FitchRatings

Banks
Retail & Consumer Banks
New Zealand

Wairarapa Building Society

Key Rating Drivers

VR Underpins Ratings: WBS's Long-Term IDRs are driven by its VR, which is assigned in line with the implied VR. The VR reflects steady asset quality and satisfactory capitalisation. WBS's resilient asset quality supports its credit profile, reflecting the society's underwriting standards, which are generally consistent with those of peers.

Stable Operating Environment: Fitch expects the operating environment to be broadly stable for New Zealand non-bank deposit takers (NBDTs) over the next two years despite our forecast for a mild recession in 2023. This underpins the stable outlook on our operating environment score of 'a-' for NBDTs, which is below the 'aa' category score implied by Fitch's criteria to reflect the high household debt in New Zealand.

We also incorporate the less stringent regulatory oversight of NBDTs relative to registered banks in the operating environment assessment, resulting in a score one notch below that of New Zealand banks. New Zealand is in the process of aligning regulation of all deposit takers under one framework, and we may consider aligning the NBDT operating environment score with that of New Zealand banks once this is in place. However, finalisation of this framework is still a number of years away.

Simple Business Model: WBS has a modest franchise with a market share of less than 0.1% of total banking and NBDT system assets. This means it is generally a price-taker in its main operating segments and has limited competitive advantages. Fitch views the consistent and stable business model focused on residential mortgages as a positive for the rating, contributing to the business profile score of 'bb-', which is above the implied 'b' category score.

Manageable Asset-Quality Weakening: Fitch expects a modest weakening in WBS's stage 3 loan ratio over the next two years as the sharp increase in interest rates pressures some borrowers. However, WBS's focus on low loan-to-value ratio residential mortgages along with low unemployment should limit this deterioration. The factor score of 'bb+' is below the implied 'a' category score due to WBS's product and geographical concentration.

Consistent Profitability: WBS's profitability metrics have consistently been among the best of its peer group and we expect this to continue over the next two years. The four-year average of the society's core metric, operating profit/risk-weighted asset ratio, improved to 1.5% in the financial year ended March 2022 (FY22). The assigned score is below the implied 'bbb' category score due to WBS having less diverse revenue streams than larger peers in New Zealand.

Sound Capitalisation: We expect WBS to maintain sound capital ratios and remain towards the top end of its peer group over the next two years. The Fitch Core Capital (FCC) ratio moderately weakened to 15.2% in 1HFY23, implying a score in the lower half of the 'a' category. Total capital also fell to 15.2% by end-1HFY23, although this still gives solid buffers over board and regulatory minimums.

Fitch views these buffers as appropriate given the small absolute size of the society's capital base (NZD24 million or USD17 million at end-March 2022), although this leaves it more vulnerable to negative shocks than larger peers. The assigned 'bb+' factor score is below the implied score to reflect this risk.

Funding Ratios to Weaken: Fitch expects the loan/customer deposit ratio to continue weakening through the remainder of FY23 due to strong loan growth over the period. We expect any weakening to be manageable, and all non-equity funding to remain in the form of deposits, meaning downward pressure on the 'bbb-' factor score is unlikely. This is below the implied 'a' category score to reflect that WBS does not have access to lender-of-last resort facilities at the central bank.

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 2022)

Related Research

Fitch Affirms New Zealand's Wairarapa Building Society at 'BB+'; Outlook Stable (February 2023)

APAC Developed Market Banks Outlook 2023 (November 2022)

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Rating Sensitivities

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

IDRS AND VR

WBS's Long-Term IDRs and VR may be downgraded if there is deterioration in the risk profile, potentially aimed at expanding market share and profitability, which leads to greater volatility in the financial profile through the cycle.

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

- impaired loans/gross loans increasing to above 8% for a sustained period (FY19-FY22 average of 1.1%);

- operating profit/risk-weighted assets falling to below 0.5% for a sustained period (FY19-FY22 average of 1.5%); or

- the FCC ratio declining to below 11.5% without a credible plan to replenish regulatory capital buffers (15.2% at 1HFY23)

Alternatively, we may downgrade the VR and Long-Term IDRs if the loan/customer deposit ratio is sustained significantly above 100% as this may indicate a weakening in the business model and risk profile.

The Short-Term IDRs 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 WBS's Long-Term IDRs and VR appears unlikely as this would require a significant increase in its market share without materially weakening its underwriting standards and overall risk profile. This would also require sustained improvements in a number of WBS's financial metrics.

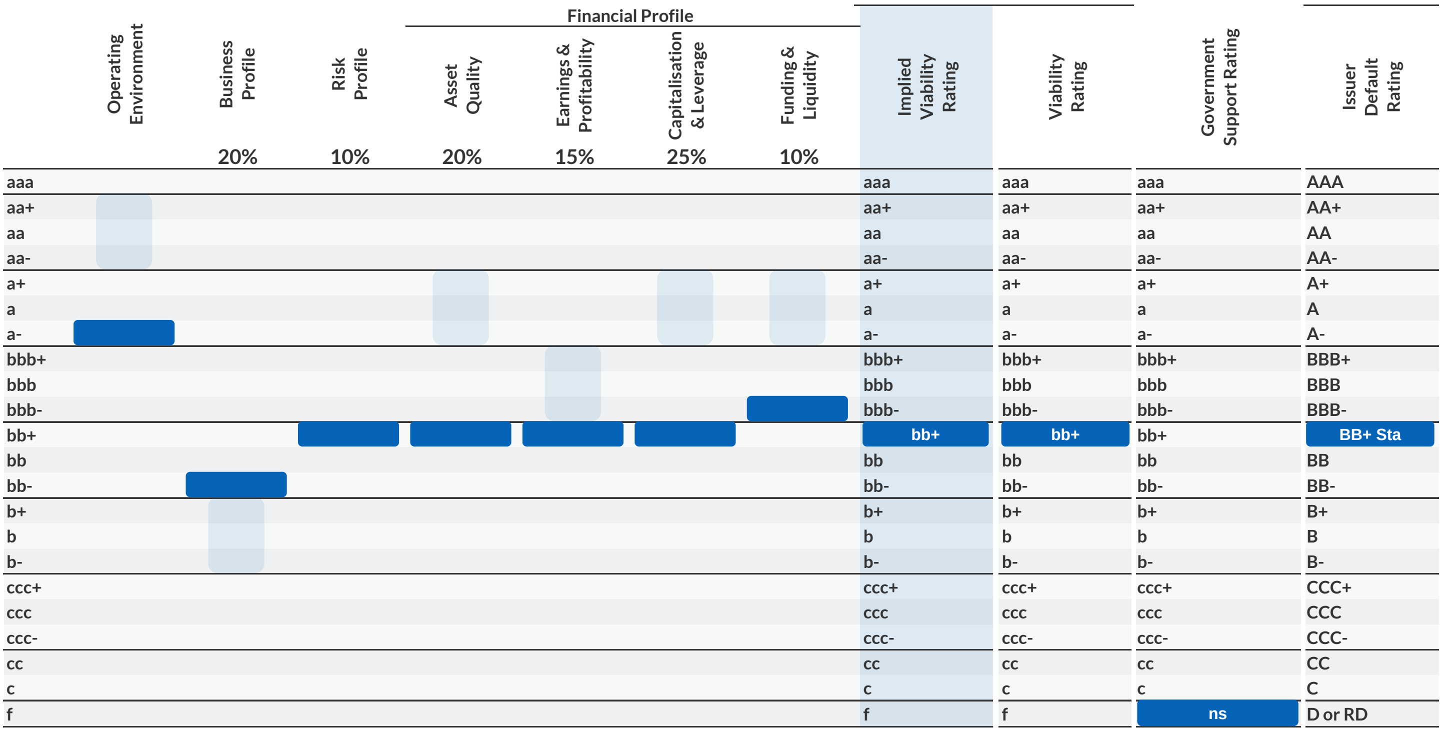
The Short-Term IDRs would be upgraded if the Long-Term IDR were to be upgraded to at least 'BBB-'.

Significant Changes from Last Review

Sharp Rise in Inflation and Interest Rates

New Zealand, like many countries globally, experienced a rapid increase in consumer prices during 2022. This resulted in the Reserve Bank of New Zealand increasing the overnight cash rate substantially, and we expect further increases in 2023. Rising interest rates are likely to place some pressure on New Zealand's highly indebted households, particularly as many mortgage borrowers roll out of fixed rate periods onto much higher interest rates over the next 12 months. However, New Zealand banks and non-bank deposit takers, including NBS, are unlikely to incur large losses in their mortgage portfolios because of low unemployment and solid underwriting.

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 reason: 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 'bbb-' has been assigned below the 'aa' category implied score because of the following adjustment reason: concentrations (negative)

The earnings and profitability score of 'bb+' has been assigned below the 'aa' category implied score because of the following adjustment reason: revenue diversification (negative)

The capitalisation and leverage score of 'bb' has been assigned below the 'bbb' 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 reason: liquidity access and ordinary support (negative).

Company Summary and Key Qualitative Factors

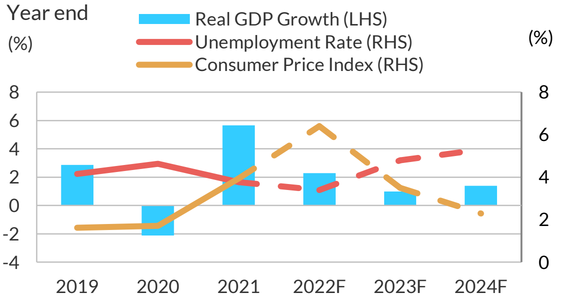
Operating Environment

We expect a further slowdown in GDP growth in New Zealand in 2023, including a mild recession mid-year, as interest rates increase to tackle high inflation but very low unemployment levels should provide an offset, resulting in a broadly stable operating environment. The unemployment rate remained near all-time lows at 3.3% in the September quarter of 2022. This should provide some support to asset quality as higher living costs, due to a sharp rise in inflation and higher interest rates, work their way through the economy.

House prices fell through 2022 after rapid increases during 2020 and 2021 and we expect further falls in 2023. The RBNZ's macroprudential limits should limit losses for banks should the downturn accelerate and unemployment increase. Most NBDTs have remained reasonably conservative in their underwriting and largely adhered to these guidelines even though they were not subject to the rules. Nevertheless, New Zealand has high household leverage relative to that of many other countries. Household debt/disposable income was close to a record high at 173% at end-June 2022.

New Zealand Economy

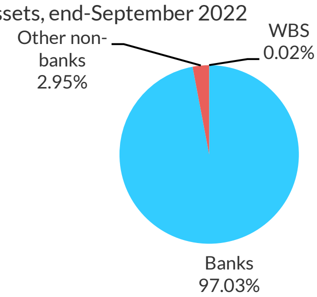
Year end



Source: Fitch Ratings, Fitch Solutions

Market Share

Total assets, end-September 2022



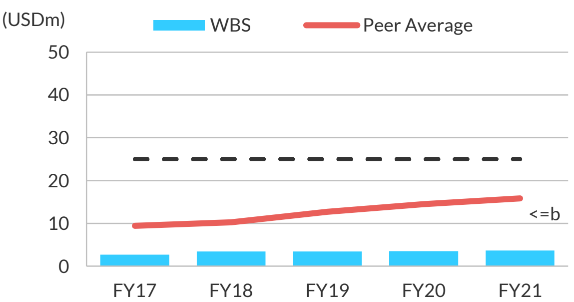
Source: RBNZ, WBS

Business Profile

WBS is a small building society based in Masterton, New Zealand where it has its only branch. The business model is simple and consistent, reflecting its focus on traditional banking, which offsets the modest franchise. The society does not offer transactional banking services, such as cheques or ATMs, which we regard as a limitation to its business model, as this means it is more susceptible to losing clients to competitors. This risk is partly mitigated by the society's relationships and brand awareness in its home market and improving digital capabilities.

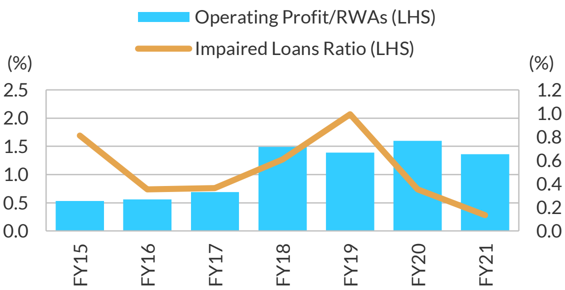
Management has seen higher turnover than peers over recent years. Two CEOs have departed in the last year, most recently in December 2022, although this not has materially weakened the society's management quality. Overall Fitch views management's depth and experience as adequate for the company's size and complexity. Strategic objectives should remain consistent and will continue to focus on supporting members and providing high quality service.

Total Operating Income



Source: Fitch Ratings, Fitch Solutions

Performance Through the Cycle



Source: Fitch Ratings, WBS

Risk Profile

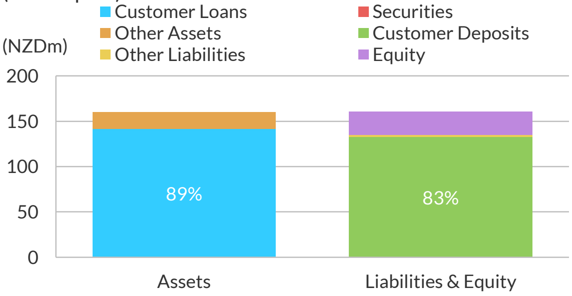
Fitch views WBS's risk profile as more conservative than that of some of its NBDT peers, particularly credit unions. We do not expect any material change in the society's risk profile in the near term. Underwriting standards are generally consistent with or better than industry practice. Serviceability for residential mortgages is assessed on an amortising basis, including a material buffer over the offered rate.

The risk management framework and reporting tools are less sophisticated than that of larger peers, but appear appropriate given the simple nature of WBS's operations. Fitch believes the modernisation of WBS's systems will enable tighter risk controls and better oversight. The society is required to operate within the terms of its trust deed, which outlines restrictions on liquidity, lending, capital and dealings with related parties.

Market risk primarily arises from interest-rate mismatch on asset and liabilities on the balance sheet. We believe the society's hedging techniques are basic compared with that of larger domestic banks. WBS employs a natural hedging strategy and matches the interest rate maturity profile of its financial assets and liabilities where possible. WBS also holds an investment property portfolio that adds a degree of market risk. However, historical returns on the portfolio have been generally stable. The property portfolio is revalued every 12 months based on rental income, lease expiry and the current market capitalisation rate.

Balance Sheet

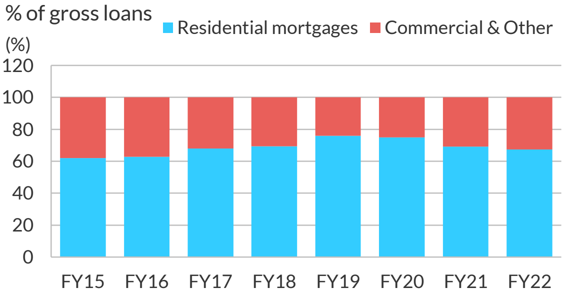
(End-Sep 22)



Source: Fitch Ratings, WBS

Loan Book Split

% of gross loans



Source: UCU

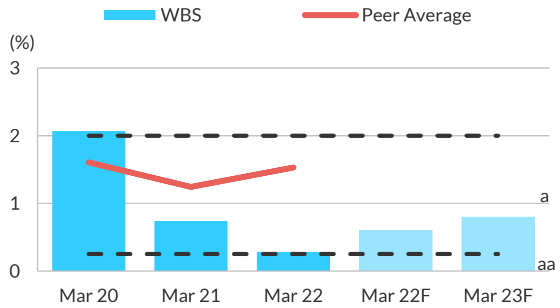
Financial Profile

Asset Quality

Fitch expects WBS's impaired-loan ratio to weaken as some borrowers are impacted by higher interest rates through 2023, although, we expect this weakening to be manageable. WBS has solid buffers at the rating level, therefore we do not expect downward pressure on the factor score over the next two years, this is reflected in the stable outlook.

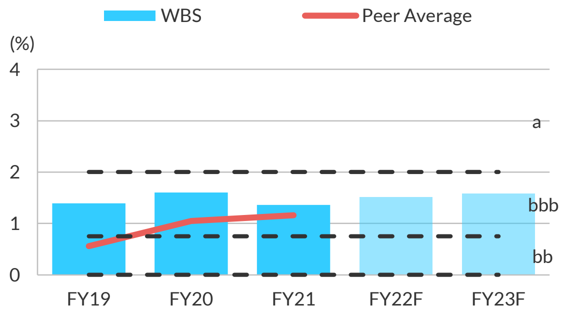
The assigned factor score is below the category implied by the core metric due to WBS's higher single-name and geographical concentration than larger peers. These leave it more susceptible to asset quality shocks than larger, more diversified peers. In addition, investment properties comprised 4% of assets, meaning changes in market conditions can cause greater earnings volatility through the cycle as the property values are marked to market. Provision coverage increased in FY22 due to an improvement in the impaired loans ratio. We expect this ratio to slowly decline as impaired loans rise.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Fitch expects profitability metrics to improve over the next two years, benefitting from an expanded net interest margin and strong loan growth. Our forecast is for the operating profit/risk-weighted assets ratio to modestly improve through to FY25 from the 1.4% reported in FY22. The four-year average places WBS's implied earnings score in the middle of the 'bbb' category, although we adjust this lower to the assigned 'bb+' factor score due to less revenue diversification than larger peers.

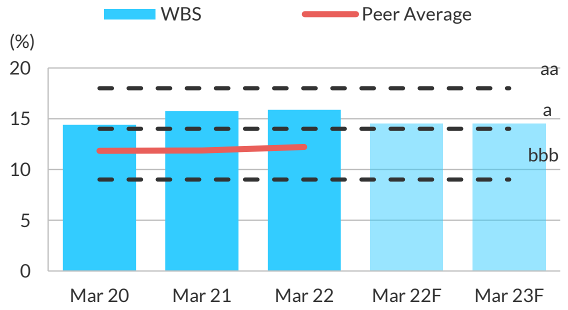
Non-interest income has declined as a portion of operating income, down to 12% in FY22 from 28% of operating income in FY21, due largely to changes in the fair value of the society's investment-property portfolio after it recorded a NZD250,000 loss following a NZD440,000 gain in FY21. This adds volatility to WBS's earnings. Operating expenses may increase modestly over the medium term as WBS continues to improve its digital offerings and modernise its systems. The new capabilities should improve cost efficiency once completed.

Capital and Leverage

Fitch expects the FCC and total regulatory capital ratios to moderately weaken over the next two years, however, they should remain well above minimum requirements. The society's FCC ratio fell to 15.2% by end-September 2022 on the back on strong loan growth. We believe this ratio will continue to increase, underpinned by the society's profitability. The assigned score of 'bb+' is below the implied 'a' category score to reflect the small absolute size of the capital base, which was just NZD24.0 million (USD17 million) in FY22.

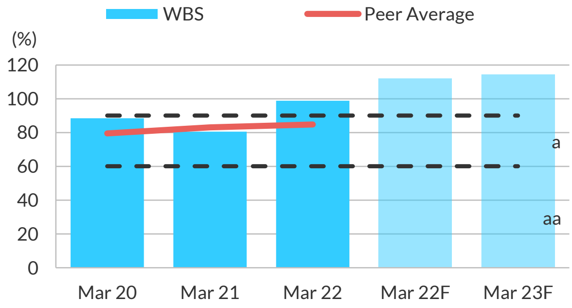
The regulatory total-capital ratio, which is the only regulatory capital metric required to be calculated by WBS, fell by 50bp in 1HFY23 to 15.2%, well above the 8% regulatory minimum. The larger capital buffers partly reflect the risks associated with WBS's commercial property portfolio, which may erode capital if property prices were to decline significantly.

FCC Ratio



Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

We expect the loan/customer deposit ratio to deteriorate over the next two years because of strong loan growth and lagging deposit growth. This ratio hit 107% at end-September 2022, up 27pp from FYE21. Large buffers at the factor score of 'bbb-' mean we do not expect downward pressure on the score, as reflected in the stable outlook. The building society remains fully deposit funded.

The loan/customer deposit ratio implies an 'a' category score, but we adjust this down to reflect the society's lack of access to the RBNZ's lender of last resort facilities, which could lead to deposit outflows in a funding market shock. WBS's liquidity requirements are guided by its trust deed, which outlines minimum ratios for certain metrics; reported ratios are well above these regulatory minimums.

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+), First Credit Union (bb), Nelson Building Society (bb+), Unity Credit Union (bb). Financial year end of Wairarapa Building Society, Nelson Building Society is 31-Mar. Financial year end of Christian Savings Limited is 31-Aug. Financial year end of First Credit Union, Unity Credit Union is 30-Jun. Latest average uses FY22 data for Christian Savings Limited, First Credit Union, Unity Credit Union.

Financials

Financial Statements

Summary Financials and Key Ratios

		30 Sep 2022	31 Mar 2022	31 Mar 2021	31 Mar 2020	31 Mar 2019
	6 Months - Interim	6 Months - Interim	Year End	Year End	Year End	Year End
	USDm	NZDt	NZDt	NZDt	NZDt	NZDt
	Reviewed - Unqualified(Emphasis of Matter)	Reviewed - Unqualified(Emphasis of Matter)	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
Summary Income Statement						
Net interest and dividend income	2	2,713.0	4,658.0	3,808.0	3,490.0	3,593.0
Net fees and commissions	n.a.	n.a.	170.0	261.0	217.0	218.0
Other operating income	0	318.0	480.0	1,205.0	1,670.0	1,236.0
Total operating income	2	3,031.0	5,308.0	5,274.0	5,377.0	5,047.0
Operating costs	1	1,910.0	3,332.0	3,059.0	2,962.0	2,945.0
Pre-impairment operating profit	1	1,121.0	1,976.0	2,215.0	2,415.0	2,102.0
Loan and other impairment charges	0	-41.0	-94.0	-45.0	304.0	-126.0
Operating profit	1	1,162.0	2,070.0	2,260.0	2,111.0	2,228.0
Other non-operating items (net)	n.a.	n.a.	n.a.	n.a.	20.0	n.a.
Tax	0	293.0	595.0	455.0	111.0	477.0
Net income	0	869.0	1,475.0	1,805.0	2,020.0	1,751.0
Other comprehensive income	n.a.	n.a.	16.0	-621.0	16.0	256.0
Fitch comprehensive income	0	869.0	1,491.0	1,184.0	2,036.0	2,007.0
Summary Balance Sheet						
Assets						
Gross loans	82	142,379.0	124,979.0	108,046.0	127,164.0	126,613.0
- of which impaired	0	667.0	356.0	803.0	2,627.0	1,611.0
Loan loss allowances	0	439.0	480.0	575.0	620.0	444.0
Net loans	81	141,940.0	124,499.0	107,471.0	126,544.0	126,169.0
Interbank	n.a.	n.a.	17,000.0	40,500.0	29,200.0	21,800.0
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other securities and earning assets	4	6,125.0	4,805.0	6,630.0	8,645.0	7,495.0
Total earning assets	85	148,065.0	146,304.0	154,601.0	164,389.0	155,464.0
Cash and due from banks	5	8,892.0	1,803.0	1,185.0	412.0	239.0
Other assets	2	3,321.0	4,083.0	2,714.0	2,984.0	4,456.0
Total assets	92	160,278.0	152,190.0	158,500.0	167,785.0	160,159.0
Liabilities						
Customer deposits	76	133,056.0	126,538.0	134,079.0	143,782.0	137,537.0
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.	34.0	56.0
Total funding and derivatives	76	133,056.0	126,538.0	134,079.0	143,816.0	137,593.0
Other liabilities	1	1,828.0	1,127.0	1,387.0	2,119.0	2,672.0

Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	0.0	0.0
Total equity	15	25,394.0	24,525.0	23,034.0	21,850.0	19,894.0
Total liabilities and equity	92	160,278.0	152,190.0	158,500.0	167,785.0	160,159.0
Exchange rate		USD1 = NZD1.7443	USD1 = NZD1.433692	USD1 = NZD1.43082	USD1 = NZD1.6675	USD1 = NZD1.473839

Key Ratios

Summary Financials and Key Ratios

	30 Sep 2022	31 Mar 2022	31 Mar 2021	31 Mar 2020	31 Mar 2019
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	1.4	1.4	1.6	1.4	1.5
Net interest income/average earning assets	3.7	3.1	2.4	2.2	2.4
Non-interest expense/gross revenue	63.0	62.8	58.0	55.1	58.4
Net income/average equity	6.9	6.2	8.0	9.8	9.3
Asset quality					
Impaired loans ratio	0.5	0.3	0.7	2.1	1.3
Growth in gross loans	13.9	15.7	-15.0	0.4	-4.4
Loan loss allowances/impaired loans	65.8	134.8	71.6	23.6	27.6
Loan impairment charges/average gross loans	-0.1	-0.1	0.0	0.2	-0.1
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	15.2	15.9	15.7	14.4	13.3
Tangible common equity/tangible assets	15.7	16.0	14.3	13.0	12.4
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	0.9	-0.5	1.0	9.2	5.9
Funding and liquidity					
Gross loans/customer deposits	107.0	98.8	80.6	88.4	92.1
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.

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.
Colour Higher influence Colour Moderate influence Colour 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

Overall ESG

5	
4	
3	
2	
1	

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.

Environmental (E)

General Issues	Score	Impact	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

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	Score	Impact	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

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	Score	Impact	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)

G Scale: 5, 4, 3, 2, 1

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.

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