Fitch Ratings

Banks
Universal Commercial Banks
Germany

UniCredit Bank AG

Key Rating Drivers

Standalone Credit Profile Drives IDRs: UniCredit Bank AG's (HVB) Issuer Default Ratings (IDRs) are driven by its standalone credit strength, as expressed by its Viability Rating (VR), which is highly influenced by HVB's strong capitalisation. However, the deep integration of HVB's mostly wholesale business model (which rests on a well-established domestic corporate and investment banking (CIB) franchise) into the UniCredit group limits the difference between HVB's VR and the VR of its weaker parent UniCredit S.p.A. (UniCredit) to one notch.

Capitalisation Is a Key Strength: HVB's strong capitalisation should offer substantial flexibility to absorb a deterioration of the bank's asset quality and profitability in the economic fallout from the coronavirus crisis. The distribution of large special dividends over the past years has lowered its common equity Tier 1 (CET1) ratio to 17.5% at end-2019, and the bank's intention to continue to distribute the majority of its net profits to UniCredit should result in minimal profit retention. However, we expect HVB's capital ratios to remain well above the peer group average.

Fungibility Expectations Drive Negative Outlook: The Negative Outlook on HVB reflects Fitch's expectation that capital and funding will become more fungible across the UniCredit group entities that operate in the Eurozone. In particular, a material capital upstreaming that could constrain HVB's financial flexibility could become more likely under the European Single Supervision and Single Resolution Mechanisms. This is assuming UniCredit maintains a single-point-of-entry resolution strategy as its preferred option.

Profitability under Pressure: HVB's modest profitability is in line with large German peers'. We expect higher loan impairment charges (LICs) to exacerbate the pressure from low interest margins in 2020 and 2021. We expect decreasing commission income in HVB's corporate and CIB business, which is significantly exposed to larger German corporates and multinationals. HVB's trading result should have recovered along with the market in 2Q20, while its commercial banking franchise could suffer from a weakening of UniCredit in the medium term.

Exposure to Vulnerable Sectors: HVB's business model entails large sector and single-name concentrations that are likely to result in a deterioration of its asset quality. We expect the bank's Stage 3 loans to more than double over the next two years from 2.1% at end-2019.

Resilient Funding and Liquidity: HVB's largely wholesale funding profile exposes the bank to rising funding costs. Customer deposits, mostly from corporate clients, account for about half of HVB's total funding. The bank's reliance on market funding is mitigated by its large stock of covered bonds and by relatively long average debt maturities. HVB's ample liquidity offers a sufficient buffer against its EUR52 billion in outstanding loan commitments at end-2019.

Rating Sensitivities

Tighter UniCredit Linkage; COVID-19 Disruption: We could downgrade HVB's ratings, aligning them with UniCredit's, if fungibility of capital within the UniCredit group increases further, or following a downgrade of UniCredit's ratings. HVB's ratings could also be downgraded if operating profitability declines, which could be caused by higher LICs if the economic disruption from the COVID-19 crisis results in a prolonged economic disruption.

The Outlook on HVB's Long-Term IDR could be revised to Stable if HVB is more effectively ring-fenced and contingency risk is reduced, resulting in a greater de-linkage of both entities' ratings, provided that COVID-19 related disruptions turn out to be short-lived and the bank manages to maintain adequate earnings and asset quality.

An upgrade of HVB's ratings would require an upgrade of UniCredit's ratings.

Ratings

Issuer	
Long-Term IDR	BBB
Short-Term IDR	F2
Derivative Counterparty Rating	BBB+(dcr)
Viability Rating	bbb
Support Rating	3
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 Downgrades HVB to 'BBB' Following UniCredit Downgrade; Outlook Negative (May 2020)

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

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Debt Rating Classes

Debt class	Rating
Long-term deposits	BBB+
Short-term deposits	F2
Long-term senior preferred debt	BBB+
Short-term senior preferred debt	F2
Senior non-preferred debt	BBB
Subordinated debt	BB+
HVB Funding Trust I and II hybrid notes	BB-

Source: Fitch Ratings

HVB's Derivative Counterparty Rating, long-term senior preferred debt rating and long-term Deposit Rating are one notch above the bank's Long-Term IDR to reflect the protection that accrues to these creditors from the build-up of junior resolution debt and equity buffers.

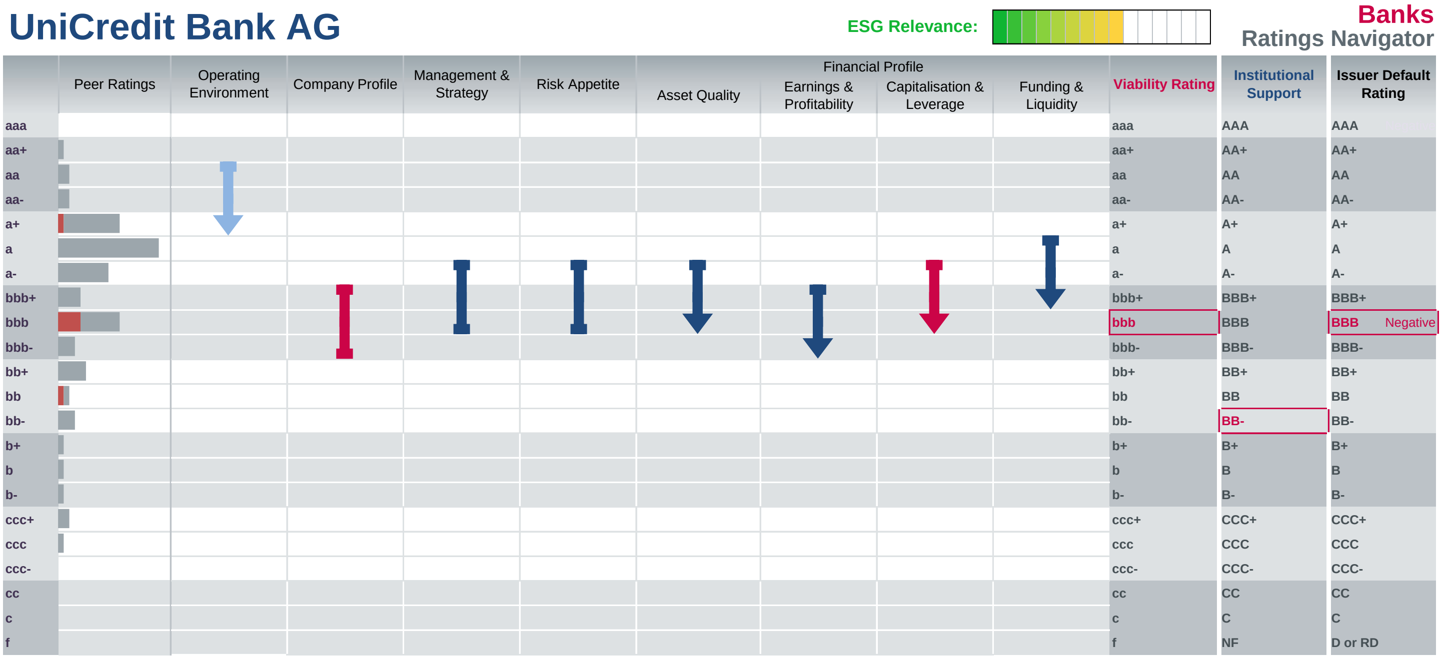
HVB's short-term debt ratings are the lower of the two options that map to a 'BBB+' long-term rating because HVB's funding and liquidity score of 'a-/Negative' is not sufficient to achieve a higher short-term rating.

The subordinated Tier 2 debt rating reflects a baseline notching of two notches for loss severity from the bank's VR. The notching reflects our expectation that the bank will not maintain buffers of Tier 2 and AT1 debt exceeding 10% of its respective risk-weighted assets.

The bank's hybrid capital notes issued through HVB Funding Trust I and II are rated four notches below the VR: two notches for loss severity and two notches for incremental non-performance risk. While the regulator could order a coupon deferral in line with the terms and conditions of these profit-linked instruments, we view such intervention as unlikely in light of HVB's solid standalone financial profile.

Ratings Navigator

UniCredit Bank AG



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 will 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.

The German government has put in place sizeable programmes to support companies and households affected by the crisis. Regulatory forbearance for the classification of crisis-driven non-performing loans, as well as regulators' recommendations to adopt the transitional rules and through-the-cycle provisioning assumptions when applying IFRS 9, should mitigate the negative rating migration, RWA inflation and provisioning needs in 2020. However, some more vulnerable borrowers will not fully recover, and many corporate and SME loans are likely to emerge from the crisis with weaker credit profiles and will need time to recover.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

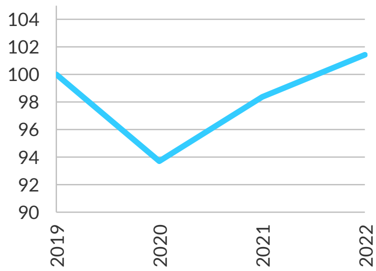
- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

⇧ Positive ⇩ Negative
⇳ Evolving ▫ Stable

Germany GDP Level Forecast

(Index 2019 = 100)



Source: Fitch Ratings Estimate, 30 June 2020

Brief Company Summary

Main Focus on Wholesale Commercial Banking

HVB is one of Germany's largest banks, with an established nationwide CIB franchise. It is a leading arranger of covered bonds as well as leveraged and acquisition loans and Schuldscheine for large German corporates, and it offers lending and trade financing to SMEs. As UniCredit's CIB hub, it also benefits from the group's leading market positions in central and eastern Europe.

The Private Client Bank's (PCB) retail deposits reduce HVB's reliance on wholesale funding. However, the modest performance of PCB's retail and private banking offers little profit diversification beyond CIB and corporate banking and reflects HVB's modest nationwide retail market share concentrated in Bavaria and northern Germany. Staff reduction and digitalisation, which includes the development of new sales channels, are on track and should support PCB's performance. However, cost reduction is unlikely to suffice to revive the segment's profit generation as long because interest rates remain low and HVB lacks penetration in the highly competitive German retail and private banking market.

Deeply Integrated in UniCredit Strategy

HVB's management has a high degree of depth and experience, and a solid execution record. The regular rotation of senior executives across UniCredit entities fosters the transfer of competences and experience and the consistent implementation of the group's strategy. Senior management roles are regularly filled with internal candidates, strengthening the corporate culture.

HVB aims to use its leading position with large German corporates to develop its SME franchise beyond its core regions of Bavaria and northern Germany. This includes using UniCredit's international presence to support clients abroad and increasing cross-selling between the corporate banking, CIB and PCB divisions. The management aims to increase synergies between SME lending and the CIB division's trade and working capital finance.

We believe that the economic fallout from the coronavirus crisis, combined with the strong price competition prevailing in German SME lending could complicate the execution of this strategy. However, the deep restructuring undergone by some of HVB's main competitors could provide opportunities to acquire new clients.

HVB also plans to increase its focus on advisory services for mass-affluent and private banking clients while expanding its digital product offering for mass-retail clients. This could contribute to revitalise its retail banking revenues and expand its nationwide deposit franchise. However, gaining significant market shares will remain challenging in the crowded German market.

Contagion Risk from UniCredit

Contagion risk from UniCredit constrains HVB's VR, along with the inherently higher risk of the CIB's business model. As HVB and UniCredit share the same brand, HVB's reputation and franchise could suffer if UniCredit's risk profile deteriorates materially. UniCredit's ratings are primarily sensitive to Italy's sovereign rating and to a deteriorating operating environment in Italy because of the coronavirus outbreak. UniCredit and its central and eastern European subsidiaries are rated lower than HVB and operate in significantly more vulnerable countries. Conversely, HVB's operations focused on Germany's stable and highly rated economy will remain critical to supporting UniCredit's risk profile through the COVID-19 crisis.

Since 2012, HVB has considerably reduced its unsecured funding exposure to UniCredit. We understand that HVB caps its upstream exposure well below the limit imposed by the German regulator (100% of a bank's total regulatory capital) to contain contagion risk. The exposure to UniCredit accounts for a significant proportion of HVB's EUR10.3 billion Italian exposure at end-2019 (+18% yoy).

Fitch expects an increasing portion of HVB's funding to be downstreamed from its parent to meet regulatory requirements under the group's currently preferred single-point-of-entry resolution strategy. UniCredit will be the issuing entity for instruments intended to meet the group's total loss absorbing capacity requirements and minimum requirement for own funds and eligible liabilities.

Summary Financials and Key Ratios

	31 Dec 19		31 Dec 18	31 Dec 17	31 Dec 16
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	2,710	2,412	2,509	2,552	2,575
Net fees and commissions	1,093	973	1,014	1,103	1,066
Other operating income	861	766	1,184	1,439	1,317
Total operating income	4,663	4,151	4,707	5,094	4,958
Operating costs	3,195	2,844	3,998	3,295	3,654
Pre-impairment operating profit	1,468	1,307	1,280	1,799	1,304
Loan and other impairment charges	129	115	16	195	341
Operating profit	1,339	1,192	1,264	1,604	963
Other non-operating items (net)	190	169	-301	-7	-666
Tax	619	551	154	261	140
Net income	910	810	238	1,336	157
Other comprehensive income	475	423	-67	118	-113
Fitch comprehensive income	1,385	1,233	171	1,454	44
Summary balance sheet					
Assets					
Gross loans	139,927	124,556	120,562	113,780	122,345
- Of which impaired	2,998	2,669	2,984	3,614	4,661
Loan loss allowances	2,056	1,830	1,946	2,149	2,503
Net loans	137,871	122,726	118,616	111,631	119,842
Interbank	17,580	15,649	15,045	16,005	19,874
Derivatives	53,015	47,191	42,575	43,873	58,831
Other securities and earning assets	97,259	86,575	84,719	85,091	86,041
Total earning assets	305,725	272,141	260,955	256,600	284,588
Cash and due from banks	29,450	26,215	19,990	36,414	9,770
Other assets	5,889	5,242	5,743	6,046	7,732
Total assets	341,064	303,598	286,688	299,060	302,090
Liabilities					
Customer deposits	136,124	121,171	113,204	112,316	104,841
Interbank and other short-term funding	82,191	73,162	69,139	75,961	66,382
Other long-term funding	33,235	29,584	25,946	28,862	27,723
Trading liabilities and derivatives	61,844	55,050	55,065	57,901	75,759
Total funding	313,393	278,967	263,354	275,040	274,705
Other liabilities	6,361	5,662	5,531	5,095	6,909
Preference shares and hybrid capital	61	54	52	51	56
Total equity	21,249	18,915	17,751	18,874	20,420
Total liabilities and equity	341,064	303,598	286,688	299,060	302,090

Source: Fitch Ratings, Fitch Solutions, Bank

Summary Financials and Key Ratios

	31 Dec 19	31 Dec 18	31 Dec 17	31 Dec 16
Ratios				
Profitability				
Operating profit/risk-weighted assets	1.4	1.5	2.0	1.2
Net interest income/average earning assets	0.9	1.0	1.0	0.9
Non-interest expense/gross revenue	68.1	71.1	64.5	73.6
Net income/average equity	4.5	1.3	7.0	0.8
Asset quality				
Impaired loans ratio	2.1	2.5	3.2	3.8
Growth in gross loans	3.3	6.0	-7.0	5.7
Loan loss allowances/impaired loans	68.6	65.2	59.5	53.7
Loan impairment charges/average gross loans	0.1	0.0	0.2	0.3
Capitalisation				
Common equity Tier 1 ratio	17.5	19.9	21.1	20.4
Tangible common equity/tangible assets	6.2	6.1	6.1	6.5
Basel leverage ratio	4.3	4.9	5.1	5.3
Net impaired loans/common equity Tier 1	5.6	6.3	8.8	13.0
Funding and liquidity				
Loans/customer deposits	102.8	106.5	101.3	116.7
Customer deposits/funding	51.5	50.5	48.1	48.3

Source: Fitch Ratings, Fitch Solutions, Bank

Key Financial Metrics – Latest Developments

Concentrations in Vulnerable Sectors

We believe that the bank's business model and in particular its inherently riskier CIB business with large sector and single-name concentrations is likely to result in a deterioration of asset quality in the downturn. Exposure to industries that Fitch views as particularly exposed to the crisis (automotive, textile and consumer goods, transport and travel, shipping, tourism) amounted to 165% and 10% of HVB's own funds and total credit risk exposure at end-2019, respectively. We view this as manageable, although we expect Stage 3 loans to more than double over the next two years from 2.1% at end-2019. At the same time, we expect HVB to proactively restructure or write off bad loans from its balance sheet.

HVB's EUR9 billion commercial real estate loan book focuses on residential property and offices with adequate collateralisation. We believe this portfolio is less exposed to the crisis, assuming a marked economic recovery in 2H20 and 2021, in line with Fitch's baseline scenario. We also understand that management's approach to commercial real estate lending had already become more cautious before the crisis due to very high and rising margin pressure.

HVB syndicates most of its leverage loan underwriting to generate fee income. This results in manageable balance sheet exposure. The bank mitigates this asset class's higher risk by focusing on a diversified portfolio of (mostly German) senior secured tranches. It also invests in highly-rated European collateralised loan obligations, which account for a moderate proportion of its EUR10 billion asset-backed security portfolio booked at amortised cost.

The quality of the bank's securities portfolio remains sound, and the large-scale interventions announced by central banks have so far contained negative market price developments. However, HVB remains exposed to trading losses driven by the widening of credit spreads during economic downturns. We believe that market risk, which essentially arises from the CIB activities, is manageable in light of HVB's large capital buffer and focus on non-proprietary, client-driven transactions.

Profitability under Pressure

Similarly to the other large German commercial banks, HVB's profitability is weak compared with European peers'. We expect higher LICs to exacerbate the pressure from low interest margins in 2020 and 2021. We also expect decreasing commission income in HVB's corporate and CIB business, which is significantly exposed to larger German corporates and multinationals. According to UniCredit group data, the bank's trading result came under pressure on the back of widening credit spreads in 1Q20 but should have recovered along with the market in 2Q20. HVB's commercial franchise could also suffer from a weakening of UniCredit in the medium term. HVB still has room to reduce its cost base mainly through streamlining and automating its processes, but progress in this area is expected to be slow.

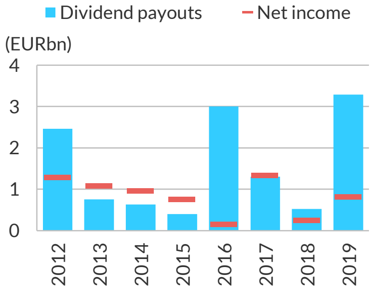
Positive and negative non-recurring items - notably the settlement with US authorities in respect of illegal transactions with sanctioned entities, the revaluation and sale of a large share of HVB's real estate investment portfolio, the disposal of a repossessed wind farm and impairments on goodwill - had a large impact on HVB's pre-tax profit in 2018 and 2019. Following the disposals, HVB will forgo a substantial proportion of its recurring income from non-strategic assets (in 2019, investment properties generated EUR111 million rental profit, while EUR183 million net revenues were generated by the wind farm).

Capitalisation Remains a Key Strength

HVB's CET1 capital ratio decreased to 17.5% at end-2019 from 19.9% at end-2018. This reflects a EUR2.5 billion special dividend HVB plans to upstream to its parent in 2020 in addition to the 2019 consolidated profit of EUR0.8 billion. The bank intends to continue to distribute the majority of its net profits to UniCredit. The resulting minimal profit retention is unlikely to be sufficient to compensate for negative rating migration over the next two years (HVB makes extensive use of internal models for credit risk). However, we expect HVB's capital ratios to remain sound, well above the peer group average, and to comfortably exceed its regulatory requirements. We believe that strong regulatory capitalisation is essential for client confidence to remain unquestioned in CIB and for HVB to retain its ability to commit

Dividend Payments to Unicredit

(EUR12.4bn in total since 2012)



Source: Fitch Ratings, HVB

capital for large transactions. UniCredit and HVB have agreed with their respective national regulators that HVB's total capital ratio will not fall below 13%.

Sound Deposit Base Limits Reliance on Market Funds

HVB's diversified funding underpins its role as UniCredit's self-sufficient liquidity centre for Germany. Its material reliance on market funds exposes the bank to rising funding costs, but its relatively long average debt maturities and its resilient client deposit base (about half of total liabilities excluding derivatives) limit its wholesale debt issuance needs, which it mainly covers through private placements. The bank increased its stock of covered bonds (which are a key source of funding) to EUR28.3 billion at end-1Q20 from EUR20.8 billion at end-2017.

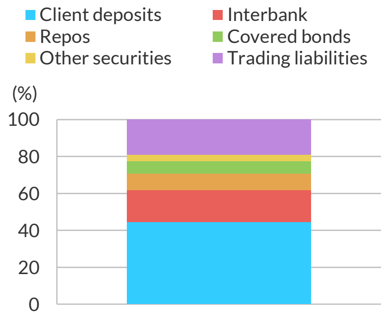
We expect HVB to fulfil a large portion of its expected internal minimum requirement for own funds and eligible liabilities with CET1 capital and to fill the remaining gap by issuing senior non-preferred and more junior debt to UniCredit.

Ample Liquidity Offers Resilience in the Crisis

HVB limits its asset-liability mismatches per maturity bucket to moderate levels in line with UniCredit's group policy. At end-2019, it held EUR22 billion of unencumbered ECB-eligible securities and a EUR26 billion cash balance, which together offer a sufficient buffer against EUR52 billion in credit commitments.

HVB provided its main consolidated structured issuance vehicle, the asset-backed commercial paper funded conduit Arabella, with EUR5 billion of back-up liquidity lines at end-2019. This could trigger sizeable but, in our view, manageable calls on the bank's liquidity in a prolonged stress scenario. The conduit purchases short-and-medium-term trade receivables, auto leases and consumer loans, mainly from European borrowers.

Funding Mix at End-2019



Source: Fitch Ratings, HVB

Institutional Support Assessment

HVB's Support Rating of '3' indicates a 'BB-' rating floor based on institutional support. It reflects Fitch's opinion that, despite a strong propensity to support HVB, UniCredit's constrained ability to do so results in a moderate likelihood of extraordinary support. This is because of the large solvency support that HVB would likely require relative to the capital available in the rest of the group, given that a large share of UniCredit's consolidated equity remains in HVB despite the large special dividends paid to UniCredit. Our view of UniCredit's strong propensity to support primarily reflects HVB's role as the group's investment banking hub and sizeable corporate banking operations in Europe's largest economy.

Institutional Support			Value
Parent IDR			BBB-
Total Adjustments (notches)			-3
Institutional Support:			**BB-**
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			✓

Environmental, Social and Governance Considerations

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 HVB, either due to their nature or to the way in which they are being managed by HVB. For more information on Fitch’s ESG Relevance Scores, visit www.fitchratings.com/esg.

FitchRatings **UniCredit Bank AG**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

UniCredit Bank AG has 5 ESG potential rating drivers

- UniCredit 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	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

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	Company Profile; Management & Strategy; Risk Appetite	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	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 Priniciples 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.

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