FitchRatings

JSCB Kapitalbank

Key Rating Drivers

JSCB Kapitalbank's (Kapital) Issuer Default Rating (IDR) is driven by its standalone profile, as reflected in the 'b' Viability Rating (VR). The ratings factor in the bank's evolving business model, high appetite for growth, and large single-sector concentration, which lead to a heightened risk profile and may weigh on the bank's asset-quality metrics. Fitch Ratings' assessment also acknowledges Kapital's robust profitability and adequate liquidity coverage.

State-Dominated Economy, Structural Weaknesses: Uzbekistan's economy remains heavily dominated by the state, despite recent market reforms and privatisation plans, resulting in weak governance and generally poor financial transparency. Additional risks stem from high dollarisation and concentrations of the banking sector and reliance on state and external wholesale debt.

Evolving Business Model, Sector Concentrations: Kapital has a moderate 6% share in system loans at end-May 2024. Its business model has been highly profitable over the past three years, supported by aggressive growth in a very concentrated retail car lending segment (59% of the bank's loans at end-1Q24). Due to the recent regulatory restrictions, Kapital is set to gradually reduce this exposure to 25% of loans. The anticipated overhaul of the business model towards SMEs and other retail segments will not significantly affect the bank's performance, in our view.

Risky FC Lending to Increase: The bank will continue to pursue above-average annual growth (20%–25% over 2024–2026), given the compulsory diversification of its loan book. We view expansion into the SME segment as higher risk due to its mainly foreign-currency (FC) nature, which is typical for banks in Uzbekistan. Accordingly, Fitch estimates the share of FC loans (end-1Q24: 29% of Kapital's loans) will increase to closer to the market average (45%) within the next two years. New retail loans will be lower risk, as these are in local currency and more granular.

Low Impaired Loans, Likely Increase: Kapital's impaired loans ratio (1.7% at end-2023) is one of the lowest in the sector, although we believe the ratio may moderately increase within the next two years due to seasoning of loans issued during the previous years of rapid growth. Asset quality is supported by the bank's focus on secured lending, but is undermined by significant single-sector concentrations. Quality of loan origination in new segments, such as SMEs, is yet to be tested.

Strong Operating Performance: Wide margins primarily supported the robust operating profit/risk-weighted assets ratio (2022 and 2023: 6%). Return on equity was a strong 50% over 2022–2023. We expect earnings to moderate slightly in the next two years as the bank is seeking to expand into a relatively lower-margin non-retail segment.

Below-Average Capitalisation, Increase Expected: Kapital's Fitch Core Capital (FCC) ratio was a moderate 11% at end-2023, which is below most similarly-rated local peers. We expect the ratio to strengthen in the next two years, supported by strong internal capital generation in excess of the bank's growth rates.

Adequate Liquidity, Sizeable Deposit Inflows: The gross loans/deposits ratio was an adequate 90% at end-2023, which is significantly below many peers (market average: about 200%). Customer accounts were stable in 2023 and 1Q24 after aggressive four-fold growth in 2021–2022, albeit from a low base, while risks are also mitigated by reasonable liquidity. Net of wholesale debt repayments scheduled for the next 12 months, liquid assets covered a moderate 23% of customer accounts at end-2023.

Ratings

Foreign Currency	
Long-Term IDR	B
Short-Term IDR	B
Local Currency	
Long-Term IDR	B
Short-Term IDR	B
Viability Rating	b
Government Support Rating	ns
Sovereign Risk (Uzbekistan, Republic of)	
Long-Term Foreign-Currency IDR	BB-
Long-Term Local-Currency IDR	BB-
Country Ceiling	BB-
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

CIS+ Banks: Positive Side of The Credit Cycle; Structural Risks Still There (June 2024)

Stronger Regulation to Reduce Uzbek Banks' Retail Loan Quality Risks (June 2024)

CIS+ Bank Eurobond Issuance to Increase Significantly in 2024–2025 (April 2024)

Emerging-Market Sovereign Rating Momentum Is Positive (April 2024)

Uzbek Banking Reforms Gain Traction but May Face Delays (March 2024)

Fitch Affirms Uzbekistan at 'BB-'; Outlook Stable (February 2024)

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Rating Sensitivities

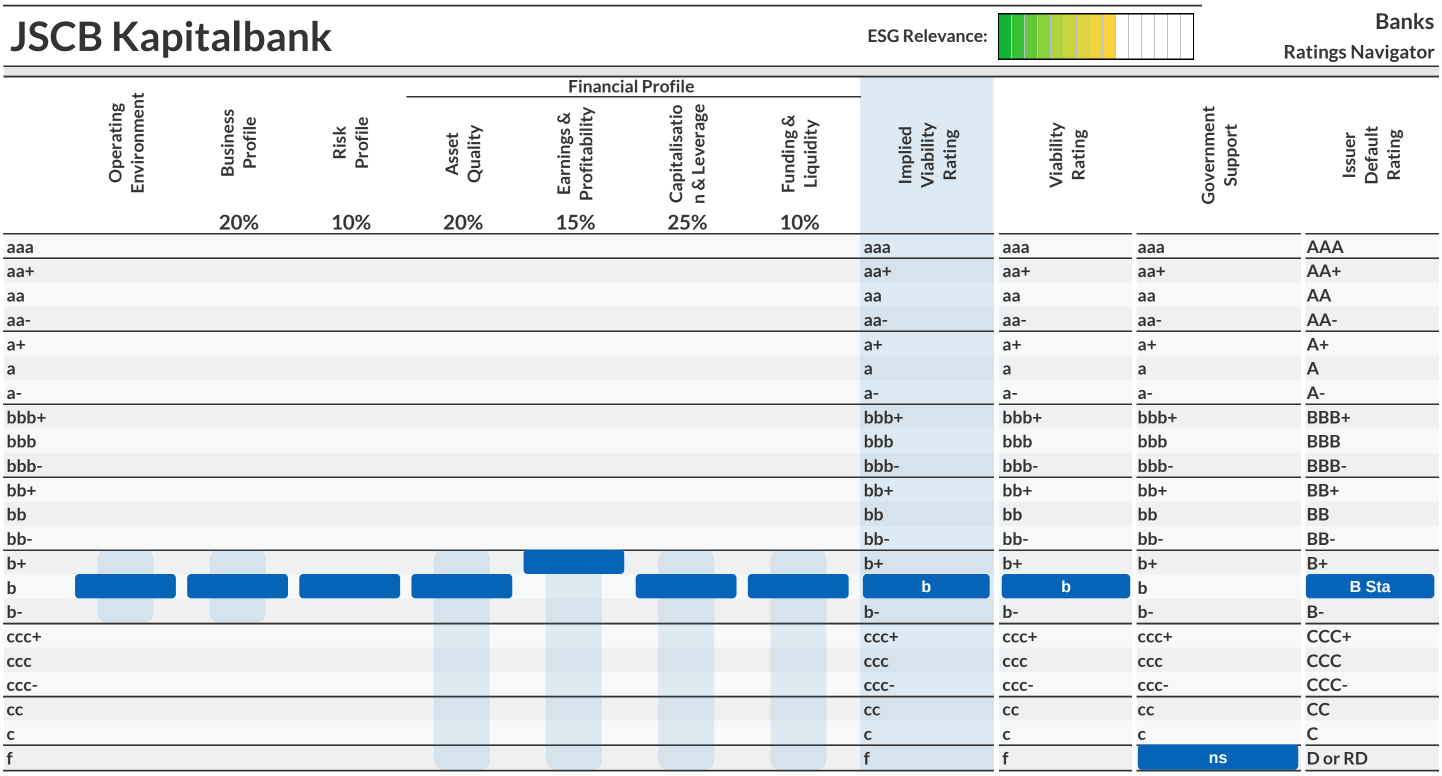
Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The ratings could be downgraded in case the bank's capital buffer reduces close to regulatory minimums on a sustained basis, for example due to a sharp deterioration in the bank's asset quality resulting in loss-making performance, or higher lending growth. Deterioration of liquidity buffers, for example, as a result of material customer account outflows, would also weigh on the VR.

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

An upgrade of Kapital's ratings would likely require an improved assessment of the operating environment for Uzbek banks. This should be combined with a more established business model, a stronger FCC ratio of about 15%, as well as maintaining sustainably good asset-quality metrics and strong profitability.

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.

Company Summary and Key Qualitative Factors

Operating Environment

State Dominance Despite Privatisation Plans

Large state-owned corporates continue to dominate Uzbekistan's economy, including in the banking sector. State banks hold a still-high share of sector assets (end-1Q24: 67%), although this has reduced markedly in recent years, mostly due to the sale of the controlling stake of Joint-Stock Commercial Mortgage Bank Ipoteka-Bank (BB-/Stable) to Hungary-based OTP Bank Plc in 2023. The government is planning to privatise most other state-owned banks by end-2025 under its banking sector reform strategy, although we expect this process will take more time than originally planned – for details, see Uzbek Banking Reforms Gain Traction but May Face Delays, published on 25 March 2024.

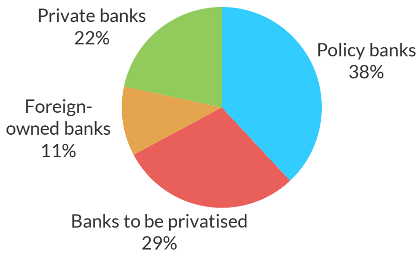
We expect the state to retain an important role in the banking sector even after all targeted banks are sold to private investors. A number of policy banks will remain in long-term government ownership and continue to provide subsidised lending under state development programmes. High levels of government intervention, along with still-limited financial transparency and deficiencies in banks' risk-management and governance frameworks, has a negative effect on our assessment of Uzbekistan's operating environment.

Material Asset-Quality Risks; Shift to Retail

Uzbek banks' asset quality has deteriorated materially since the pandemic due to the seasoning of loans issued during the period of high lending growth. We estimate sector impaired loans to have exceeded 10% in 2023, and that this will increase further this year on continued recognition of legacy problems. Subsidised development lending remains the most vulnerable segment, in our view, although the government has started to gradually phase it out.

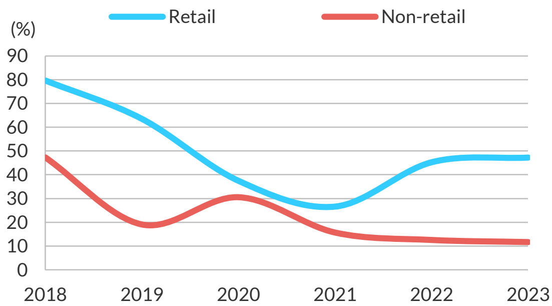
Additional medium-term risks may stem from the rapid retail lending growth. The share of retail exposures in sector loans has doubled over the past six years, reaching 32% at end-1Q24. We expect this shift to retail to improve banks' performance in the medium term, as well as reduce concentrations and dollarisation. However, the quality of banks' retail portfolios could deteriorate in 2024–2025, particularly in riskier unsecured cash and car loan segments given the high interest rates and still-weak underwriting standards. Recent regulatory restrictions should help mitigate risks of overheating in retail, although we believe it will take time for these measures to take full effect.

Sector Structure
As a % of total assets at end-1Q24



Source: Fitch Ratings, CBU

Loan Growth



Source: Fitch Ratings, CBU

Business Profile

Rapidly Growing Franchise, Evolving Business Model

Kapital is a private-owned bank, with a moderate 6% market share in system loans at end-May 2024. The bank historically grew at above-market rates, albeit from a low base. Kapital started to gain business scale in 2021, after a sizeable capital injection (equal to 7% of end-2020 RWAs), primarily in retail car lending. Total loans grew by 70%–90% a year over 2021–2023, while the share of car lending in total portfolio increased to 63% at end-2023 (end-2020: 16%), exposing the bank to significant single-sector concentration risks.

The recent regulatory restrictions urge Kapital to gradually reduce this exposure to 25% of loans over the next few years, which would, however, imply a material change in business model. The bank intends to prioritise SME and other retail segments, such as home-equity and cash loans, which we believe is feasible given still-low credit market saturation in Uzbekistan.

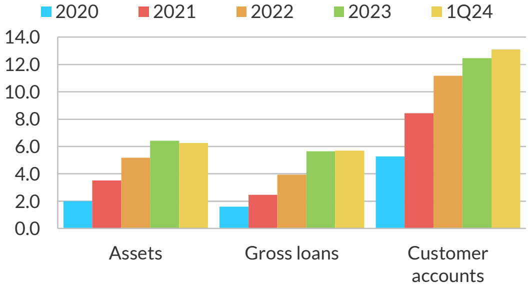
Part of Digital Ecosystem Holding, Owned by Local Individuals

Kapital is ultimately owned by a group of Uzbek nationals, who hold the stakes in the bank through UAE-based Uzum Holding. While the bank is the group's largest asset in terms of operating profit and total assets, the holding company also controls a group of digital and fintech businesses in Uzbekistan, including a marketplace, delivery service, payment solutions, and a digital bank. Those businesses together currently represent the largest digital ecosystem in Uzbekistan. Kapital's deeper integration into the Uzum ecosystem may provide tangible benefits to the banking business, such as individual and SME clients on-boarding through the marketplace.

The holdco's majority (50.22%) beneficiary is Djasur Djumaev, who acquired the stake in 2022. The source of funding for Djumaev was the disposal of his IT business. According to Kapital's executives, the bank's acquisition was made in cash and did not involve credit funds. Therefore, we do not believe there are double leverage risks at the holdco level.

Market Shares

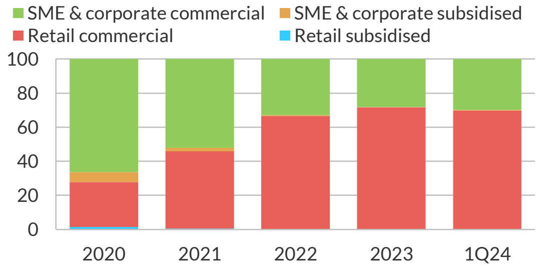
As a % of sector total



Source: Fitch Ratings, CBU

Loan Structure

As a % of gross loans



Percentages may not add up to 100% due to rounding
Source: Fitch Ratings, Local GAAP accounts

Risk Profile

Above-Average Growth, Diversification Away from Car Lending

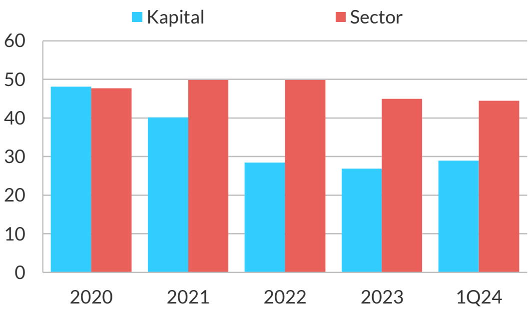
The bank will continue to pursue above-average growth (20%–25% a year over 2024–2026), albeit from a low base, given the compulsory diversification of its loan book away from car lending. The share of non-retail loans, which are almost entirely extended in FC, is expected to significantly increase, to about 50% at end-2026 (end-1Q24: 29%). Kapital will prioritise SME lending, mostly secured with real estate and vehicles, while the bank also seeks to increase short-term working capital exposures, including to sellers on the affiliated marketplace. Accordingly, we expect the bank's FC loans (end-1Q24: 29% of Kapital's gross loans) to materially increase by 2026, closer to the market average (45%), which may weigh on asset quality.

We also expect Kapital to diversify into consumer loans, such as secured home-equity and unsecured cash loans, which bear lower risk, in our view, as these are uniquely in local currency and are granular. Average loan-to-value (LTV) ratios for secured loans are reasonable for the rating level, at 60%–80%, depending on collateral liquidity. The bank has limited appetite towards high-risk subsidised lending.

Car lending will still preserve a considerable share in the bank's total loans, despite the anticipated scaling down to 25% over the next few years. We generally view car loans as lower risk, due to liquid collateral. Car prices in Uzbekistan are supported by high import duties and a car deficit on the local market.

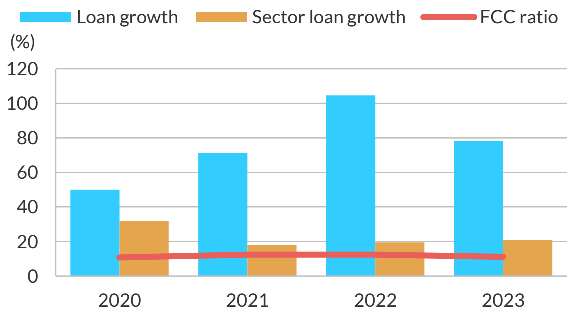
Loan Dollarisation

As a % of gross loans



Source: Fitch Ratings, CBU, Local GAAP accounts

Loan Growth



Source: Fitch Ratings, Fitch Solutions, Kapital

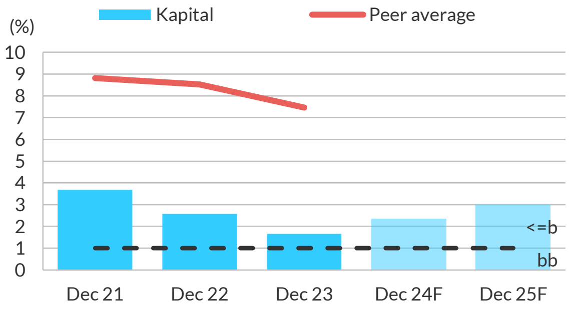
Financial Profile

Asset Quality

Kapital has one of the lowest impairment ratios in the sector. The bank's Stage 3 loans made up a low 1.7% of gross loans and were fully covered by total loan loss allowances at end-2023. The Stage 2 ratio was a moderate 3.5%. Four-year average cost of risk equalled a manageable 1.3% of average loans. We believe good asset-quality metrics are supported by the bank's focus on secured lending.

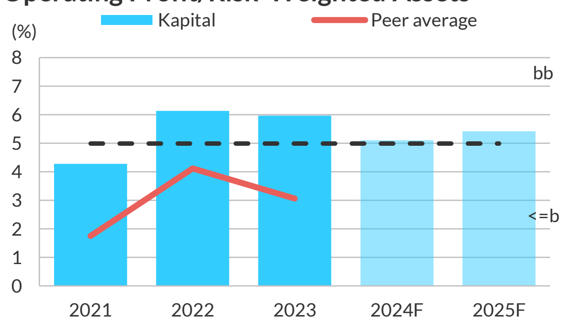
We believe the impaired loans ratio may moderately increase within the next two years, due to seasoning of loans issued during the previous years of rapid growth (70%–90% a year over 2021–2023). Risks may also stem from heavy single-sector concentrations in car lending (59% of the bank's loans at end-1Q24), although the bank is committed to reduce this exposure in favour of SME and consumer lending. Quality of new loan origination, particularly in the SME segment, which is mainly financed in foreign currency, is yet to be tested.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

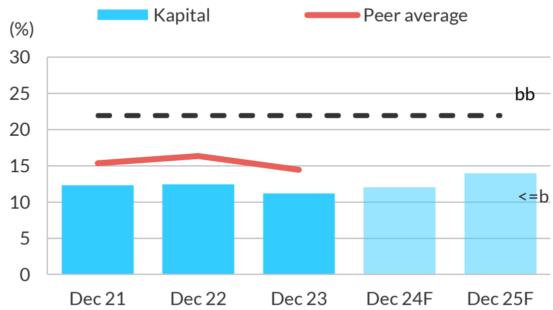
The operating profit/RWAs ratio was a robust 6% over 2022–2023. This is underpinned by wide margins (9%–10%) and reasonable operating efficiency, with cost-to-income ratio at about 40%. Return on equity was a strong 50% in 2022–2023. We expect earnings to slightly moderate in the next two years, as the bank is seeking to expand into a relatively lower-margin non-retail segment.

Capitalisation and Leverage

Kapital's FCC ratio was a below-average 11% at end-2023. This is in line with the bank's regulatory Tier 1 capital ratio, which had a limited headroom above the 10% minimum mandatory requirement. The regulatory total capital ratio was a higher 15%, underpinned by Tier 2 subordinated debt held by local market participants.

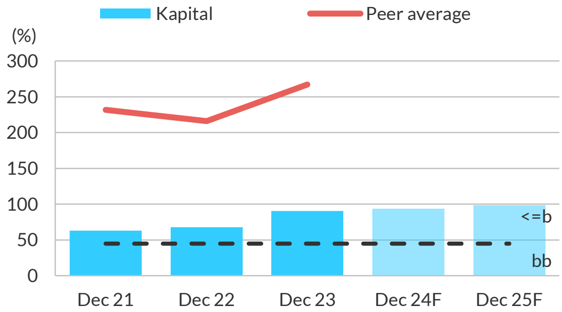
We expect capital ratios to moderately strengthen over the next two years, supported by strong internal capital generation in excess of the bank's growth rates. The bank does not plan dividend distributions.

FCC Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Sizeable Deposit Inflow in 2021–2022, Proved Stable So Far

Customer accounts (90% of total liabilities at end-2023) are rather evenly split between retail and corporate. Kapital reported an explosive four-fold growth in 2021–2022, albeit from a low base. This was mainly due to non-resident inflows and a few bulky corporate clients, including state-owned entities. Deposits added another 34% in 2023, while risks are mitigated by reasonable liquidity.

Adequate Liquidity

The loans/deposits ratio was a below-average 90% at end-2023 (market average: about 200%), suggesting an adequate liquidity position. Net of wholesale debt repayments scheduled for the next 12 months, liquid assets covered a moderate 23% of customer accounts at end-2023.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent 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 'b & below' category. Light-blue columns represent Fitch's forecasts.

Peer average includes JSC National Bank for Foreign Economic Activity of the Republic of Uzbekistan (VR: b+), Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank (b), Joint-Stock Commercial Bank Agrobank (b-), Joint-Stock Company Asakabank (b), Joint-Stock Commercial Mortgage Bank Ipoteka-Bank (b), Joint Stock Commercial Xalq Bank of the Republic of Uzbekistan (b-), Joint Stock Innovation Commercial Bank Ipak Yuli (b), Private Joint Stock Bank Trustbank (b), Joint Stock Commercial Bank Universal Bank (b-). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

Financials

Financial Statements

	31 Dec 23		31 Dec 22	31 Dec 21	31 Dec 20
	12 months	12 months	12 months	12 months	12 months
	(USDm)	(UZSm)	(UZSm)	(UZSm)	(UZSm)
	Audited – unqualified	Audited – unqualified	Audited – unqualified	Audited – unqualified	Audited – unqualified
Summary income statement					
Net interest and dividend income	212	2,612,678	1,351,032	612,820	264,791
Net fees and commissions	45	559,190	385,006	255,912	214,174
Other operating income	42	517,070	572,589	148,925	35,498
Total operating income	299	3,688,938	2,308,627	1,017,657	514,464
Operating costs	127	1,562,438	890,225	466,943	294,867
Pre-impairment operating profit	172	2,126,500	1,418,402	550,714	219,597
Loan and other impairment charges	6	73,771	260,151	111,887	66,215
Operating profit	166	2,052,729	1,158,251	438,827	153,382
Other non-operating items (net)	–	–	–	–	–
Tax	31	379,085	214,585	74,328	32,766
Net income	136	1,673,644	943,666	364,499	120,616
Other comprehensive income	2	19,381	62,769	–	–
Fitch comprehensive income	137	1,693,025	1,006,435	364,499	120,616
Summary balance sheet					
Assets					
Gross loans	2,457	30,319,528	17,007,253	8,314,956	4,851,169
– Of which impaired	41	501,204	436,576	306,532	192,360
Loan loss allowances	46	570,534	490,488	263,140	171,196
Net loans	2,411	29,748,994	16,516,765	8,051,816	4,679,974
Interbank	118	1,450,808	1,726,032	897,712	184,773
Derivatives	–	–	–	–	–
Other securities and earning assets	158	1,947,739	2,711,914	1,430,590	187,415
Total earning assets	2,686	33,147,541	20,954,711	10,380,118	5,052,161
Cash and due from banks	505	6,227,888	6,310,028	3,978,665	1,396,370
Other assets	173	2,135,575	1,331,855	856,877	761,893
Total assets	3,364	41,511,004	28,596,594	15,215,660	7,210,423
Liabilities					
Customer deposits	2,717	33,520,477	25,055,556	13,222,736	6,144,553
Interbank and other short-term funding	153	1,889,089	224,437	56,370	198,535
Other long-term funding	120	1,483,671	634,942	504,292	116,344
Trading liabilities and derivatives	–	–	16,459	–	–
Total funding and derivatives	2,990	36,893,237	25,931,394	13,783,398	6,459,433
Other liabilities	39	479,055	211,153	60,054	7,591
Preference shares and hybrid capital	–	–	–	–	–
Total equity	335	4,138,712	2,454,047	1,372,208	743,401
Total liabilities and equity	3,364	41,511,004	28,596,594	15,215,660	7,210,423
Exchange rate		USD1 = UZS12338.77	USD1 = UZS11225.46	USD1 = UZS10837.66	USD1 = UZS10476.92

Source: Fitch Ratings, Fitch Solutions, Kapital

Key Ratios

	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	6.0	6.1	4.3	2.5
Net interest income/average earning assets	9.7	8.6	7.9	6.1
Non-interest expense/gross revenue	42.4	38.6	45.9	57.3
Net income/average equity	50.8	49.3	34.5	18.7
Asset quality				
Impaired loans ratio	1.7	2.6	3.7	4.0
Growth in gross loans	78.3	104.5	71.4	50.0
Loan loss allowances/impaired loans	113.8	112.4	85.8	89.0
Loan impairment charges/average gross loans	0.3	1.9	1.3	1.6
Capitalisation				
Fitch Core Capital ratio	11.2	12.4	12.3	10.7
Tangible common equity/tangible assets	9.3	8.3	8.4	9.4
Net impaired loans/Fitch Core Capital	-1.8	-2.3	3.4	3.2
Funding and liquidity				
Gross loans/customer deposits	90.5	67.9	62.9	79.0
Customer deposits/total non-equity funding	90.9	96.7	95.9	95.1

Source: Fitch Ratings, Fitch Solutions, Kapital

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bb- or b+
Actual jurisdiction D-SIB GSR	b+
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	BB-/ Stable
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	Negative
Liability structure	Positive
Ownership	Neutral

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

The Government Support Rating of 'no support' factors in Kapital's limited systemic importance in the highly concentrated Uzbek banking sector. Kapital's market share was an only moderate 6% of total loans at end-May 2024, although the bank has recently built up its market share, following a few years of aggressive growth.

Environmental, Social and Governance Considerations

FitchRatings **JSCB Kapitalbank**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

JSCB Kapitalbank has 5 ESG potential rating drivers

- JSCB Kapitalbank 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.

			ESG Relevance to Credit Rating
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.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.