FitchRatings

Banks
Universal Commercial Banks
Ukraine

JOINT STOCK COMPANY FIRST UKRAINIAN INTERNATIONAL BANK

Key Rating Drivers

JOINT STOCK COMPANY FIRST UKRAINIAN INTERNATIONAL BANK's (FUIB) Long-Term Foreign-Currency (LTFC) Issuer Default Rating (IDR) reflects Fitch Ratings' view that a default on senior foreign-currency third-party non-government obligations remains a real possibility due to the war with Russia. FUIB maintains generally adequate foreign-currency liquidity, helped by regulatory capital and exchange controls in place since the war's outbreak to reduce risk of deposit and capital outflows and maintain stability and confidence in the banking system.

The Long-Term Local-Currency (LTLC) IDR, one notch above the LTFC IDR, reflects limited regulatory constraints on local-currency operations. The Viability Rating (VR) reflects the high risk to FUIB's standalone profile caused by the war and that failure remains a real possibility.

Reduced Macro-Financial Risks: Operating conditions for Ukrainian banks remain challenging, as reflected in our operating environment assessment of 'ccc'. Fitch believes macroeconomic and financial stability risks have fallen in the near term following the completion of the Eurobond debt exchange by the sovereign, which supports the progress of Ukraine's IMF programme – a key element of continued international support. This, together with regulatory support measures, underpins banks' resilient financial performance.

Private Bank: FUIB is a large, privately owned bank in Ukraine that accounted for about 5% of sector assets at end-November 2024.

High Exposure to Sovereign: Our assessment of FUIB's risk profile takes into consideration its significant exposure to the sovereign, mainly through investments in government securities (end-3Q24: 28% of assets, based on regulatory data). This concentration renders the bank vulnerable to the sovereign's repayment capacity and liquidity position.

Risks to Asset Quality: FUIB's impaired loans/gross loans ratio fell to 7.3% at end-3Q24, based on regulatory data (end-2023: 10.6%). Asset-quality risks stem from the protracted war, high Stage 2 loans (end-3Q24: 10.5% of gross loans, based on regulatory data) and exposure to unsecured retail loans. Less severe operating conditions may support some improvement in asset-quality metrics.

Improved Profitability: FUIB's return on average equity increased to 34.0% in 9M24 (2023: 26.0%), largely supported by sustained strong net interest income generation. Profitability remains sensitive to potential asset-quality deterioration, while a possible increase in taxes on bank profits could also weigh on end-2024 net profit.

New Capital Structure: FUIB's common equity Tier 1, Tier 1 and regulatory capital adequacy ratio of 16.6% at end-November 2024 had adequate buffer against regulatory minimums of 5.625%, 7.5% and 8.5%, respectively, under the new capital structure, effective August 2024. Risks to capital include, but are not limited to, exposure to the sovereign.

Largely Deposit-Funded: FUIB is almost entirely funded by customer deposits (end-3Q24: 98% of non-equity funding), limiting refinancing risk. Retail deposits, which are fully covered under the government guarantee for the duration of the war and three months thereafter, comprised about 39% of total deposits at end-3Q24, based on regulatory data.

Ratings

Foreign Currency	
Long-Term IDR	CCC
Short-Term IDR	C
Local Currency	
Long-Term IDR	CCC+
Short-Term IDR	C
Viability Rating	ccc
Government Support Rating	ns
National Rating	
National Long-Term Rating	AA+(ukr)
Sovereign Risk (Ukraine)	
Long-Term Foreign-Currency IDR	RD
Long-Term Local-Currency IDR	CCC+
Country Ceiling	B-
Outlook	
National Long-Term Rating	Stable

Applicable Criteria

National Scale Rating Criteria (December 2020)

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Ukraine at 'RD' (December 2024)

Fitch Revises Ukrainian Banks' National Ratings on Recalibration; Upgrades FUIB; Affirms Ukreximbank (October 2024)

Fitch Upgrades 7 Ukrainian Banks' IDRs on Sovereign Rating Action (September 2024)

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Rating Sensitivities

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

Fitch would downgrade FUIB's IDRs in the event of a sovereign downgrade, or if we perceive an increased likelihood that the bank will default on or seek a restructuring of its senior obligations.

A marked further deterioration in asset quality or a weakening of profitability that erodes the bank's loss absorption buffers would lead to a VR downgrade.

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

Fitch believes positive action on the IDRs is unlikely in the near term. However, the ratings could be upgraded if the sovereign's LTFC IDR is upgraded to above 'CCC'.

A VR upgrade would most likely require an upgrade of the sovereign's LTFC IDR to above 'CCC' and a considerable improvement in the operating environment that lowers solvency risk.

Other Debt and Issuer Ratings

The Short-Term IDR of 'C' is the only possible option mapping to a Long-Term IDR in the 'CCC' category.

FUIB's National Long-Term Rating is driven by the bank's intrinsic credit profile. It is in line with that of most Ukrainian bank peers.

The Government Support Rating (GSR) of 'ns' (no support) reflects our view that regulatory forbearance would be more likely than recapitalisation in case of a material capital shortfall.

Significant Changes from Last Review

IDRs and VR Upgraded, National Long-Term Rating Revised Following Sovereign Rating Action

Fitch's September 2024 upgrade of FUIB's LTFC IDR to 'CCC' from 'CCC-' and LTLC IDR to 'CCC+' from 'CCC-' reflected a reduced probability of default, as reflected in the sovereign's expected post-restructuring LTFC IDR of 'CCC', and the upgrade of the sovereign's LTLC IDR to 'CCC+'.

Fitch also upgraded FUIB's VR to 'ccc' from 'ccc-'. The upgrade reflects reduced sovereign and macro-financial stability risks to the bank's standalone credit profile. This is due to the bank's direct exposure to the sovereign through holdings of government securities and placements at the National Bank of Ukraine and exposure to the operating environment in Ukraine through its domestic operations.

In October 2024, Fitch upgraded the National Long-Term Rating of FUIB to 'AA+(ukr)' from 'AA-(ukr)' following Fitch's recalibration of Ukraine's National Rating Scale.

Sovereign Ratings Affirmed

Fitch affirmed Ukraine's LTFC IDR at 'RD' and LTLC IDR at 'CCC+' on 6 December 2024. Ukraine is still in the process of restructuring its external commercial debt. Following the completion of its Eurobond debt exchange in September 2024, the government ordered temporary suspensions of some payments, which are expected to last until the end of the debt restructuring process.

Ukraine's LTFC IDR will remain 'RD' until Fitch judges the exchanges have been completed and relations with a significant majority of external commercial creditors are normalised. The higher LTLC IDR reflects Ukraine's continued service of LC debt through the ongoing external commercial debt restructuring process, confirming our expectation of preferential treatment of LC debt obligations, as only a small portion of LC debt is held by non-residents, with the majority held by the National Bank of Ukraine (NBU) and domestic banks.

Fitch forecasts growth to reach 4% in 2024, supported by normalisation of trade activity in the Black Sea, strong government spending and household incomes benefitting from real wage increases. We forecast growth to slow to 2.9% in 2025 due to continued labour and energy shortages, although a durable and credible ceasefire could significantly lift the country's growth prospects in 2025-2026.

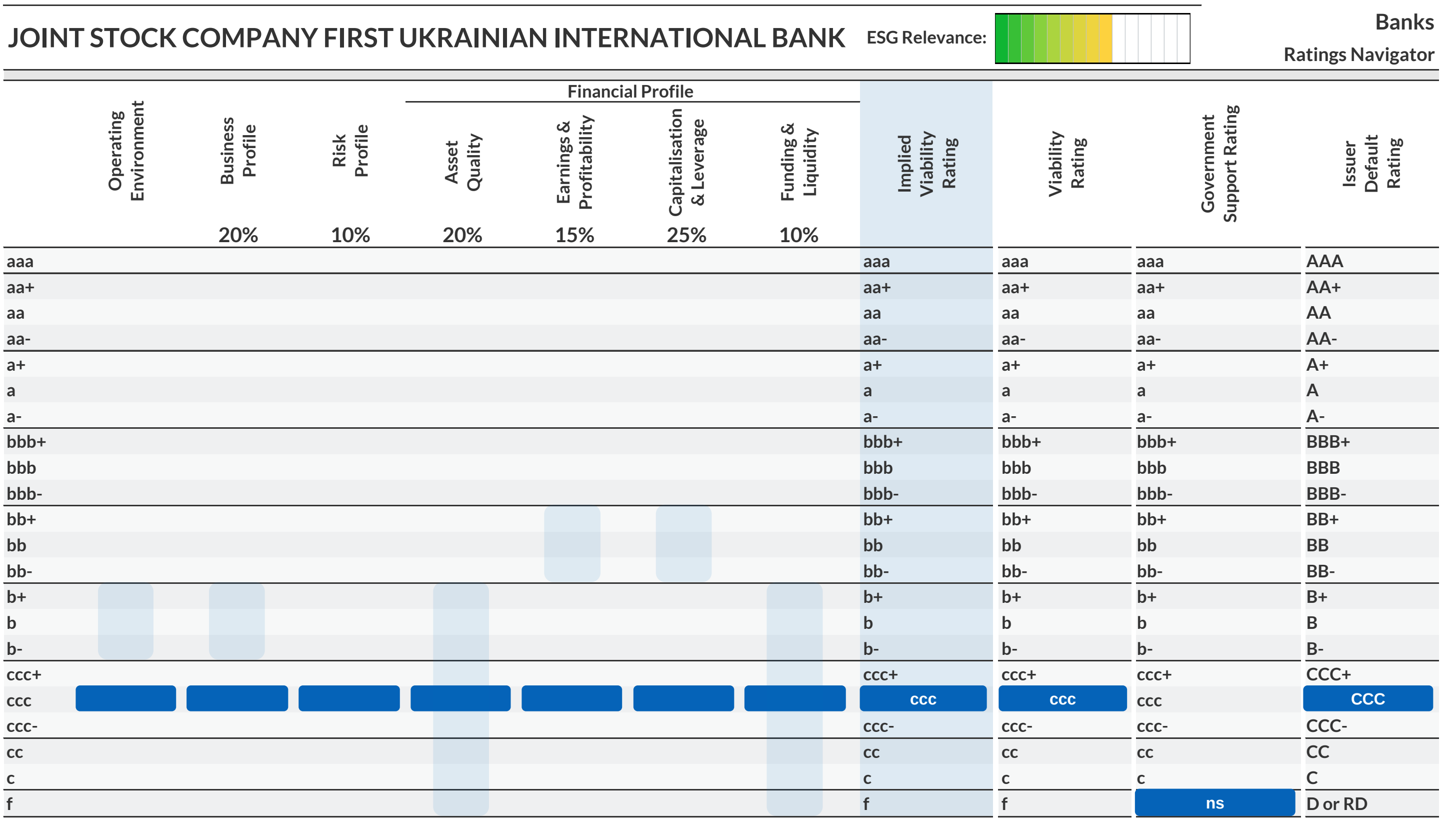
The NBU has maintained its key policy rate at 13% since June, before raising it to 13.5% in December due to a stronger-than-expected inflation rebound. We forecast inflation to average 9.3% in 2025, up from 6.2% in 2024. Improved exchange rate flexibility, as a result of the October 2023 move to a managed float exchange regime, and reduced uncertainty regarding near-term official financing have provided space for the NBU to ease foreign-exchange restrictions.

New Capital Structure Implemented

Banks must comply with the new three-tier capital structure implemented in August 2024, whereby capital is divided into three components, common equity Tier 1 (CET1), Tier 1 and Tier 2. The minimum regulatory ratios for CET1 and Tier 1 have been set at 5.625% and 7.5%, respectively, while the minimum regulatory capital ratio will progressively increase from 8.5% until end-December 2024 to 9.25% by end-June 2025 and to 10% thereafter.

The National Bank of Ukraine plans to evaluate the adequacy of capital buffers through another resilience assessment, which will be conducted in 2025. Forbearance is likely to remain in place, with its lifting being only a gradual process and hinging on banks' overall level of capitalisation. Banks could once again be subject to higher taxes – of up to 50% of net profits in 2024 – weighing on internal capital generation, which underpins the sector's capitalisation.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of 'ccc' is below the 'b' category implied score due to the following adjustment reason: sovereign rating (negative).

The business profile score of 'ccc' is below the 'b' category implied score due to the following adjustment reason: business model (negative).

The earnings and profitability score of 'ccc' is below the 'bb' category implied score due to the following adjustment reason: revenue diversification (negative).

The capitalisation and leverage score of 'ccc' is below the 'bb' category implied score due to the following adjustment reason: risk profile and business model (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Operating conditions for Ukrainian banks remain challenging despite the adaptation of economic actors to these conditions, as reflected in our operating environment assessment of 'ccc'. We believe macroeconomic and financial stability risks to banks' standalone profiles have reduced following the completion of the Eurobond debt exchange by the sovereign in September 2024. This supports the progress of the IMF programme, a key element of continued international support to Ukraine, which, together with supportive policy and proactive regulatory measures, has underpinned the banking sector's resilient performance.

The sovereign has continued to service its domestic obligations, which dominate banks' high sovereign exposure, the restructuring of which could create risk for financial sector stability. We believe the conflict could be extended into 2025, with risks to the banks remaining closely tied to political and economic developments, reflecting uncertainty surrounding the course of the conflict and sustained assistance.

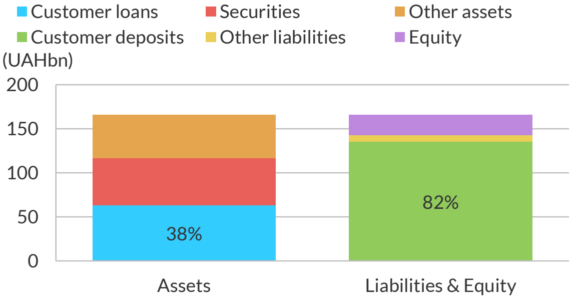
Appetite for lending outside of state support programmes has started to recover after consecutive periods of contraction. Banks' profitability has deceased in 2024 relative to 2023 levels as interest rates have fallen alongside the reduction in the key policy rate, although profitability should continue to be supported by still-reasonable net interest margins, despite a possible rise in impairment charges. However, banks could once again be subject to higher taxes – of up to 50% in 2024 – dampening internal capital generation which underpins the sector's capitalisation.

Business Profile

FUIB is the largest privately-owned bank in the Ukrainian banking sector, with 5% of sector assets and deposits at end-November 2024. It is a universal commercial bank servicing both corporate and retail customers.

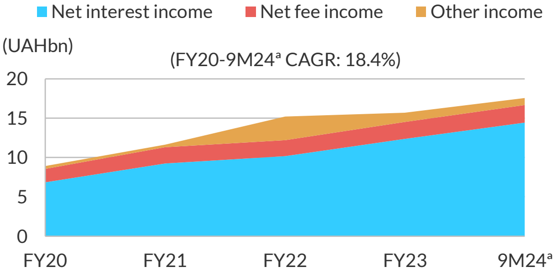
Net loans constituted 38% of total assets at end-3Q24, while securities accounted for 32% and cash and cash equivalents 24%. Gross loans mainly comprise corporate lending (end-3Q24: 78%, based on regulatory data). The majority of retail lending consists of high-yielding unsecured consumer finance. The bank is mainly deposit-funded, with customer deposits constituting 98% of non-equity funding at end-1Q24. It had no wholesale funding at end-3Q24. Operating revenue is reliant on net interest income (9M24: 82% of total operating income). Non-interest income is largely through net fees and commissions, which comprised 13% of total operating income.

Balance Sheet
(End-Sep 24)



Source: Fitch Ratings, FUIB

Revenue Breakdown



CAGR: compound annual growth rate
[a] Annualised
Source: Fitch Ratings, FUIB

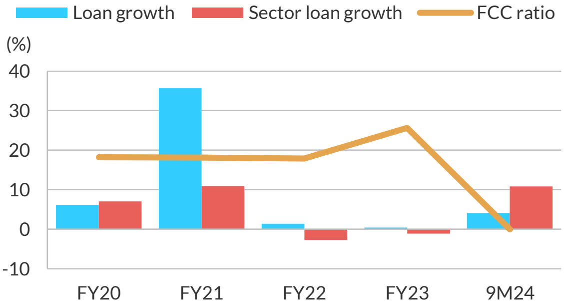
Risk Profile

FUIB has significant concentration risk stemming from its exposure to the sovereign, mainly through its investments in domestic government securities (end-3Q24: 28% of assets) and placements in the NBU in the form of current accounts. This concentration renders the bank vulnerable to the sovereign's repayment capacity and liquidity position. Its entire securities portfolio (end-3Q24: 32% of total assets) is held at fair value through other comprehensive income, leaving it susceptible to short-term losses in case of an increase in interest rates.

Credit risks are also heightened by the FC loans (end-2023: 23% of gross loans, affected by hryvnia depreciation), as not all borrowers are fully hedged against LC depreciation. The bank's retail lending includes unsecured retail lending via credit cards and overdrafts, as well as consumer loans.

FUIB recorded 4% loan growth in 9M24, in line with the recovery of lending in the sector, following very limited lending of 0.4% in 2023.

Loan Growth



Source: Fitch Ratings, FUIB

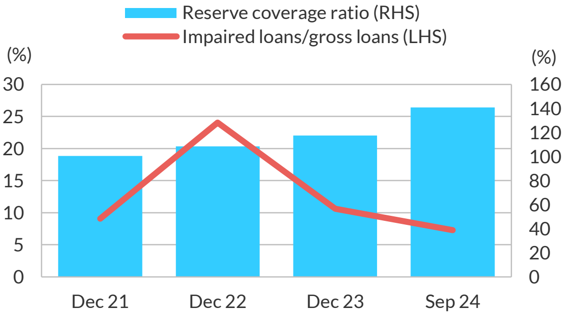
Financial Profile

Asset Quality

FUIB's impaired loans (Stage 3 loans and purchased or originated credit-impaired loans)/gross loans ratio decreased sharply to 7.3% at end-3Q24 (end-2023: 10.6%; end-2022: 24%), due mainly to write-offs, but also to loan growth. The share of Stage 2 loans has decreased but was still high, at 10.5% at end-3Q24 (20% average reserves coverage). Loan loss allowances based on regulatory data fully covered impaired loans at end-3Q24 (141%). Unsecured retail loans and FC loans are key sources of asset-quality risk given their sensitivity to unemployment and currency depreciation, as exposures may not be fully hedged.

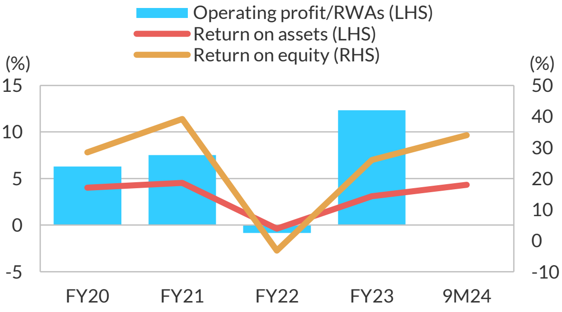
Non-loan assets are vulnerable to a sovereign downgrade due to the large holdings of sovereign bonds. However, these are in LC, which we believe have a lower risk of non-payment compared with those in FC.

Asset Quality Summary



Source: Fitch Ratings, FUIB

Profitability Summary



Source: Fitch Ratings, FUIB

Earnings and Profitability

FUIB's net income/average total equity ratio increased to 33.9% in 9M24 (2023: 26.0%) due to continued strong profit generation driven by still supportive net interest margins and a reversal of loan impairment provisions (9M24: 2% of pre-impairment operating profit). The bank generated UAH5.1 billion of net profit in 9M24 (2023: UAH4.0 billion) despite the protracted war.

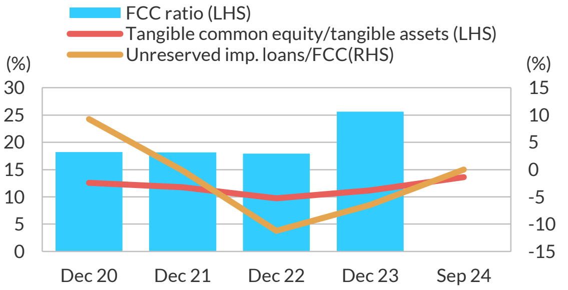
We believe profitability will be supported by reasonably high yields on securities and loan growth. Nonetheless, risks to profitability remain due to the war.

Capitalisation and Leverage

Under the new capital structure effective August 2024, FUIB's CET1, Tier 1 and regulatory capital adequacy ratios of 16.6% at end-November had adequate buffers over the regulatory minimums (5.625%, 7.5% and 8.5%, respectively). Leverage, as measured by the tangible common equity/tangible assets ratio, increased to 13.6% by end-3Q24 (end-2023: 11.2%).

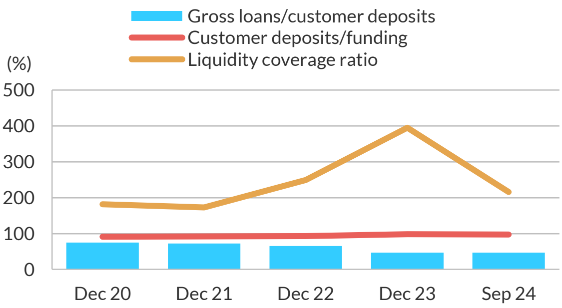
Nevertheless, we view risks to capitalisation as high due to the challenging operating environment and the bank's exposure to the sovereign. FUIB has not paid out dividends over recent years, which has supported internal capital generation. It does not have any capital encumbrance from unreserved impaired loans as impaired loans are fully covered.

Capitalisation & Leverage Summary



[a] Latest
Source: Fitch Ratings, FUIB

Funding & Liquidity Summary



Source: Fitch Ratings, FUIB

Funding and Liquidity

Customer deposits comprised a high 98% of FUIB's non-equity funding at end-3Q24, of which around 39% were retail deposits that are fully covered by the government guarantee for the duration of the war and three months thereafter. FUIB's gross loans/deposits ratio has remained fairly flat at around 47%.

The bank operates with generally acceptable FC liquidity, mainly comprising placements with investment-grade banks and unencumbered securities eligible for repo with the NBU.

Financials

Financial Statements

	30 Sep 24		31 Dec 23	31 Dec 22	31 Dec 21
	9 months - 3rd quarter	9 months - 3rd quarter	Year end	Year end	Year end
	(USDm)	(UAHm)	(UAHm)	(UAHm)	(UAHm)
	Unaudited	Unaudited	Audited - Qualified	Audited - Qualified	Not Disclosed
Summary income statement					
Net interest and dividend income	263	10,823.7	12,365.5	10,165.3	9,241.9
Net fees and commissions	41	1,672.8	2,144.2	2,021.3	2,046.6
Other operating income	16	673.6	1,152.6	3,005.8	350.9
Total operating income	320	13,170.1	15,662.3	15,192.4	11,639.4
Operating costs	155	6,394.5	7,005.5	5,358.8	5,783.3
Pre-impairment operating profit	165	6,775.6	8,656.8	9,833.6	5,856.1
Loan and other impairment charges	-3	-136.5	439.3	10,338.9	763.5
Operating profit	168	6,912.1	8,217.5	-505.3	5,092.6
Other non-operating items (net)	n.a.	n.a.	19.9	20.0	18.7
Tax	42	1,728.0	4,281.9	-87.6	923.7
Net income	126	5,184.1	3,955.5	-397.7	4,187.6
Other comprehensive income	8	310.3	1,737.9	-467.2	-6.3
Fitch comprehensive income	133	5,494.4	5,693.4	-864.9	4,181.3
Summary balance sheet					
Assets					
Gross loans	1,533	63,126.6	59,474.5	59,213.4	58,409.0
- of which impaired	n.a.	n.a.	6,312.9	14,226.1	5,299.1
Loan loss allowances	n.a.	n.a.	7,416.5	15,443.2	5,322.2
Net loans	1,533	63,126.6	52,058.0	43,770.2	53,086.8
Interbank	125	5,137.9	4,213.5	3,490.9	2,802.5
Derivatives	n.a.	n.a.	8.5	n.a.	10.8
Other securities and earning assets	1,298	53,452.9	58,214.7	12,646.0	23,204.2
Total earning assets	2,957	121,717.4	114,494.7	59,907.1	79,104.3
Cash and due from banks	951	39,152.8	33,748.0	46,455.9	21,326.2
Other assets	124	5,104.8	5,092.1	5,611.2	4,218.3
Total assets	4,032	165,975.0	153,334.8	111,974.2	104,648.8
Liabilities					
Customer deposits	3,291	135,495.2	126,542.8	90,299.9	80,871.7
Interbank and other short-term funding	73	3,001.6	2,716.7	6,512.5	7,138.2
Other long-term funding	n.a.	n.a.	n.a.	n.a.	n.a.
Trading liabilities and derivatives	0	2.0	1.3	93.8	8.2
Total funding and derivatives	3,364	138,498.8	129,260.8	96,906.2	88,018.1
Other liabilities	112	4,592.0	6,684.2	3,371.6	4,069.4
Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	n.a.
Total equity	556	22,884.2	17,389.8	11,696.4	12,561.3
Total liabilities and equity	4,032	165,975.0	153,334.8	111,974.2	104,648.8
Exchange rate		USD1 = UAH41.1664	USD1 = UAH37.9824	USD1 = UAH36.5686	USD1 = UAH27.2782

Financial statements are qualified due to the classification of investments in Mastercard (2023 and 2022) and Visa (2022).
Source: Fitch Ratings, Fitch Solutions, FUIB

Key Ratios

	30 Sep 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	n.a.	12.3	-0.8	7.5
Net interest income/average earning assets	11.9	14.1	14.4	14.0
Non-interest expense/gross revenue	48.6	44.7	35.3	49.7
Net income/average equity	33.9	26.0	-3.2	39.2
Asset quality				
Impaired loans ratio	n.a.	10.6	24.0	9.1
Growth in gross loans	6.1	0.4	1.4	35.7
Loan loss allowances/impaired loans	n.a.	117.5	108.6	100.4
Loan impairment charges/average gross loans	-0.3	0.8	18.3	1.5
Capitalisation				
Common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital ratio	n.a.	25.6	17.9	18.2
Tangible common equity/tangible assets	13.6	11.2	9.8	11.8
Net impaired loans/Fitch Core Capital	n.a.	-6.5	-11.2	-0.2
Funding and liquidity				
Gross loans/customer deposits	46.6	47.0	65.6	72.2
Liquidity coverage ratio	216.0	395.0	249.0	173.0
Customer deposits/total non-equity funding	97.8	97.9	93.3	91.9
Net stable funding ratio	168.5	191.0	149.0	211.0

Source: Fitch Ratings, Fitch Solutions, FUIB

Support Assessment

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

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

FUIB's GSR of 'ns' reflects our view that capital support from the government cannot be relied on in the near term, given the sovereign's weak ability to support banks due to the government's large funding needs stemming from the war. We believe that regulatory forbearance would be more likely than recapitalisation in case of a material capital shortfall. We assume the bank also cannot rely on support from its private shareholders.

Environmental, Social and Governance Considerations

FitchRatings **JOINT STOCK COMPANY FIRST UKRAINIAN INTERNATIONAL BANK**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

				ESG Relevance to Credit Rating
JOINT STOCK COMPANY FIRST UKRAINIAN INTERNATIONAL BANK has 5 ESG potential rating drivers JOINT STOCK COMPANY FIRST UKRAINIAN INTERNATIONAL BANK 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) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
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 relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h 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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
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) Relevance Scores

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

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