

# Volksbanken-Verbund

## Key Rating Drivers

The Austrian Volksbanken-Verbund (VB-Verbund) is not a legal entity, but a medium-sized network of regional cooperative banks, with Volksbank Wien AG (VBW) acting as the central organisation. The group's strong cohesion is primarily ensured by its mutual support scheme. VB-Verbund's Issuer Default Ratings (IDRs) apply to each of its member banks, in line with Fitch Ratings' criteria for rating banking structures backed by mutual support mechanisms.

The group's Long-Term IDR is driven by its Viability Rating (VR). The latter reflects VB-Verbund's smaller domestic franchise and less diverse business model than higher-rated peers', which results in below-average operating profitability and cost efficiency, and ultimately limits the group's financial flexibility. The VR also reflects the group's low-risk profile, reasonably resilient asset quality, robust capitalisation, and good liquidity and funding profile.

**Financials Underpin Business Profile:** VB-Verbund has a solid record in operating a retail-oriented cooperative franchise focused on the domestic market. Its business model generates stable revenues from traditional commercial banking and does not rely on volatile businesses. The group's business profile is constrained by its moderate size and regional focus, resulting in limited diversification and pricing power. However, VB-Verbund's financial metrics, including improved earnings in 2023, underpin its business profile score.

**Low Risk Appetite:** The group's risk profile benefits from a focus on core products, lending to a well-known customer base with a focus on domestic retail, self-employed and SME clients and long-term relationships. Its moderate risk profile reflects conservative underwriting standards, good loan collateralisation, and granular exposures with very low loan concentrations.

**Asset Quality Deterioration:** The group's impaired loans ratio increased to 2.7% at end-2023, due primarily to rising defaults in the commercial real estate segment. We expect further impaired loan inflows in 2024 as a result of a still-weak economy, continued high interest rates, and vulnerable real estate markets, which drives our negative outlook on VB-Verbund's asset quality score.

**Structural Profitability Improvement:** VB-Verbund's operating profit/risk-weighted assets (RWAs) ratio of 2.4% at end-2023 was materially stronger than its historical average. We expect some reduction in net interest income in 2024 as liabilities continue to reprice. We also expect higher operating expenses and loan impairment charges (LICs) as the weak economy weighs on profitability in 2024 and 2025. However, after its restructuring we believe that VB-Verbund can generate a sustainable operating profit of around 1.5% of RWAs through the cycle.

**Adequate Capitalisation:** The group's common equity Tier 1 (CET1) ratio (end-2023: 15.3%) is robust for its low risk profile and offers ample headroom over its regulatory capital requirements. The standardised approach for the calculation of RWAs also mitigates the impact of asset quality deterioration on the group's CET1 ratio. Our assessment of VB-Verbund also reflects the group's solid leverage ratio (end-2023: 8.1%). We expect VB-Verbund to maintain a CET1 ratio over 15% in the medium term.

**Broadening Funding Franchise:** VB-Verbund is primarily funded by stable, granular retail and SME deposits resulting in a loans/deposits ratio of consistently around 100%. Its capital market franchise beyond covered bonds has increased due to minimum requirements for own funds and eligible liabilities (MREL). This included a Tier 2 debt issue in 2024 and a green benchmark bond in 2023. VB-Verbund's liquidity profile is solid and underpinned by around EUR6.5 billion instantly available liquidity at end-2023, equivalent to more than 20% of its balance sheet.

## Ratings

Foreign Currency	
Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Government Support Rating	ns

## Sovereign Risk (Austria)

Long-Term Foreign-Currency IDR	AA+
Long-Term Local-Currency IDR	AA+
Country Ceiling	AAA

## Outlooks

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

## Applicable Criteria

[Bank Rating Criteria \(March 2024\)](#)

## Related Research

[Fitch Affirms Volksbanken-Verbund at 'BBB+'; Outlook Stable \(June 2024\)](#)

[Fitch Affirms Austria at 'AA+'; Outlook Stable \(February 2024\)](#)

[Global Economic Outlook \(June 2024\)](#)

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## Rating Sensitivities

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

Pressure on the ratings could arise from a durable and material deterioration in asset quality, earnings and capitalisation, with an impaired loans ratio above 4%, operating profit below 0.5% of RWAs, or a CET1 ratio below 11.5% without clear recovery prospects. The Short-Term IDRs are sensitive to downgrades of the Long-Term IDRs, in conjunction with a deterioration of the group’s funding and liquidity profile.

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

An upgrade of the IDRs and VR would require a significantly stronger franchise, including more diversified customer, funding and revenues bases without negatively affecting the bank’s risk profile. This would strengthen VB-Verbund’s business profile, as indicated by a sustainable improvement in average operating profit of at least 1.5% of RWAs, while maintaining its good asset quality and capitalisation.

An upgrade of the Short-Term IDR to ‘F1’ would require a one-notch upward revision of the funding and liquidity score to ‘a’

## Ratings Navigator

Volksbanken-Verbund							ESG Relevance:	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile			Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating	
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage					Funding & Liquidity
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	AAA	
aa+							aa+	aa+	AA+	
aa							aa	aa	AA	
aa-							aa-	aa-	AA-	
a+							a+	a+	A+	
a							a	a	A	
a-							a-	a-	A-	
bbb+							bbb+	bbb+	BBB+ Sta	
bbb							bbb	bbb	BBB	
bbb-							bbb-	bbb-	BBB-	
bb+							bb+	bb+	BB+	
bb							bb	bb	BB	
bb-							bb-	bb-	BB-	
b+							b+	b+	B+	
b							b	b	B	
b-							b-	b-	B-	
ccc+							ccc+	ccc+	CCC+	
ccc							ccc	ccc	CCC	
ccc-							ccc-	ccc-	CCC-	
cc							cc	cc	CC	
c							c	c	C	
f							f	ns	D or RD	

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 capitalisation & leverage score of ‘bbb+’ is below the implied ‘a’ category score due to the following adjustment reason: internal capital generation and growth (negative).

## Company Summary and Key Qualitative Factors

### Business Profile

#### **Medium-Sized Domestic Retail-Focused Cooperative Banking Group**

VB-Verbund focuses on Austrian retail, self-employed and small clients. Its member banks collectively serve about one million clients. The group has modest retail market shares in the fairly small Austrian market, but the member banks generally have strong local franchises, underpinned by solid customer loyalty in rural areas. The group complements its highly standardised product mix with consumer lending and asset-management products from DZ BANK, the German cooperative banks' central organisation. Revenue diversification from this outsourcing agreement mitigates VB-Verbund's limited size, which would make it uneconomical for the individual banks to offer these services on their own. We expect the group's increasing focus on sustainability financing to support the ecological transformation in Austria and underpin the bank's business profile. VB-Verbund's new strategic focus is on growing its franchise by optimising its internal processes and digitisation initiatives.

#### **Verbund Contract Strengthens Central Organisation and Governance**

VB-Verbund is a highly integrated cooperative banking group steered by its central organisation, VBW. VBW is contractually entrusted with broad discretionary powers enabling VBW's management to unilaterally issue binding orders to all or individual member banks, and impose support measures if necessary. VBW is also responsible for the group's adherence to regulatory capital, liquidity and risk-management requirements, and strategic decisions and their implementation, including products and pricing. This mechanism enables VB-Verbund's recognition as a financial institution group by the Single Resolution Board, although its member banks are legally independent.

VB-Verbund implemented a revised resolution strategy. In cooperation with the Single Resolution Board, a structural simplification concept has been established to make operations more effective in a resolution scenario. Based on this concept, VBW would become a prime shareholder of the group ahead of its failure, hence facilitating asset transfers. VB-Verbund's MREL ratio – including combined buffer requirements – is set at 24.4%. VB-Verbund had already exceeded this target at end-2023.

#### **Additional Backing by Mutual Support Scheme Ensures Cohesion and Reactivity**

Volksbanken Leistungsfonds (VL), a fund endowed with trust assets to support troubled member banks, became operative in 2016. VL's target endowment of EUR100 million is fully paid-in and was calibrated by the central organisation (CO), based on the member banks' average risk position. In our view, this should be sufficient to recapitalise member banks other than VBW in a reasonable stress scenario, but it is unlikely to ensure a substantial line of defence for the group in a systemic crisis. If the CO estimates that VL is insufficient to cover support needs as these arise, it can call unilaterally for additional contributions from the member banks. We believe that VB-Verbund's corporate structure is rating positive as it increases cohesion, discipline and responsiveness.

### Risk Profile

We view VB-Verbund's risk profile as robust in light of the simplified retail-focused business model and moderate risk appetite. Risk controls strongly benefit from the centralised risk-management functions at VBW and the standardised product offering which has an emphasis on less complex transactions. The group has also enhanced its internal data quality and monitoring tools in recent years, which makes day-to-day management and reporting more effective.

Structural interest rate risk in the member banks' banking books is VB-Verbund's main source of market risk, primarily driven by the mismatch between its mainly short-term deposits and its long-term mortgage loans. This is mitigated by the fact that, similar to its Austrian peers, the majority of retail loans in the group's bank book carry variable rates.

## Financial Profile

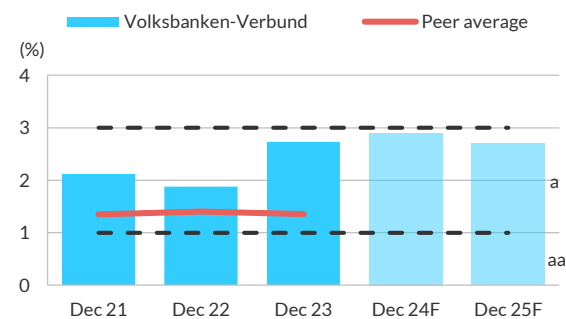
### Asset Quality

#### Asset Quality Vulnerable to Real Estate Developments

VB-Verbund's asset quality deteriorated as the group's impaired loans ratio rose to 2.7% at end-2023 (2022: 1.9%), considerably more than at peers. The inflow of new impaired loans relates predominantly to real estate activities. Residential mortgage loans are the main component of the group's EUR9.4 billion retail loan portfolio, representing 35% of total loans, which was less affected by the economic downturn.

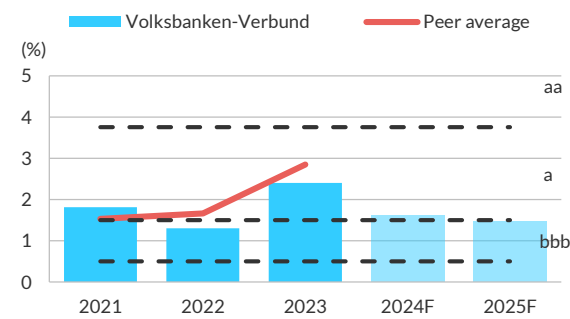
We expect a rise of impaired loans, which could temporarily be above 3% due to increased pressure on real estate developers and illiquid market conditions in 2024. However, VB-Verbund's fairly low-risk business model and prudent lending standards mitigate a material asset quality deterioration with sharply rising credit losses. In addition, we do not expect pressure on the quality of VB-Verbund's mortgage loans, given their robust collateralisation and mortgage borrowers' strong payment behaviour.

#### Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

#### Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

### Earnings and Profitability

#### Higher Profitability in 2023, Normalisation Expected

VB-Verbund's total operating income rose by 35% year-on-year in 2023, supporting exceptionally strong financial performance. VB-Verbund's net interest margin also increased significantly, in line with that of most banks in Austria, as material parts of the loan book are based on variable rates. Fee income rose a further 3% from last year's high level. These improvements were partly offset by far higher LICs (up 52%), reflecting a weak economic environment, and the particularly negative developments in VB-Verbund's commercial real estate (CRE) exposure in 4Q23.

We expect VB-Verbund's net interest margin to have peaked in 2023, as deposit repricing had already increased in 2H23. We expect VB-Verbund's operating profit/RWA ratio to reduce towards 1.5% over the cycle. Fitch believes the LICs will remain high in 2024, weighing on profitability, before potentially lower interest rates and improving economic perspectives in 2025 should moderate risk costs.

The group's costs increased by 7% in 2023, due to rising personnel expenses based on moderate staff increases and higher collective salary agreements, as well as further investments in its operating platform. The bank is aiming for a cost/income ratio of below 65% in the medium term, which Fitch believes is acceptable for a co-operative group with a branch-based operating model. However, maintaining this cost/income level sustainably over the coming years will also depend on the group's ability to contain further cost inflation.

### Capitalisation and Leverage

#### Adequate Capitalisation

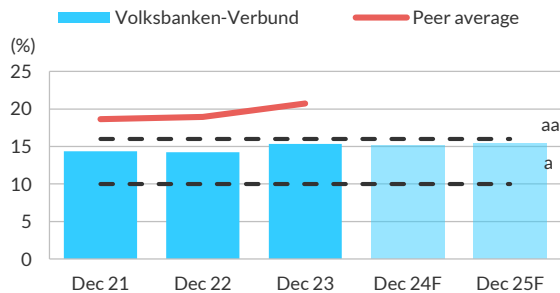
VB-Verbund's capitalisation improved over recent years, despite the repayment of EUR300 million government participation rights. The group's regulatory leverage ratio of 8.1% at end-2023 is strong and better than that of most peers. It reflects the use of the standardised approach to calculate RWAs.

VB-Verbund's improved capitalisation was mainly due to the group's solid profitability and a conservative distribution policy, offsetting inflating RWAs primarily due to negative rating migration. Its CET1 ratio (end-2023: 15.3%; end-2022:14.2%) is robust and broadly in line with peers'. VB-Verbund's regulatory capital requirements will be mostly unchanged in 2024, as its Pillar 2 requirement will decrease by 25bp to 2.25%, while its O-SIIB buffer will increase by 15bp, on a consolidated level, to 0.9%.

VB-Verbund has called its EUR220 million outstanding AT1 debt as of March 2024, replacing it with a EUR500 million Tier 2 notes issued in the same month to optimise its capital structure.

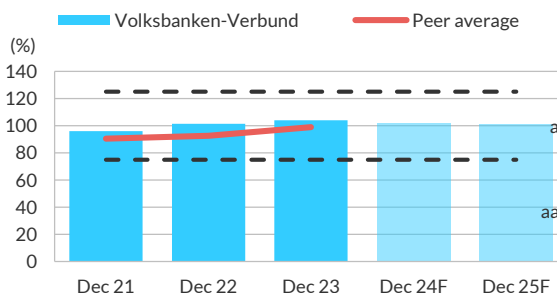
We expect VB-Verbund's capital generation to slow in 2024 and 2025, based on our expectation of moderating operating profits. However capital generation will be sufficient to match VB-Verbund's increasing RWAs, resulting from loan growth. Consequently, we expect the capital adequacy position to consolidate at around current levels, and well above regulatory requirements.

**CET1 Ratio**



Source: Fitch Ratings, Fitch Solutions, banks

**Gross Loans/Customer Deposits**



Source: Fitch Ratings, Fitch Solutions, banks

**Funding and Liquidity**

**Stable Funding and Liquidity, Strengthening Capital Market Franchise**

VB-Verbund's funding and liquidity profile is robust, underpinned by a stable and granular deposit base. Fitch believes VB-Verbund's retail and SME customers are loyal based on long-term business relationship, and deposit flows are not very volatile. In addition, the majority of deposits are protected by the national deposit scheme due to their granular size. Like for peers, higher interest rates led to stronger demand for term deposits, but VB-Verbund kept its overall deposit base stable in 2023. Sight deposits accounted for 80% of customer deposits at end-2023 (end-2022: 93%)

Covered bond issuance accounts for 10% of funding, complementing VB-Verbund's funding mix. Other issuance of senior unsecured debt is mainly dedicated to fulfil MREL requirements, and in 2023 the group issued its first MREL-compliant green senior preferred benchmark bond.

The group's liquidity profile benefits from the local banks' contractual commitment to place their excess liquidity with VBW. VB-Verbund's liquidity portfolio is of high quality, in our view, consisting of central bank deposits, cash, bonds and retained covered bonds. The group's liquidity coverage ratio was above 150% throughout 2023.

**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 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 Erste Group Bank AG (VR: a), Corner Banca SA (bbb+), de Volksbank N.V. (a-), Genossenschaftliche FinanzGruppe (aa-), Raiffeisen Group (a+). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report. Latest average uses 3M24 data for Erste Group Bank AG.

## Financials

### Financial Statements

	31 Dec 2023		31 Dec 2022	31 Dec 2021	31 Dec 2020
	12 months (USDm)	12 months (EURm)	12 months (EURm)	12 months (EURm)	12 months (EURm)
<b>Summary income statement</b>					
Net interest and dividend income	773	705	468	406	413
Net fees and commissions	287	262	255	253	239
Other operating income	-2	-2	-7	17	9
Total operating income	1,058	966	716	676	662
Operating costs	587	536	500	515	512
Pre-impairment operating profit	471	430	216	160	150
Loan and other impairment charges	71	65	31	-89	126
Operating profit	400	365	185	250	24
Other non-operating items (net)	0	0	-69	1	33
Tax	42	39	2	32	37
Net income	357	326	115	219	20
<b>Summary balance sheet</b>					
<b>Assets</b>					
Gross loans	25,273	23,068	22,391	21,837	21,651
- Of which impaired	689	629	421	463	454
Loan loss allowances	361	330	275	273	364
Net loans	24,912	22,738	22,116	21,563	21,287
Interbank	256	234	123	257	438
Derivatives	297	271	298	115	170
Other securities and earning assets	3,537	3,229	2,636	2,644	2,898
Total earning assets	29,002	26,472	25,173	24,579	24,793
Cash and due from banks	3,763	3,435	3,473	6,921	3,944
Other assets	630	575	578	595	634
Total assets	33,396	30,482	29,224	32,095	29,370
<b>Liabilities</b>					
Customer deposits	24,300	22,180	22,105	22,747	22,154
Interbank and other short-term funding	232	212	1,812	3,797	1,884
Other long-term funding	4,743	4,329	2,133	2,371	1,972
Trading liabilities and derivatives	322	294	301	327	504
Total funding and derivatives	29,598	27,015	26,351	29,242	26,513
Other liabilities	776	708	435	521	518
Preference shares and hybrid capital	240	219	220	218	293
Total equity	2,782	2,540	2,218	2,115	2,047
Total liabilities and equity	33,396	30,482	29,224	32,095	29,370
Exchange rate		USD1 = EURO.912742	USD1 = EURO.937559	USD1 = EURO.884173	USD1 = EURO.821963

Source: Fitch Ratings, Fitch Solutions, VB-Verbund

## Key Ratios

	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
<b>Ratios (%; annualised as appropriate)</b>				
<b>Profitability</b>				
Operating profit/risk-weighted assets	2.4	1.3	1.8	0.2
Net interest income/average earning assets	2.7	1.9	1.7	1.7
Non-interest expense/gross revenue	55.6	69.7	76.1	77.3
Net income/average equity	13.8	5.3	10.5	1.0
<b>Asset quality</b>				
Impaired loans ratio	2.7	1.9	2.1	2.1
Growth in gross loans	3.0	2.5	0.9	0.5
Loan loss allowances/impaired loans	52.4	65.4	59.1	80.2
Loan impairment charges/average gross loans	0.3	0.1	-0.4	0.6
<b>Capitalisation</b>				
Common equity Tier 1 ratio	15.3	14.2	14.4	14.1
Fully loaded common equity Tier 1 ratio	15.2	14.0	14.1	13.5
Tangible common equity/tangible assets	8.2	7.3	4.8	5.9
Basel leverage ratio	8.1	7.4	6.6	7.3
Net impaired loans/common equity Tier 1	12.8	7.2	9.6	4.5
<b>Funding and liquidity</b>				
Gross loans/customer deposits	104.0	101.3	96.0	97.7
Liquidity coverage ratio	192.6	164.9	223.7	194.0
Customer deposits/total non-equity funding	82.3	84.1	78.1	84.2
Net stable funding ratio	135.0	135.4	138.0	141.3

Source: Fitch Ratings, Fitch Solutions, VB-Verbund

## Support Assessment

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

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

VB-Verbund's 'no support' Government Support Rating (GSR) reflects Fitch's view that the EU's resolution framework is likely to require senior creditors participating in losses ahead of a bank receiving sovereign support.



## Environmental, Social and Governance Considerations

### FitchRatings Volksbanken-Verbund

Banks  
Ratings Navigator

#### Credit-Relevant ESG Derivation

Volksbanken-Verbund has 5 ESG potential rating drivers ➔ Volksbanken-Verbund 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.	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.

#### 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	

**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.

#### Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale	CREDIT-RELEVANT ESG SCALE
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	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.
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	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.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	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.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2 Irrelevant to the entity rating but relevant to the sector.
				1	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.

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