155 |
| Other operating income | 142 | 193 | 130 | 111 |
| Total operating income | 1,359 | 1,446 | 1,298 | 1,321 |
| Operating costs | 774 | 752 | 780 | 833 |
| Pre-impairment operating profit | 585 | 694 | 518 | 488 |
| Loan and other impairment charges | 141 | 161 | 124 | 33 |
| Operating profit | 444 | 533 | 394 | 454 |
| Net income | 444 | 533 | 394 | 454 |
| | | | | |
| **Summary balance sheet** | | | | |
| **Assets** | | | | |
| Gross loans | 32,784 | 29,407 | 29,749 | 30,497 |
| - Of which impaired | 498 | 589 | 528 | 537 |
| Loan loss allowances | 740 | 551 | 532 | 536 |
| Net loans | 32,044 | 28,856 | 29,217 | 29,961 |
| Interbank | 6,778 | 2,755 | 2,860 | 2,152 |
| Other securities and earning assets | 12,962 | 12,730 | 12,196 | 10,019 |
| Total earning assets | 51,784 | 44,341 | 44,273 | 42,133 |
| Cash and due from banks | 1,291 | 10,758 | 5,349 | 3,496 |
| Other assets | 535 | 525 | 506 | 474 |
| Total assets | 53,610 | 55,623 | 50,127 | 46,102 |
| | | | | |
| **Liabilities** | | | | |
| Customer deposits | 25,250 | 23,390 | 22,774 | 23,170 |
| Interbank and other short-term funding | 8,686 | 10,473 | 7,254 | 4,999 |
| Other long-term funding | 14,707 | 16,712 | 15,217 | 13,298 |
| Total funding and derivatives | 48,643 | 50,576 | 45,245 | 41,467 |
| Other liabilities | 1,245 | 1,326 | 1,161 | 1,238 |
| Preference shares and hybrid capital | 409 | 408 | 408 | 333 |
| Total equity | 3,313 | 3,313 | 3,313 | 3,063 |
| Total liabilities and equity | 53,610 | 55,623 | 50,127 | 46,102 |

Source: Fitch Ratings, Fitch Solutions, Santander Consumer Bank AG

## Summary Financials and Key Ratios

| | 31 Dec 22 | 31 Dec 21 | 31 Dec 20 | 31 Dec 19 |
|---|---|---|---|---|
| **Ratios (annualised as appropriate)** | | | | |
| | | | | |
| **Profitability** | | | | |
| Operating profit/risk-weighted assets | 2.0 | 2.8 | 2.0 | 2.3 |
| Net interest income/average earning assets | 2.2 | 2.4 | 2.3 | 2.6 |
| Non-interest expense/gross revenue | 61.1 | 52.0 | 60.1 | 63.1 |
| Net income/average equity | 13.4 | 16.1 | 12.4 | 14.8 |
| | | | | |
| **Asset quality** | | | | |
| Impaired loans ratio | 1.5 | 2.0 | 1.8 | 1.8 |
| Growth in gross loans | 11.5 | -1.2 | -2.5 | 0.3 |
| Loan loss allowances/impaired loans | 148.6 | 93.6 | 100.8 | 99.8 |
| Loan impairment charges/average gross loans | 0.4 | 0.5 | 0.4 | 0.1 |
| | | | | |
| **Capitalisation** | | | | |
| Common equity Tier 1 ratio | 12.9 | 15.0 | 14.4 | 13.0 |
| Tangible common equity/tangible assets | 5.8 | 5.6 | 6.2 | 6.2 |
| Basel leverage ratio | 6.7 | 7.3 | 7.5 | 7.0 |
| | | | | |
| **Funding and liquidity** | | | | |
| Gross loans/customer deposits | 129.8 | 125.7 | 130.6 | 131.6 |
| Liquidity coverage ratio | 231.7 | 519.6 | 236.6 | 187.8 |
| Customer deposits/total non-equity funding | 51.5 | 45.9 | 49.9 | 55.4 |

Source: Fitch Ratings, Fitch Solutions, Santander Consumer Bank AG

## Support Assessment

| Shareholder Support | |
|---|---|
| Shareholder IDR | A- |
| Total Adjustments (notches) | 0 |
| Shareholder Support Rating | a- |
| | |
| **Shareholder ability to support** | |
| Shareholder Rating | A-/ Stable |
| Shareholder regulation | Equalised |
| Relative size | Equalised |
| Country risks | Equalised |
| | |
| **Shareholder propensity to support** | |
| Role in group | Equalised |
| Reputational risk | Equalised |
| Integration | Equalised |
| Support record | 1 Notch |
| Subsidiary performance and prospects | Equalised |
| Legal commitments | 2+ Notches |

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

### Strong Parent Support Assumed

SCB AG's IDRs and SSR reflect our view that extraordinary support from Santander (either directly or via SCB AG's intermediate parent, SCF) would be extremely likely, if needed. Several capital increases in recent years have demonstrated the group's willingness to provide SCB AG with ordinary support to facilitate its loan growth. We consider SCB AG a key and integral part of Santander's consumer finance activities. Santander's VR of 'a-' and SCB AG's small size relative to the group underpin our view that Santander's ability to support is very strong. SCB AG shares its parent's brand name, is closely integrated into SCF and, ultimately, into Santander's organisation and systems. These factors underpin our view of the strong availability of extraordinary support from Santander.

# Environmental, Social and Governance Considerations

FitchRatings **Santander Consumer Bank AG**

Banks
Ratings Navigator

**Credit-Relevant ESG Derivation**

Santander Consumer Bank AG has 5 ESG potential rating drivers

- Santander Consumer Bank AG has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

| | | | 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 |

**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. |

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of ‘3’. This 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. For more information on Fitch’s ESG Relevance Scores, visit www.fitchratings.com/esg.

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.