

Mizrahi Tefahot Bank Ltd

Key Rating Drivers

Strong Mortgage Franchise: Mizrahi Tefahot Bank Ltd's (UMTB) Long-Term Issuer Default Rating (IDR) is driven by its Viability Rating (VR) and reflects a good domestic universal banking franchise in Israel, alongside resilient asset quality and profitability through the war. The VR reflects the bank's adequate capitalisation and sound funding, supported by a large and diversified deposit base. UMTB's business model is less diversified than its two larger peers' but is particularly strong in low-risk residential mortgages as the largest mortgage lender.

High Probability of Government Support: UMTB's IDRs are underpinned by potential government support, which is reflected in a Government Support Rating (GSR) of 'a-'. The sovereign has a strong incentive to provide support, given the bank's systemic importance in the country, with about 20% of banking system assets.

Close Regulatory Oversight: Underwriting standards are conservative, helped by prudent regulatory limits and oversight. The bank has material exposure to the construction and real estate sectors, in line with other Israeli banks, leaving it vulnerable to a sharp decline in real estate prices. However, most of its exposure is to residential projects, which we expect to perform adequately, given high population growth and strong structural demand for housing in Israel.

Sound Asset Quality: UMTB's impaired loans ratio was 1% at end-1H25, which has proven resilient to the pressures of the war. The bank has sharply increased its collective provisions since the start of the war (loans loss allowance/impaired loans of 103% at end-1H25), reflecting economic uncertainty and credit growth.

Its impaired loan coverage is at the lower end among domestic peers, but this should be seen in view of the bank's higher share of retail mortgage loans. We forecast the impaired loans ratio to remain below 1.5% over the next two years, supported by declining interest rates and sound underwriting.

Resilient Earnings: Operating profit is sound, at 2.8% of risk-weighted assets in 1H25, reflecting strong loan growth but tighter lending margins. Nevertheless, NIM has remained strong due to the bank's large base of stable and low-cost current accounts. Higher inflation has also supported income given the bank's net long exposure to the consumer price index.

The bank is focused on maintaining tight cost controls with a low cost-to-income ratio (36% in 1H25), which compares favourably with international peers'. We forecast the operating profit ratio to remain above 2% of risk-weighted assets for the next two years, supported by loan growth and limited loan impairment charges, underpinned by substantial loan loss allowances.

Adequate Capital Buffers: UMTB's common equity Tier 1 ratio of 10.4% at end-1H25 has adequate buffers over its 9.7% regulatory minimum requirements but is the lowest among domestic peers'. This should be considered in light of the bank's resilient internal capital generation and its fairly high risk-weighted assets/total assets (end-1H25: 63%), as the bank uses the standardised approach to calculate credit risk-weighted assets. We expect its common equity Tier 1 ratio to slightly rise on the back of internal capital generation.

Funding Benefits from Government Support: UMTB's funding and liquidity score is driven by government support and our expectation that the government's propensity to provide support is more certain in the near term, given the systemic importance of UMTB. As a result, UMTB's 'F1' Short-Term IDR is the higher of two possible Short-Term IDRs that map to a 'A-' Long-Term IDR. UMTB's funding and liquidity profile is underpinned by its stable and granular deposit base and sound liquidity. The bank has proven access to domestic and international debt markets.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F1
Long-Term IDR (xgs)	A-(xgs)
Short-Term IDR (xgs)	F2(xgs)
Viability Rating	a-
Government Support Rating	a-

Sovereign Risk (Israel)

Long-Term Foreign-Currency IDR	A
Long-Term Local-Currency IDR	A
Country Ceiling	AA-

Outlooks

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

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Revises Mizrahi Tefahot Bank's Outlook to Stable; Affirms IDR at 'A-' (October 2025)
Global Economic Outlook (September 2025)
Fitch Affirms Israel at 'A'; Outlook Negative (March 2025)

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Rating Sensitivities

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

UMTB's Long-Term IDR would be downgraded if its GSR and VR were downgraded. A downgrade of the bank's GSR would be triggered by a downgrade of the sovereign rating, which could trigger a downgrade of UMTB's VR if it sharply increased pressure on the financial profile. This reflects the contagion risk from the links between the sovereign, the operating environment and Israeli banks' performance.

The most likely trigger for a downgrade of UMTB's VR would be a deterioration of asset quality that results in an impaired loans ratio of above 2% for an extended period, combined with a declining common equity Tier 1 ratio and weakening internal capital generation.

The Short-Term IDR would be downgraded if Israel's Short-Term IDR was downgraded by two notches.

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

An upgrade of UMTB's IDRs is limited by the negative outlook on the operating environment for Israeli banks, which is sensitive to the drivers of a downgrade of the sovereign rating. In addition, upside is limited by the bank's geographical concentration and small capital buffers.

Other Debt and Issuer Ratings

Rating Level	Rating
Subordinated: long term	BBB

Source: Fitch Ratings

UMTB's Tier 2 subordinated notes are rated two notches below its VR, reflecting poor recovery prospects in the event of a failure of the bank.

The Long-Term IDR (xgs) of 'A-(xgs)' is at the level of the VR. The Short-Term IDR (xgs) of 'F2(xgs)' is the lower of two options that map to a 'A-(xgs)' Long-Term IDR (xgs), due to UMTB's 'a-' funding and liquidity score.

Ratings Navigator

	Operating Environment	Business Profile 20%	Risk Profile 10%	Financial Profile				Implied Viability Rating	Viability Rating	Government Support Rating	LT Issuer Default Rating
				Asset Quality 20%	Earnings & Profitability 15%	Capitalisation & Leverage 25%	Funding & Liquidity 10%				
aaa								aaa	aaa	aaa	AAA
aa+								aa+	aa+	aa+	AA+
aa								aa	aa	aa	AA
aa-								aa-	aa-	aa-	AA-
a+								a+	a+	a+	A+
a								a	a	a	A
a-								a-	a-	a-	A- Sta
bbb+								bbb+	bbb+	bbb+	BBB+
bbb								bbb	bbb	bbb	BBB
bbb-								bbb-	bbb-	bbb-	BBB-
bb+								bb+	bb+	bb+	BB+
bb								bb	bb	bb	BB
bb-								bb-	bb-	bb-	BB-
b+								b+	b+	b+	B+
b								b	b	b	B
b-								b-	b-	b-	B-
ccc+								ccc+	ccc+	ccc+	CCC+
ccc								ccc	ccc	ccc	CCC
ccc-								ccc-	ccc-	ccc-	CCC-
cc								cc	cc	cc	CC
c								c	c	c	C
f								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.

Factor Outlook

■ Stable ◆ Evolving ▲ Positive ▼ Negative

VR - Adjustments to Key Rating Drivers

The operating environment score of 'a' is below the 'aa' implied category score for the following adjustment reasons: sovereign rating (negative), size and structure of economy (negative).

The business profile score of 'a-' is above the 'bbb' implied category score for the following adjustment reason: market position (positive).

The earnings and profitability score of 'bbb+' is below the 'a' implied category score for the following adjustment reason: earnings stability (negative).

The capitalisation and leverage score of 'a-' is above the 'bbb' implied category score for the following adjustment reason: leverage and risk weight calculation (positive).

The funding and liquidity score of 'a-' is above the 'bbb' implied category score for the following adjustment reason: deposit structure (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Fitch's affirmation of Israel's rating at 'A'/Negative in March 2025 reflected a diversified, resilient economy and strong external finances, counterbalanced by high public debt/GDP, security risks, and a record of unstable governments that has hindered policymaking. The Negative Outlook reflects rising public debt, domestic political and governance challenges and uncertain prospects for the war in Gaza.

We score the operating environment in line with the sovereign rating to reflect the domestic concentration of the Israeli banking sector. Our operating environment assessment also reflects our view that the resilience of the sector is a regulatory priority. The negative outlook on the operating environment reflects the Negative Outlook on the sovereign rating, which caps the score.

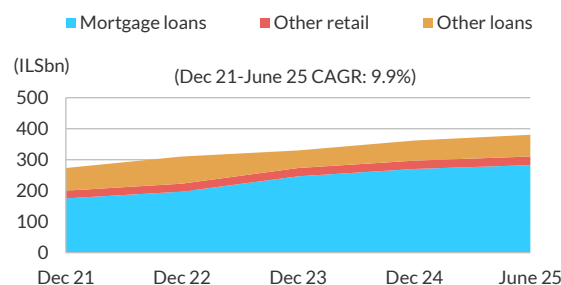
Business Profile

UMTB was Israel's third-largest bank by total assets at end-1H25, and operates as a universal bank, providing a wide range of retail, commercial and private banking activities. The business model is diversified, but with some reliance on net interest income, which represented 81% of operating income in 1H25. UMTB is Israel's largest mortgage lender and is supported by its flexibility to tailor mortgages to borrower's needs. However, the weaker franchise in other lending segments results in a lower proportion of fee and commissions.

UMTB's strategy is to maintain market share in mortgages and grow commercial and corporate business while improving cost efficiency. The successful integration of Union Bank has supported cost efficiency, and its infrastructure will be leveraged to grow in business sectors. The bank has ongoing cost-efficiency programmes, including a review of the optimal branch layout.

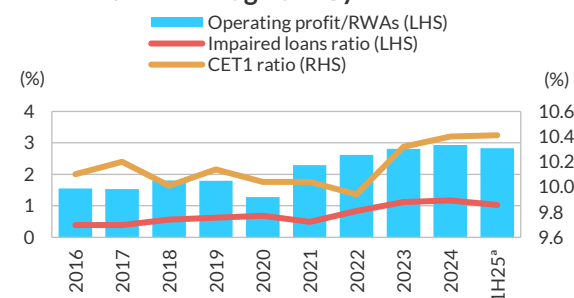
UMTB does not have a credit card subsidiary and distributes cards from all major credit-card companies, largely to current account customers. Therefore, unlike larger peers, it has not been required by the regulator to alter its credit card distribution model to promote competition. International operations are smaller than those of peers and limited to one branch in London and one in Los Angeles. We do not expect international exposure to increase significantly.

Loan Book Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, UMTB

Performance Through the Cycle



^a Annualised
Source: Fitch Ratings, Fitch Solutions, UMTB

Risk Profile

In our view, the downside risks to UMTB's performance have subsided following the de-escalation of war in the region, although residual risks persist. In particular, operational risk, including cyber risk, is high. In addition, UMTB and other domestic banks may be more exposed to market risks given the sensitivity of exchange and interest rates and inflation to war-related developments.

Credit risk represents the most significant risk for the bank and mainly stems from the loan book (73% of total assets at end-1H25), followed by the securities book (8%), a large part of which relates to Israeli government bonds. Credit underwriting standards are stringent by global standards and are influenced by prudent banking regulation that seeks to limit the contingent liability that the banking sector presents to the sovereign. Residential mortgages are subject to underwriting limits prescribed by the regulator, including maximum 75% loan-to-value ratios for first-time buyers and a maximum term of 30 years. The average mortgage LTV ratio of the mortgage book was 55% at end-1H25.

The construction and real estate sector were identified by the regulator as a potential risk, and so UMTB and peers are subject to regulatory limits and increased scrutiny of exposures and collateral. Exposure to large local conglomerates, which are both borrowers and depositors, has decreased in recent years with no borrower group exceeding 15% of UMTB's capital – a regulatory disclosure threshold – at end-1H25. The largest on-balance-sheet major borrower group had an exposure of ILS2.1 billion, which represents 6% of CET1 capital. UMTB offers some financing to leveraged companies to support buyouts, acquisitions and capital distributions, but total exposure to these types of entities is low (less than 1% of gross loans) and unlikely to increase. We also expect an increase in exposure to infrastructure projects, although the risk is likely to be mitigated by government support – whether direct or indirect – for these major investments and the syndication of large project loans across multiple lenders.

The bank's exposure to market risk arises primarily from interest-rate and CPI risks in the banking book, which we view as moderate considering the bank's framework of limits. Exposure to CPI risks is higher than at peers as UMTB's mortgage book is a little larger, due to a proportion of the mortgage typically being linked to CPI. About 22% of customer loan balances were CPI-linked at end-1H25. The impact of a 100bp decrease would be an ILS372 million reduction in net interest income, which would not have a material effect on overall bank performance. Structural foreign-exchange risk is low. Liquid assets are largely held at the BoI, and the securities portfolio is limited mainly to government bonds. UMTB has a lower appetite for equity investments than Bank Leumi Le-Israel B.M. and Bank Hapoalim B.M.

Financial Profile

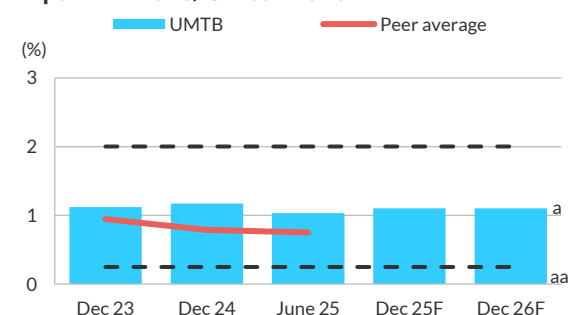
Asset Quality

The impaired loans ratio of 1% at end-1H25 has remained relatively flat since the start of the war due to the rebound of the Israeli economy. The Israeli banking sector has offered financial support to customers directly affected by the war, but this reduced materially in 2H24. UMTB has ILS704 million of loans with changed terms and conditions (0.2% of gross loans), but all are currently performing. The bank had previously granted modified terms to ILS27,382 million of loans, which have now returned to their normal payment terms. The bank has set up a voluntary support scheme, in line with the sector, and expects to provide a further ILS687 million of benefits and donations split across 2025 and 2026.

UMTB's loan book is predominately good-quality mortgages. These are generally low-risk because they are highly collateralised under prudent underwriting standards, including regulatory limits on borrower leverage and affordability. The mortgage loan books impaired loans ratio was slightly higher than peers at 1% at end-1H25, but is fairly low compared to international peers'. Consumer lending is higher-risk than mortgages are, but is of good quality. About half of lending is in the form of personal loans, and the rest is mostly comprised of auto loans, credit balances and overdrafts.

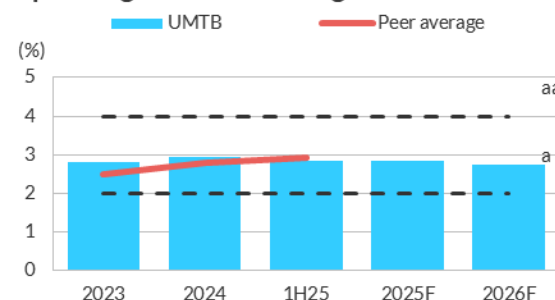
The impaired loans ratio for commercial loan book of 1.3% at end-1H25 has been supported by demand for new buildings from high population growth. Construction and real estate has been recovering from labour shortages on construction sites due to travel restrictions affecting the Palestinian territories. Growth in construction and real estate lending is likely to be supported by lending to infrastructure projects which, in some cases, benefit from implicit or explicit government support. Hotels and other hospitality venues (around 1% of credit exposure at end-1H25) have been supported by domestic tourism, counterbalancing the effects of reduced international tourism to Israel.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Note: Annualised as appropriate

Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

UMTB, along with other Israeli banks, has reported strong profit each quarter since the start of the Israel-Hamas war, apart from the impact of the large one-off provisions. The bank has benefitted from strong loan growth and interest rates remaining higher for longer. The banking sector is concentrated, which has supported strong pricing power in deposits, in turn keeping the net interest margin stable (1H25: 2.9%). UMTB maintains a net long position to the Consumer Price Index (CPI). This has provided an uplift to earnings in the inflationary environment of recent years. Net interest income represents a slightly higher proportion of UMTB's earnings than at peers, because of the bank's greater proportion of mortgage lending.

Cost efficiency is a rating strength and have remained under control through a period of rising inflation due to efficiency programmes. UMTB's cost/income ratio of 36% in 1H25 compares favourably with international peers'. The bank has focused on optimising its branch network and improving digitalisation.

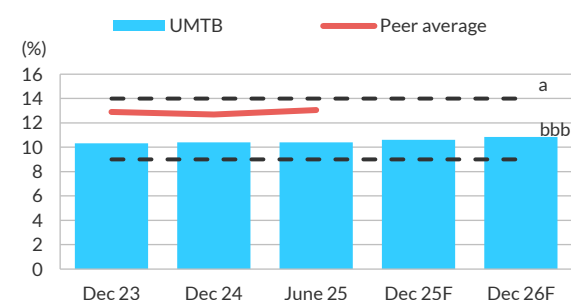
We forecast the operating profit/RWAs ratio to remain above 2% over the next two years. We expect loan impairment charges to increase, but the bank has large buffers of loan loss allowances to absorb this deterioration. This is because UMTB, like its domestic peers, increased collective credit provisions at the start of the war, but asset quality has not significantly deteriorated. As a result, we would expect the bank to remain profitable even if asset quality deteriorates significantly.

Capitalisation and Leverage

The bank's CET1 ratio of 10.41% at end-1H25 was 81bp above the 9.6% regulatory requirement, creating a smaller buffer than for many similarly rated international peers. UMTB's regulatory capital requirements are about 100bp lower than those of its two larger domestic peers due to its smaller size. The CET1 ratio is also calculated under the standardised approach for credit risk, which we view as conservative and less prone to inflation should asset quality deteriorate.

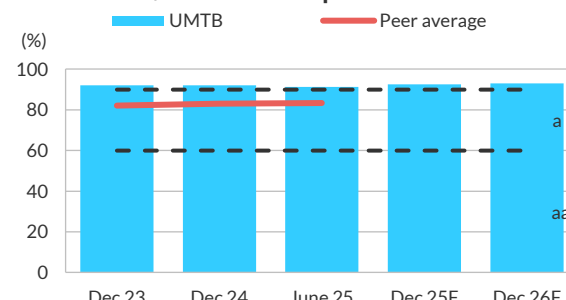
Israeli banks exercised dividend restraint at the start of the war, which increased buffers over requirements, but capital distributions have largely returned to pre-war levels. UMTB increased its dividend payout ratio to 50% in 2Q25.

CET1 Ratio



Note: Annualised as appropriate
Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Note: Annualised as appropriate
Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Customer deposits are stable, despite the absence of a deposit guarantee scheme in Israel and grew by 6.1% in 1H25. At end-1H25, 81% of customer deposits were in Israeli shekel, with the rest mostly in US dollars. Deposit funding is supplemented with senior and subordinated bonds (10% of total funding), which are issued mainly on the local wholesale market.

Wholesale funding needs are limited, with customer deposits representing 91% of non-equity funding at end-1H25. We expect the loans/deposits ratio to increase slightly as UMTB, like other banks, increasingly has to pass on higher interest rates to deposits. However, UMTB will continue to benefit from its lower-cost current-account deposits. The bank has demonstrated good access to wholesale funding markets both domestically, where it is a frequent issuer, and internationally. High-quality liquid assets represented 19% of total assets at end-1H25 and consisted mostly of deposits with the Bank of Israel.

Additional Notes on Charts

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category. Peer average includes Bank Hapoalim B.M. (a-), Bank Leumi Le-Israel B.M. (a-), Israel Discount Bank Limited (a-), Ceska Sporitelna, a.s. (a), Woori Bank (a-). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

Financials

Financial Statements

	31 Dec 22 12 months (ILSm)	31 Dec 23 12 months (ILSm)	31 Dec 24 12 months (ILSm)	30 Jun 25 1st half (ILSm)	31 Dec 25F 12 months (ILSm)	31 Dec 26F 12 months (ILSm)
Summary income statement						
Net interest and dividend income	10,276	11,989	11,852	5,911	-	-
Net fees and commissions	2,052	2,028	2,060	1,123	-	-
Other operating income	818	573	625	287	-	-
Total operating income	13,146	14,590	14,537	7,321	15,027	15,652
Operating costs	5,967	5,363	5,016	2,662	5,100	5,151
Pre-impairment operating profit	7,179	9,227	9,521	4,659	9,927	10,500
Loan and other impairment charges	582	1,478	525	132	456	602
Operating profit	6,597	7,749	8,996	4,527	9,470	9,899
Other non-operating items (net)	371	-	-	-	-	-
Tax	2,356	2,669	3,326	1,674	-	-
Net income	4,612	5,080	5,670	2,853	5,682	6,434
Other comprehensive income	-204	88	210	102	-	-
Fitch comprehensive income	4,408	5,168	5,880	2,955	-	-
Summary balance sheet						
Assets						
Gross loans	310,674	329,895	362,412	380,998	393,217	426,640
- Of which impaired	2,577	3,693	4,243	3,927	-	-
Loan loss allowances	2,884	4,069	4,113	4,027	-	-
Net loans	307,790	325,826	358,299	376,971	-	-
Interbank	-	-	-	-	-	-
Derivatives	5,789	6,282	5,526	9,465	-	-
Other securities and earning assets	15,586	23,419	29,018	40,552	-	-
Total earning assets	329,165	355,527	392,843	426,988	-	-
Cash and due from banks	93,673	86,550	82,644	78,885	-	-
Other assets	5,454	6,127	10,156	11,414	-	-
Total assets	428,292	448,204	485,643	517,287	533,264	568,676
Liabilities						
Customer deposits	344,561	358,624	393,432	417,522	424,907	458,899
Interbank and other short-term funding	6,994	4,571	2,599	2,497	-	-
Other long-term funding	33,287	37,070	36,916	36,332	-	-
Trading liabilities and derivatives	6,359	9,048	6,593	10,204	-	-
Total funding and derivatives	391,201	409,313	439,540	466,555	-	-
Other liabilities	12,223	10,188	13,374	16,085	-	-
Preference shares and hybrid capital	-	-	-	-	-	-
Total equity	24,868	28,703	32,729	34,647	-	-
Total liabilities and equity	428,292	448,204	485,643	517,287	-	-
Exchange rate	USD1= ILS3.5190	USD1= ILS3.6270	USD1= ILS3.6470	USD1= ILS3.3720	-	-

Source: Fitch Ratings, Fitch Solutions, UMTB

Key Ratios

	31 Dec 22	31 Dec 23	31 Dec 24	30 Jun 25	31 Dec 25F	31 Dec 26F
(%; annualised as appropriate)						
Profitability						
Operating profit/risk-weighted assets	2.6	2.8	2.9	2.8	2.8	2.7
Net interest income/average earning assets	3.2	3.5	3.2	2.9	3.0	2.8
Non-interest expense/gross revenue	45.4	36.8	34.5	36.4	33.9	32.9
Net income/average equity	19.9	18.9	18.4	17.1	-	-
Asset quality						
Impaired loans ratio	0.8	1.1	1.2	1.0	1.1	1.1
Growth in gross loans	13.4	6.2	9.9	5.1	8.5	8.5
Loan loss allowances/impaired loans	111.9	110.2	96.9	102.6	105.6	110.2
Loan impairment charges/average gross loans	0.2	0.5	0.2	0.1	0.1	0.1
Capitalisation						
Common equity Tier 1 ratio	9.9	10.3	10.4	10.4	10.6	10.8
Fully loaded common equity Tier 1 ratio	-	10.3	10.4	10.4	-	-
Fitch Core Capital ratio	-	-	-	-	-	-
Tangible common equity/tangible assets	5.2	5.8	6.2	6.7	-	-
Basel leverage ratio	5.4	5.8	6.0	6.0	-	-
Net impaired loans/common equity Tier 1	-1.2	-1.3	0.4	-0.3	-	-
Net impaired loans/Fitch Core Capital	-	-	-	-	-	-
Funding and liquidity						
Gross loans/customer deposits	90.2	92.0	92.1	91.3	-	-
Gross loans/customer deposits + covered bonds	-	-	-	-	-	-
Liquidity coverage ratio	118.0	131.0	135.0	135.0	-	-
Customer deposits/total non-equity funding	89.3	89.2	90.6	91.5	-	-
Net stable funding ratio	115.0	114.0	113.0	112.0	-	-

Source: Fitch Ratings, Fitch Solutions, UMTB

Support Assessment

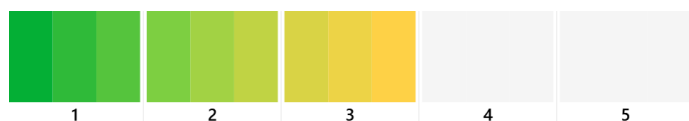
Government Support

Sovereign	Israel
Sovereign LT Issuer Default Ratings	● A/Negative
Total adjustment (notches)	-1
Typical D-SIB Government Support for sovereign's rating level	a- or bbb+
Actual jurisdiction D-SIB Government Support	a-
Government Support Rating	a-
Government ability to support D-SIBs	
Size of banking system	● Neutral
Structure of banking system	● Negative
Sovereign financial flexibility (for rating level)	● Positive
Government propensity to support D-SIBs	
Resolution legislation	● Neutral
Support stance	● Neutral
Government propensity to support bank	
Systemic importance	● Positive
Liability structure	● Positive
Ownership	● Neutral

The colours below indicate the influence of each support factor in our assessment.
Influence: Light blue = lower; Dark blue = moderate; Red = higher
Source: Fitch Ratings

UMTB's IDRs are underpinned by its Government Support Ratio (GSR), which is in line with the domestic systemically important bank (D-SIB) GSR for Israel and reflects Fitch's view of a very high probability that Israel would provide support to UMTB, if needed.

Environmental, Social and Governance Considerations



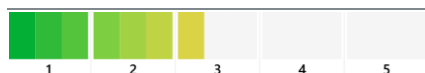
Environmental Relevance Scores

General issues	Score	Sector-specific issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality



Social Relevance Scores

General issues	Score	Sector-specific issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
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
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile



Governance Relevance Scores

General issues	Score	Sector-specific issues	Reference
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)
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
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)



ESG Scoring	Credit-Relevant ESG Scale
ESG relevance scores range from '1' to '5' based on a 15-level colour 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 general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.	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 the 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 the 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 the Navigator. 2 Irrelevant to the entity rating but relevant to the sector. 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 www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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