FitchRatings

Banks
Retail & Consumer Banks
New Zealand

First Credit Union

Key Rating Drivers

IDRs Driven by VR: First Credit Union's (FCU) Long-Term Issuer Default Ratings (IDRs) are driven by its Viability Rating (VR), which is assigned in line with the implied VR. The VR captures its greater risk appetite relative to New Zealand banks and building societies, reflected in its higher exposure to personal loans than sector peers. This could make FCU's financial profile more volatile through the cycle. The ratings also capture FCU's small size compared with total system assets and its geographical concentration in parts of New Zealand.

Economic Growth to Slow: Fitch Ratings expects slower economic growth in New Zealand in 2024. The higher cost of living is likely to put pressure on borrowers, although we expect the unemployment rate to remain low, which should support borrower repayment capacity. This underpins the stable outlook on our operating environment score of 'a-' for non-bank deposit takers (NBDTs), which is below the 'aa' category score implied by Fitch's criteria to reflect the high household debt in New Zealand.

Concentrated, Consistent Business Model: FCU's simple and consistent business model partly offsets the credit union's small market position, contributing to Fitch assigning a business profile factor score of 'bb', above the 'b' category implied score. FCU accounts for less than 0.1% of combined bank and NBDT system assets, which limits its pricing power.

Exposure to Non-Mortgage Loans: FCU has greater exposure to consumer loans than most New Zealand bank and building-society peers, which we consider an indication of an above-average risk appetite. The proportion of non-mortgage consumer loans in FCU's loan book has dropped in recent years, but remains high relative to that of broader-sector peers.

Modest Asset-Quality Weakening: We expect modest deterioration in FCU's impaired-loan ratio over 2024 as the impact of sharply higher interest rates is felt by borrowers. However, still-low unemployment and FCU's increase in residential mortgage lending over recent years should limit the deterioration. The factor score of 'bb' is lower than the implied 'bbb' category score due to FCU's product and geographical concentration.

Profitability Below Peers: We expect FCU's profitability metrics to remain modest over the financial year ending June 2024 (FY24), driven by higher operating expenses from the merger with two smaller credit unions in previous years. We believe profitability will improve over the long term once the merged companies are fully integrated and cost synergies are achieved.

Robust Capital Buffers: We expect the Fitch Core Capital (FCC) and total regulatory capital ratios to remain broadly stable in FY24 and for FCU to maintain strong buffers over regulatory minimums. Merger activity in 2023 did not have a significant impact on FCU's capitalisation. Our forecast for modest loan growth means capitalisation is unlikely to be under pressure over the next two years.

However, retained earnings generation is also likely to be weaker until cost synergies from the mergers are realised. The assigned 'bb+' score is below the implied 'a' category score due to the small absolute size of the capital base of only NZD68 million (USD37 million) at FYE23.

Fully Deposit-Funded: We expect FCU's funding profile to be broadly stable over the next two years and for FCU to remain wholly deposit-funded. We have applied a negative adjustment on FCU's funding score of 'bbb-' from the 'a' category implied score to reflect the lack of access to the Reserve Bank of New Zealand's (RBNZ) liquidity facilities.

Ratings

Foreign Currency

Long-Term IDR	BB
Short-Term IDR	B

Local Currency

Long-Term IDR	BB
Short-Term IDR	B
Viability Rating	bb
Government Support Rating	ns

Sovereign Risk (New Zealand)

Long-Term Foreign-Currency IDR	AA+
Long-Term Local-Currency IDR	AA+
Country Ceiling	AAA

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 (September 2023)

Related Research

Fitch Affirms First Credit Union at 'BB'; Outlook Stable (January 2024)

Asia Pacific Developed Market Banks Outlook 2024 (November 2023)

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Rating Sensitivities

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

IDRs and VR

FCU's Long-Term IDRs and VR may be downgraded if there is a weakening in the business profile, potentially reflected in growth in deposits and loans that is persistently below the system's pace, ongoing above-system net interest margin attrition due to the need to price more sharply to compete, or a prolonged deterioration in the loan/customer deposit ratio. Growing regulatory and investment burdens in an increasingly digitalised market may reduce FCU's competitive standing and also pressure the business profile assessment. This may, in turn, prompt FCU to increase its appetite for riskier exposures, resulting in greater earnings volatility and pressure on capitalisation through the cycle.

The above scenario may be reflected in a combination of the following:

- the four-year average of stage 3/gross loans increasing to above 4% for a sustained period (FY20-FY23 average: 2.5%);
- the four-year operating profit/risk-weighted asset ratio falling to below 0.25% for a sustained period (FY20-FY23 average: 0.6%); or
- the FCC ratio declining to below 9.5% without a credible plan to replenish regulatory capital buffers (FY23: 16.1%); or
- the four-year average of the loan/customer deposit ratio sustained significantly above 100% (FY20-FY23 average of 78.0%).

The Short-Term IDR would only be downgraded if the Long-Term IDR were downgraded to 'CCC+' or below.

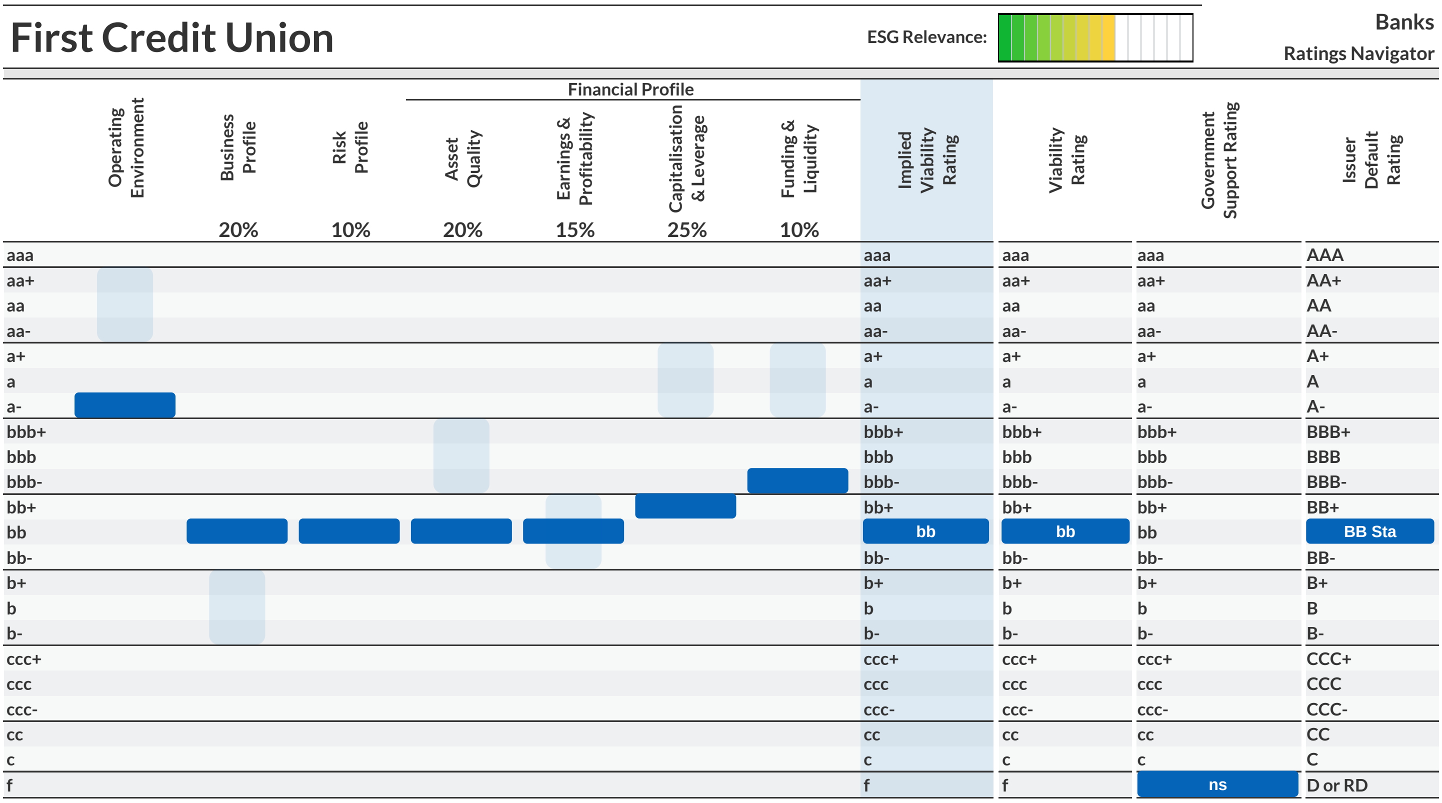
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

IDRs and VR

An upgrade of the VR and Long-Term IDRs is unlikely in the short term, as it would require a significant improvement in the risk profile that results in more stable asset quality and earnings through the cycle.

An upgrade of the Short-Term IDR would require an upgrade of the Long-Term IDR to at least 'BBB-'.

Ratings Navigator



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

VR - Adjustments to Key Rating Drivers

The operating environment score of 'a-' has been assigned below the 'aa' category implied score because of the following adjustment reasons: level and growth of credit (negative), regulatory and legal framework (negative).

The business profile score of 'bb' has been assigned above the 'b' category implied score because of the following adjustment reason: business model (positive).

The asset-quality score of 'bb' has been assigned below the 'bbb' category implied score because of the following adjustment reason: concentration (negative)

The capitalisation and leverage score of 'bb+' has been assigned below the 'a' category implied score because of the following adjustment reason: size of capital base (negative).

The funding and liquidity score of 'bbb-' has been assigned below the 'a' category implied score because of the following adjustment reasons: liquidity access and ordinary support (negative).

Company Summary and Key Qualitative Factors

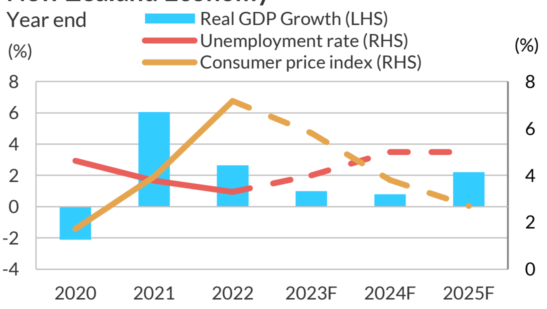
Operating Environment

We expect a further slowdown in New Zealand GDP growth in 2024 as the full effect of the rapid interest rate increases from 2021 to 2023 to tackle high inflation is felt by the economy. We expect unemployment to rise to around 5% as a result. Losses for banks and NBDTs should be manageable at this level, which underpins the stable operating environment outlook. The unemployment rate rose 30bp qoq to 3.9% in the quarter ended September 2023.

House prices fell through 2022 and 2023 after rapid increases during 2020 and 2021, although there are signs of some recovery in recent months. The RBNZ's macroprudential limits should limit losses for banks should unemployment increase much more significantly than we expect and lead to increased stress among mortgagees. Most NBDTs have remained reasonably conservative in their underwriting and largely adhered to these guidelines, even though they are not subject to the rules. New Zealand has high household leverage relative to many other countries, although this improved in 2022 and 2023. Household debt/disposable income was 165% at end-June 2023, down from a cyclical high of 175% at end-March 2022 and the lowest level since September 2014.

New Zealand Economy

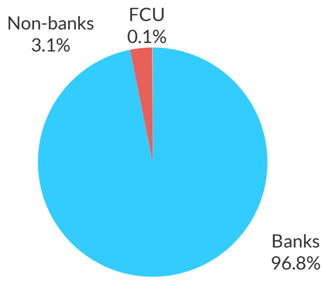
Year end



Source: Fitch Ratings, Fitch Solutions

Market Share

Total assets, end-September 2023

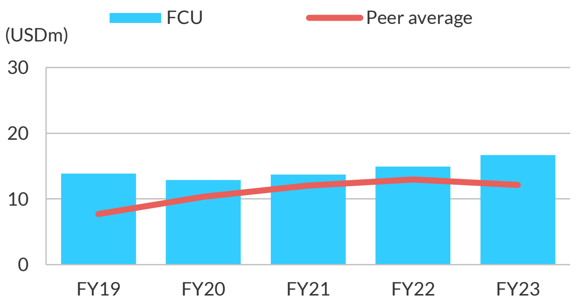


Source: Fitch Ratings, RBNZ, NBS disclosures

Business Profile

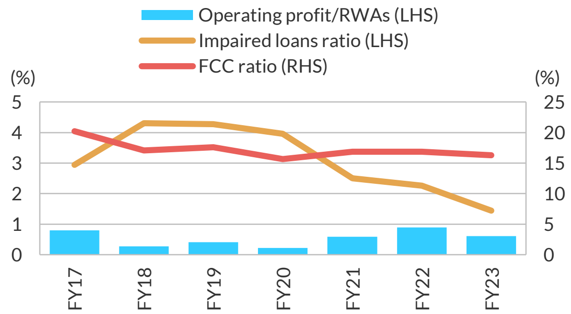
FCU is one of New Zealand's largest credit unions, primarily operating in the upper North Island around the city of Hamilton, where it is headquartered and regionally concentrated. FCU accounts for less than 0.1% of New Zealand bank and non-bank system assets. This means that it has limited competitive advantages and is generally a price-taker in its core operating segments. Its business model centres around providing residential mortgages and consumer loans to members, funded by retail deposits. The credit union has low reliance on volatile business segments, and we expect this to continue, underpinning our business profile assessment of 'bb'.

Total Operating Income



Source: Fitch Ratings, Fitch Solutions, banks

Performance Through the Cycle



Source: Fitch Ratings, Fitch Solutions, FCU

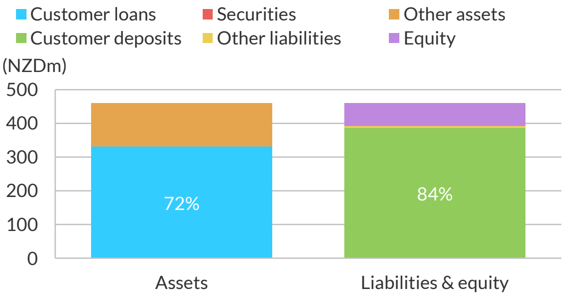
Risk Profile

FCU's underwriting standards and serviceability assessment are generally in line with industry practice. All loans are assessed on an amortising basis using an interest rate that is higher than the offered or advertised rate. Collateral is taken on most loans and is used as a backstop to losses. Exposures to commercial lending are limited.

FCU's risk control framework is acceptable for its operations but less sophisticated than those observed at larger New Zealand banks. Operational and market risk frameworks are similarly acceptable, given the low sales incentive pay structure and lack of trading activity.

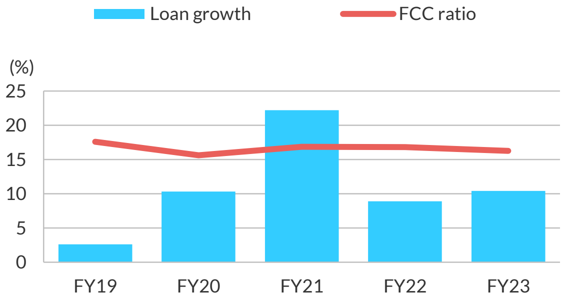
Balance Sheet

End-2023



Source: Fitch Ratings, Fitch Solutions, FCU

Loan Growth



Source: Fitch Ratings, Fitch Solutions, FCU

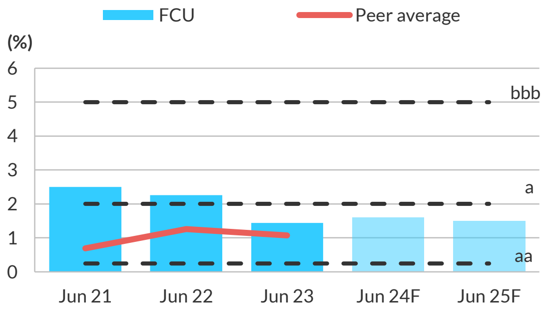
Financial Profile

Asset Quality

FCU's asset quality is likely to weaken as the impact of higher interest rates manifests through 2024, but we expect the impaired loans/gross loans ratio to peak below 2.5%, which is higher than for sector peers. This reflects the risk profile of FCU's loan portfolio, which has a reasonably high level of non-mortgage exposure, as well as our expectation for a modest weakening in unemployment.

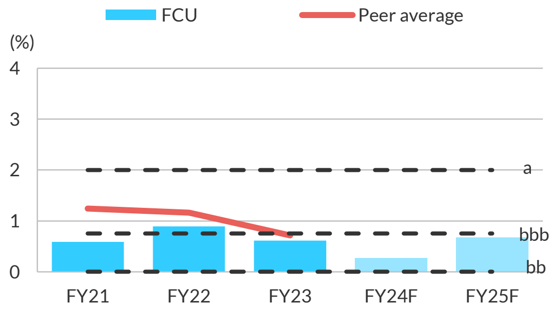
FCU's modest franchise and regional focus leaves its asset quality more susceptible to losses in the case of a regional downturn. The concentration risk is reflected in FCU's assigned factor score of 'bb', which is lower than the implied 'bbb' category score.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

FCU's earnings and profitability is likely to be lower in FY24 than in recent years, but we still expect the core metric to remain at levels commensurate with the assigned 'bb' score. We expect the weakening in the core metric to be driven by higher operating expenses from inflationary pressures and merger activity. In the longer term, additional scale benefits and synergies from the mergers should improve the core metric.

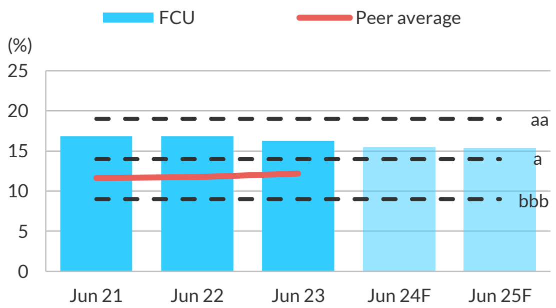
Rising interest rates drove significant expansion in FCU's net interest margin in FY23, but we expect a turning interest-rate cycle, combined with increased competition for loans and deposits in a slowing economy, to result in margin headwinds over the next two years. We expect FCU's cost/income ratio to remain above 80% and higher than those of most sector peers for the medium term.

Capital and Leverage

FCU's FCC ratio remains at the higher end of the range for Fitch-rated New Zealand NBDTs, and we believe this will continue to be so. Loan growth slowed to 10% in FY23, but was above system levels, albeit from a small base. We expect some moderation in loan growth from the slowing economy, which should limit downward pressure on capitalisation ratios. At FYE23, the regulatory total capital ratio, which is the only regulatory capital metric required to be calculated by FCU, remained steady at 14.6% and well above the 8% regulatory minimum.

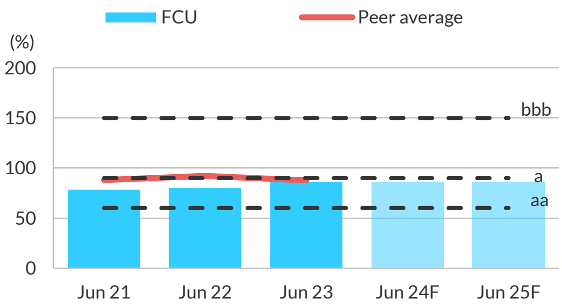
The mutual CET1 instruments, once finalised, could provide another option for NBDTs, such as FCU, to bolster their FCC ratios. Timing remains uncertain, although FCU has no plans for issuance of the instrument at this stage.

FCC Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Fitch expects FCU's funding and liquidity profile to remain generally stable over the next two years. FCU is likely to maintain the core metric of loans/customer deposits at one of the strongest within its peer group, at around 85%. the credit union is funded entirely by retail deposits with relatively low levels of single-name depositor concentration. Geographical concentration high due to its business model and is unlikely to change.

FCU's core metric implies a score in the 'a' category but was adjusted to 'bbb-' to reflect FCU's lack of access to the RBNZ's lender-of-last-resort facilities, which could lead to deposit outflows in a funding market shock.

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 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. Light-blue columns represent Fitch's forecasts.

Peer average includes Christian Savings Limited (VR: bb+), Unity Credit Union (b), Nelson Building Society (bb+) and Wairarapa Building Society (bb+). The financial year end of FCU and Unity Credit Union is 30 June. The financial year end of Christian Savings Limited is 31 August. The financial year end of Nelson Building Society and Wairarapa Building Society is 31 March. Latest average uses FY22 data for Nelson Building Society; 1H23 data for Wairarapa Building Society.

Financials

Summary Financials

	30 Jun 23		30 Jun 22	30 Jun 21	30 Jun 20	30 Jun 19
	Year end	Year end	Year end	Year end	Year end	Year end
	(USDm)	(NZD 000)	(NZD 000)	(NZD 000)	(NZD 000)	(NZD 000)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement						
Net interest and dividend income	11	18,578.0	14,896.0	12,566.0	13,072.0	13,091.0
Net fees and commissions	5	7,917.0	6,201.0	6,254.0	5,906.0	6,350.0
Other operating income	1	1,265.0	1,503.0	1,172.0	1,301.0	1,223.0
Total operating income	17	27,760.0	22,600.0	19,992.0	20,279.0	20,664.0
Operating costs	15	23,970.0	18,441.0	16,990.0	17,803.0	17,434.0
Pre-impairment operating profit	2	3,790.0	4,159.0	3,002.0	2,476.0	3,230.0
Loan and other impairment charges	1	1,462.0	1,099.0	1,150.0	1,786.0	2,128.0
Operating profit	1	2,328.0	3,060.0	1,852.0	690.0	1,102.0
Other non-operating items (net)	n.a.	n.a.	n.a.	15.0	108.0	1,883.0
Tax	0	1.0	1.0	0.0	14.0	29.0
Net income	1	2,327.0	3,059.0	1,867.0	784.0	2,956.0
Other comprehensive income	n.a.	n.a.	1,413.0	n.a.	n.a.	95.0
Fitch comprehensive income	1	2,327.0	4,472.0	1,867.0	784.0	3,051.0
Summary balance sheet						
Assets						
Gross loans	202	332,326.0	301,057.0	276,441.0	226,184.0	205,065.0
- Of which impaired	3	4,770.0	6,796.0	6,900.0	8,966.0	8,763.0
Loan loss allowances	1	1,928.0	2,775.0	2,880.0	2,960.0	2,770.0
Net loans	201	330,398.0	298,282.0	273,561.0	223,224.0	202,295.0
Interbank	49	80,456.0	94,107.0	95,625.0	133,865.0	142,235.0
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other securities and earning assets	5	7,625.0	6,998.0	9,061.0	1,012.0	3,949.0
Total earning assets	254	418,479.0	399,387.0	378,247.0	358,101.0	348,479.0
Cash and due from banks	13	21,821.0	26,610.0	20,924.0	18,895.0	15,663.0
Other assets	11	18,736.0	16,359.0	16,142.0	23,922.0	18,837.0
Total assets	279	459,036.0	442,356.0	415,313.0	400,918.0	382,979.0
Liabilities						
Customer deposits	235	386,472.0	374,298.0	352,156.0	337,358.0	319,929.0
Interbank and other short-term funding	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other long-term funding	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Trading liabilities and derivatives	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total funding and derivatives	235	386,472.0	374,298.0	352,156.0	337,358.0	319,929.0
Other liabilities	3	4,452.0	4,091.0	3,662.0	3,218.0	3,492.0
Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total equity	41	68,112.0	63,967.0	59,495.0	60,342.0	59,558.0
Total liabilities and equity	279	459,036.0	442,356.0	415,313.0	400,918.0	382,979.0
Exchange rate		USD1 = NZD1.646091	USD1 = NZD1.6093	USD1 = NZD1.42898	USD1 = NZD1.556178	USD1 = NZD1.493875

Source: Fitch Ratings, Fitch Solutions, First Credit Union

Key Ratios

	30 Jun 23	30 Jun 22	30 Jun 21	30 Jun 20	30 Jun 19
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	0.6	0.9	0.6	0.2	0.4
Net interest income/average earning assets	4.5	3.8	3.4	3.7	3.9
Non-interest expense/gross revenue	88.3	84.2	86.0	87.8	84.4
Net income/average equity	3.5	5.0	3.1	1.3	5.1
Asset quality					
Impaired loans ratio	1.4	2.3	2.5	4.0	4.3
Growth in gross loans	10.4	8.9	22.2	10.3	2.6
Loan loss allowances/impaired loans	40.4	40.8	41.7	33.0	31.6
Loan impairment charges/average gross loans	0.5	0.4	0.5	0.8	0.3
Capitalisation					
Common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Fully loaded common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital ratio	16.3	16.8	16.9	15.6	17.6
Tangible common equity/tangible assets	14.8	14.5	14.3	13.9	14.3
Basel leverage ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Net impaired loans/common equity Tier 1	n.a.	n.a.	n.a.	n.a.	n.a.
Net impaired loans/Fitch Core Capital	4.6	7.0	7.5	12.3	12.6
Funding and liquidity					
Gross loans/customer deposits	86.0	80.4	78.5	67.1	64.1
Gross loans/customer deposits + covered bonds	n.a.	n.a.	n.a.	n.a.	n.a.
Liquidity coverage ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Customer deposits/total non-equity funding	100.0	100.0	100.0	100.0	100.0
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, First Credit Union

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	N/A
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA+/ Stable
Size of banking system	Negative
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
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 GSR of 'ns' (no support) reflects our view that there is no reasonable assumption that support from the New Zealand sovereign would be forthcoming if required. We believe that the existence of an open bank resolution scheme lowers the propensity of the sovereign to support its banks. The scheme allows for the imposition of losses on depositors and senior debt holders to recapitalise a failed institution.

Environmental, Social and Governance Considerations

FitchRatings

First Credit Union

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

First Credit Union has 5 ESG potential rating drivers

- First Credit Union 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 result in 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.

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