

# Bank Hapoalim B.M.

## Key Rating Drivers

**Support Drives Ratings:** The Issuer Default Ratings (IDRs) of Bank Hapoalim B.M. (Hapoalim) reflect Fitch Ratings' view of a very high probability that Israel (A+/Stable/F1+) would provide support to Hapoalim, if needed. Fitch believes that Israel's ability and propensity to support Hapoalim is very high, particularly given the bank's systemic importance in the country.

**Universal Banking Franchise:** Hapoalim's Viability Rating (VR) reflects a strong franchise in retail and corporate banking in Israel, asset quality that we expect to remain resilient, taking into account the bank's material exposure to the property sector, and adequate capitalisation. The VR also reflects the bank's sound funding given a large deposit base, and adequate earnings, which in 2021 benefited from releases from loan impairment allowances, good performance in the capital markets business, credit growth and fee growth.

**Asset Quality Remains Sound:** Hapoalim's asset quality has been helped by government support for households and businesses, and the impaired loan ratio improved to 1% at end-September 2021 from 1.3% at end-2020. The bank built material loan loss allowances, amounting to about 2% of gross loans at end-2020, but gradually released during 2021. We expect moderate deterioration in the gross impaired loan ratio as the economy normalises, but we expect the ratio to remain below 1.5% over the next two years.

**Close Regulatory Oversight:** Hapoalim's underwriting standards are conservative, helped by tight regulatory limits and oversight. Like other banks in the country, Hapoalim has material exposure to the construction and real estate sectors, which makes asset quality vulnerable to a sharp decline in real estate prices, but the majority of exposure is to residential projects, which we expect to continue to perform adequately. Lending to the commercial real estate sector is constrained by regulatory limits.

**Strong Earnings Recovery:** Profitability recovered in 2021, helped by lending and earnings growth, releases from loan impairment allowances and the good performance of the bank's trading activities, which are predominantly customer-driven. The bank's profitability should continue to benefit from loan growth, primarily in residential mortgage lending, and from cost-cutting programmes that should underpin performance from 2022.

**Capital Buffers Adequate:** Headroom in our assessment is limited, but capitalisation remained adequate during the pandemic, with a common equity Tier 1 (CET1) ratio of 10.96% at end-2021. Hapoalim calculates risk-weighted assets (RWAs) using the standardised approach, which results in fairly high RWAs density (RWAs/total assets) of 61%. We expect the bank to maintain a moderate buffer above the regulatory requirement, which reverted to 10.2% from 1 January 2022 after having fallen to 9.2% at the beginning of the pandemic.

## Rating Sensitivities

**Support Assumptions:** Hapoalim's IDRs are primarily sensitive to a weakening in the sovereign's ability or propensity to support the bank. A downgrade of Israel's Long-Term IDR would likely result in a downgrade of Hapoalim's IDRs and GSR.

**Asset Quality:** An impaired loan ratio above 3% for an extended period, combined with a failure to maintain the CET1 ratio above 10.5%, would likely trigger a VR downgrade.

**Upside Limited:** A VR upgrade is unlikely given Hapoalim's domestic-focused business model. It would require a material and structural improvement in profitability, allowing the bank to generate operating profit/RWAs above 2% on a sustained basis, while maintaining a CET1 ratio above its current target with healthy asset quality.

## Ratings

<b>Foreign Currency</b>	
Long-Term IDR	A
Short-Term IDR	F1+

Viability Rating a-

Government Support Rating a

### Sovereign Risk

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	Stable
Sovereign Long-Term Local-Currency IDR	Stable

## Applicable Criteria

[Bank Rating Criteria \(November 2021\)](#)

## Related Research

[Fitch Affirms Bank Hapoalim at 'A'; Outlook Stable \(January 2022\)](#)  
[Global Economic Outlook \(March 2022\)](#)  
[Fitch Affirms Israel at 'A+'; Outlook Stable \(February 2022\)](#)

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## Debt Rating Classes

Rating level	Rating
Subordinated Tier 2 debt: long-term	BBB

Source: Fitch Ratings

Hapoalim's USD1 billion Tier 2 notes are rated two notches below the bank's VR, reflecting poor recovery prospects in the event of a failure of the bank, in line with Fitch's base-case notching for Tier 2 debt. No additional notching is applied as, in our opinion, the principal loss-absorption feature, after a breach of a 5% CET1 ratio, gives rise to low incremental non-performance risk relative to the bank's VR.

## Ratings Navigator

Bank Hapoalim B.M.							ESG Relevance:	Banks		
								Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support Rating	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	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 Sta
a-							a-	a-	a-	A-
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.

## VR Adjustments

The Operating Environment score of 'a' has been assigned below the 'aa' category implied score because the 'A+' sovereign rating of Israel constrains our assessment.

The Business Profile score of 'a-' has been assigned above the 'bbb' category implied score to reflect Hapoalim's strong market position in a concentrated banking sector.

The Capitalisation and Leverage score of 'a-' has been assigned above the 'bbb' category implied score to reflect the conservative risk weights applied to the bank's loan exposures.

## Significant Changes

A new accounting policy for impaired loans – current expected credit losses (CECL) – was adopted by Hapoalim and other Israeli banks on 1 January 2022. The policy is in line with rules specified under US GAAP and requires the banks to calculate provisions based on expected losses over the term of their loans. The estimated impact of adopting CECL on the bank's equity is ILS0.4 billion, which is modest compared to the implementation of similar policies in other countries and reflects conservative provisioning under previous impairment policies. The impact on risk-weighted capital ratios (equivalent to minus 11bp of end-2021 RWAs) will be phased in over a three-year transition period.

## Company Summary and Key Qualitative Assessment Factors

### Strong Domestic Franchise and Diversified Business Model

Hapoalim is Israel's second-largest bank by total assets and by net income. It is a universal bank that provides a wide range of retail, commercial, capital market and private banking services, with good domestic market shares across these segments.

International activities have decreased in importance in recent years, and remaining exposures are moderate (about 4% of net loans at end-2021) and mostly centre on middle-market commercial clients within the group's US subsidiary. In 2017 Hapoalim discontinued activities in its Swiss private bank and sold its client portfolio to Bank J. Safra Sarasin AG in 2018, and the entity will be closed once procedures to return its banking licence are complete. Hapoalim is also majority shareholder of a Turkish bank, Bank Pozitif, for which it has been seeking a buyer for several years.

The bank's business model is diversified but still reliant on net interest income. Non-interest income comes largely from fees and commissions, including account management and loan application fees, as well as from trading activities in Israeli government bonds and in other securities traded on behalf of clients. Hapoalim's strategy is to grow its loan book across all lending segments while reducing costs through digital innovation and other cost-efficiency measures.

### Sound Underwriting, Adequate Risk Controls and Modest Market Risk

Credit underwriting standards are stringent by global standards and are influenced by very prudent banking regulation which seeks to limit the contingent liability that the banking sector presents to the State of Israel. Residential mortgages are subject to regulation including maximum 75% loan-to-value (LTV) ratios and a maximum term of 30 years. Hapoalim also minimises the number of mortgages with a payment-to-income ratio greater than 40%.

SMEs and large corporations represent about half of total loans at end-2021 and are diversified by sector, though geographically they are concentrated in Israel. The largest sector exposure is to construction and real estate (CRE), and most exposures are secured on residential property developments with a smaller exposure to commercial property. The CRE sector has been identified by the regulator as a potential risk and so Hapoalim and its peers are subject to regulatory limits and increased scrutiny of exposures and collateral. In 2021 the bank increased loan loss allowances for this sector in response to rapid credit growth.

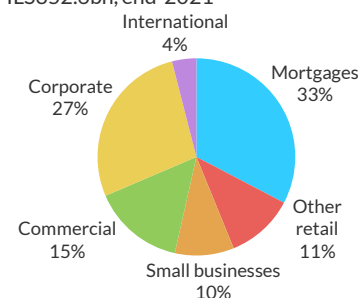
Hapoalim has faced large conduct fines in recent years, particularly from its USD874 million settlement with the US Department of Justice in 2020 related to allegations of helping clients avoid US taxes. The bank was also engaged in a lawsuit brought by the minority shareholder of Bank Pozitif, though Hapoalim recently agreed to acquire the shares of the minority shareholder for USD5 million in exchange for ending legal proceedings. The full ownership of Bank Pozitif should also give Hapoalim more flexibility in exiting the Turkish market, further reducing operational risk.

The Bank of Israel is focused on improving competition in the banking sector to reduce the cost of banking products and services for retail customers. It is also increasing its focus on customer redress and conduct, which may result in higher conduct expenses. For example, in February 2022 the bank was required to refund customers an estimated ILS7 million for overcharging the cost of sending registered letters.

The bank's exposure to market risk arises primarily from interest-rate and consumer price index (CPI) risks in the banking book, which we view as moderate in light of the bank's framework of limits. The bank undertakes trading activities, which are predominantly client-driven, and appetite for traded market risk is modest. Market risk also arises from ILS2.7 billion of private equity and quasi-equity investments made through the bank's subsidiary Poalim Equity, which at end-2021 amounted to 6% of the bank's CET1 capital.

### Net Customer Loans

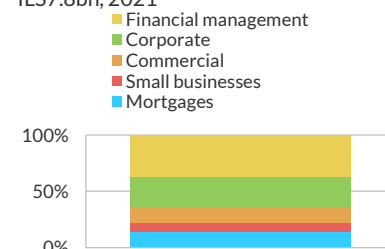
ILS352.6bn, end-2021



Source: Fitch Ratings, Hapoalim

### Pre-Tax Profit

ILS7.8bn, 2021

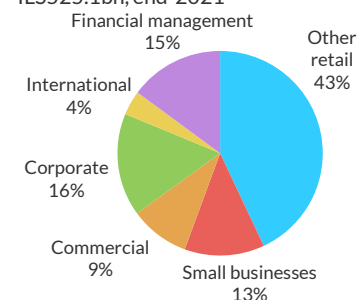


N.B. International not shown as profit was immaterial

Source: Fitch Ratings, Hapoalim

### Customer Deposits

ILS525.1bn, end-2021



Source: Fitch Ratings, Hapoalim

## Summary Financials and Key Ratios

	31 Dec 21		31 Dec 20	31 Dec 19	31 Dec 18
	Year end (USDm)	Year end (ILSm)	Year end (ILSm)	Year end (ILSm)	Year end (ILSm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
<b>Summary income statement</b>					
Net interest and dividend income	3,111	9,800	8,808	9,336	8,933
Net fees and commissions	1,065	3,355	2,917	3,015	3,318
Other operating income	379	1,194	1,163	695	1,499
Total operating income	4,555	14,349	12,888	13,046	13,750
Operating costs	2,477	7,803	7,263	8,480	8,960
Pre-impairment operating profit	2,078	6,546	5,625	4,566	4,790
Loan and other impairment charges	-387	-1,220	1,940	1,276	613
Operating profit	2,465	7,766	3,685	3,290	4,177
Other non-operating items (net)	29	92	-52	173	392
Tax	939	2,958	1,590	1,681	2,009
Net income	1,556	4,900	2,043	1,782	2,560
Other comprehensive income	-187	-589	342	-176	-408
Fitch comprehensive income	1,369	4,311	2,385	1,606	2,152
<b>Summary balance sheet</b>					
<b>Assets</b>					
Gross loans	114,190	359,698	310,166	299,618	288,693
- Of which impaired	1,148	3,617	3,960	4,442	2,721
Loan loss allowances	1,621	5,106	6,145	4,707	3,758
Net loans	112,569	354,592	304,021	294,911	284,935
Interbank	882	2,779	3,242	4,806	3,219
Derivatives	4,122	12,984	14,890	11,143	10,534
Other securities and earning assets	23,242	73,211	72,809	60,149	56,927
Total earning assets	140,815	443,566	394,962	371,009	355,615
Cash and due from banks	59,208	186,504	135,469	83,316	81,240
Other assets	2,765	8,711	9,171	9,363	24,071
Total assets	202,788	638,781	539,602	463,688	460,926
<b>Liabilities</b>					
Customer deposits	166,928	525,824	435,978	362,330	352,260
Interbank and other short-term funding	4,770	15,027	6,597	3,523	4,736
Other long-term funding	8,044	25,338	23,002	26,120	29,047
Trading liabilities and derivatives	4,556	14,350	16,804	12,050	9,676
Total funding and derivatives	184,298	580,539	482,381	404,023	395,719
Other liabilities	4,842	15,251	16,834	20,711	26,574
Preference shares and hybrid capital	77	244	488	733	977
Total equity	13,570	42,747	39,899	38,221	37,656
Total liabilities and equity	202,788	638,781	539,602	463,688	460,926
Exchange rate		USD 1 = ILS3.15	USD 1 = ILS3.222	USD 1 = ILS3.463	USD 1 = ILS3.771

Source: Fitch Ratings, Fitch Solutions, Hapoalim

## Summary Financials and Key Ratios

	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
<b>Ratios (annualised as appropriate)</b>				
<b>Profitability</b>				
Operating profit/risk-weighted assets	2.0	1.1	1.0	1.2
Net interest income/average earning assets	2.4	2.3	2.6	2.6
Non-interest expense/gross revenue	54.6	56.4	65.1	65.2
Net income/average equity	11.8	5.3	4.6	6.9
<b>Asset quality</b>				
Impaired loans ratio	1.0	1.3	1.5	0.9
Growth in gross loans	16.0	3.5	3.8	6.2
Loan loss allowances/impaired loans	141.2	155.2	106.0	138.1
Loan impairment charges/average gross loans	-0.4	0.6	0.4	0.2
<b>Capitalisation</b>				
Common equity Tier 1 ratio	11.0	11.5	11.5	11.2
Tangible common equity/tangible assets	6.0	6.5	7.9	7.9
Basel leverage ratio	6.0	6.8	7.6	7.5
Net impaired loans/common equity Tier 1	-3.5	-5.5	-0.7	-2.7
<b>Funding and liquidity</b>				
Gross loans/customer deposits	68.4	71.1	82.7	82.0
Liquidity coverage ratio	124.0	140.0	121.0	120.0
Customer deposits/total non-equity funding	92.8	93.5	92.3	91.0
Net stable funding ratio	141.0	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, Hapoalim

## Key Financial Metrics – Latest Developments

### Asset Quality

Residential mortgages have grown to 33% of net loans at end-2021 from about 22% at end-2015, driven both by increasing house prices and demographic trends. Borrowers were eligible for penalty-free payment deferrals which peaked at 21.5% of the mortgage book at the height of the pandemic, but the vast majority of borrowers resumed normal repayment. Only 0.5% of the mortgage book (ILS617 million; 1,100 borrowers) remained on a payment deferral at end-2021.

SME and corporate borrowers were also eligible for payment deferrals, though only a small number of mid-size and large businesses were still deferring payments at end-2021. SMEs had ILS404 million of deferred loans, or about 0.7% of loans to the SME segment.

Large exposures to single borrowers or groups of related entities have declined in recent years, partly due to regulatory initiatives, but they remain high. Total credit exposure to the largest group of related borrowers represented 16% of CET1 capital at end-2021.

### Earnings and Profitability

Hapoalim's 2021 profitability benefited from strong loan growth (+16% yoy) as well as a large ILS1.2 billion net release of loan loss allowances amid Israel's strong macroeconomic recovery and the very limited deterioration in asset quality. Costs have also remained under control and below pre-pandemic levels due to ongoing efficiency programmes. These programmes include the closure of branches, which fell from 189 at end-2020 to 175 at end-2021, and early retirement incentives which began in 2020 and will reduce headcount by over 900 employees by end-2022.

In addition to interest income and banking fees, the bank in 2021 had material earnings from the sale of equity investments, including investments made by its private-equity subsidiary, Poalim Equity. Profits on the sale of equity investments totalled ILS599 million, or 8% of operating profit, and were almost nine times higher than in 2020.

Like other Israeli banks, Hapoalim maintains a net long position to the consumer price index (CPI) by holding more CPI-linked assets (mainly CPI-linked mortgages) than liabilities (mainly CPI-linked debt and deposits). While this has a negative impact on earnings during periods of low inflation (e.g. minus ILS93 million in 2020), it contributed ILS405 million in 2021, or about 5% of operating profit.

### Capitalisation and Leverage

We view Hapoalim's capitalisation as adequate for its risk profile and geographical focus. We also consider that risk-weighted capital ratios are more stable than those of many international peers given Israeli banks' exclusive use of the standardised approach. In our view the standardised risk weights are conservative, particularly for residential mortgages given regulatory limits on LTV and affordability ratios.

The bank issued USD1 billion of Tier 2 subordinated debt in 2021 to support its total capital ratio, which was 14.22% at end-2021. The total capital requirement increased from 12.5% to 13.5% on 1 January 2022 following expiration of a temporary reduction granted to all banks during the pandemic.

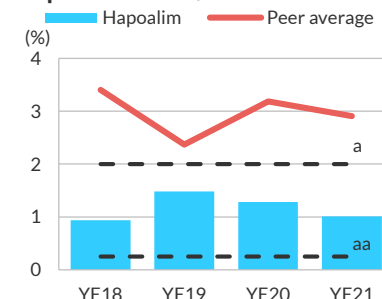
### Funding and Liquidity

Hapoalim has a solid and stable funding base that consists mostly of customer deposits, which represented 93% of total non-equity funding at end-2021. The bank has limited interbank and wholesale funding, though it has proven access to both domestic and international bond markets. Deposit inflows have been significant since the start of the pandemic, particularly in retail current accounts, which has reduced the loan-to-deposit ratio to 68% at end-2021. Liquidity is strong, with a consolidated liquidity coverage ratio of 124% at end-2021.

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 'a' category.

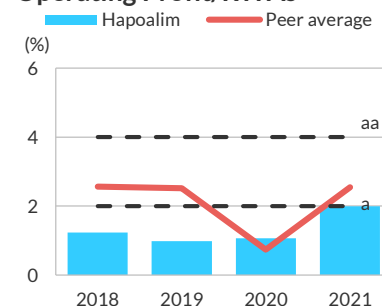
Peer average includes Bank Leumi Le-Israel B.M. (VR:a-), Mizrahi Tefahot Bank Ltd (a-), AIB Group Public Limited Company (bbb), Bank of Ireland Group plc (bbb), Ceska Sporitelna, a.s. (a), Komerční Banka, a.s. (a).

### Impaired Loans/Gross Loans



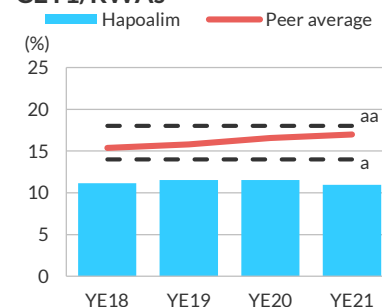
Source: Fitch Ratings, banks

### Operating Profit/RWAs



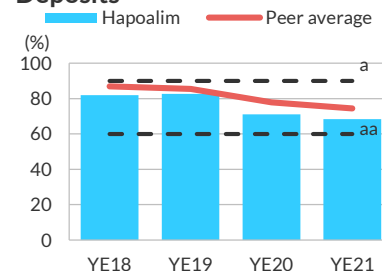
Source: Fitch Ratings, banks

### CET1/RWAs



Source: Fitch Ratings, banks

### Gross Loans/Customer Deposits



Source: Fitch Ratings, banks

## Government Support

Hapoalim's IDRs are driven by its Government Support Rating (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 (A+/Stable) would provide support to Hapoalim, if needed. Fitch believes that Israel has a strong ability to support its banking sector and that the sovereign's propensity to support Hapoalim is high, particularly given the bank's systemic importance in the country with a market share of about 30% of banking-sector assets.

Hapoalim's 'F1+' Short-Term IDR is the higher of two possible Short-Term IDRs that map to an 'A' Long-Term IDR. This is because we view the sovereign's propensity to support as more certain in the near term.

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

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence



## Environmental, Social and Governance Considerations

### Credit-Relevant ESG Derivation

Bank Hapoalim B.M. has 5 ESG potential rating drivers

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

Overall ESG Scale				
key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	4	issues	2	
	5	issues	1	

### Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

**How to Read This Page**  
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

**The Credit-Relevant ESG Derivation table** shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

### 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	
					How relevant are E, S and G issues to the overall credit rating?	
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.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

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