

Mediobanca Banca di Credito Finanziario S.p.A

Key Rating Drivers

Moderate Risk Profile, Specialised Businesses: Mediobanca Banca di Credito Finanziario S.p.A's ratings reflect a moderate risk profile, underpinning operating profitability and asset quality, which are better than those of domestic peers through the cycle, and a specialised and diversified business model with strong competitive positions in selected businesses.

Domestic Footprint, Strong Franchises: Mediobanca is a leading corporate and investment bank and consumer lender in Italy. The bank is successfully expanding its wealth management (WM) franchise, mainly in the affluent and private banking segment, and its customer deposit base domestically, although national market shares are small.

Satisfactory Capital Buffers: Capitalisation is adequate, with a common equity Tier 1 (CET1) ratio of 15.1% at end-September 2022, and Fitch Ratings expects it to remain resilient. Capital encumbrance by unreserved impaired loans was minimal at end-September 2022 and holdings of Italian government bonds are modest.

Stable Funding and Liquidity: The bank benefits from above-domestic-average funding diversification due to its established capital market access. Medium-term funding needs are manageable, and liquidity is underpinned by adequate buffers of unencumbered eligible assets. Its customer deposit base has been growing but is less established than that of the largest domestic banks.

Stable Asset Quality: The impaired loan ratio fell to 3% at end-September 2022 and reserve coverage was high relative to domestic peers. Mediobanca's conservative underwriting has resulted in stable, low levels of impaired loans, despite the challenges posed by the pandemic and little use of moratoriums and state guarantees. We expect potential but modest asset quality deterioration in 2023, given Italy's weakening economy.

Resilient Profitability: Operating profitability has been more resilient to the low-interest-rate environment than other domestic banks given the diverse business model with increased fee generation from WM. We expect average operating profit/risk-weighted assets (RWAs) to be comfortably above 2% over the medium term.

Rating Sensitivities

Sovereign Rating, Operating Environment: Mediobanca's largely domestic focus means its ratings are sensitive to a downgrade of Italy's rating or to a downgrade of our assessment of the operating environment for Italian banks.

Capital Erosion, Worsened Risk Profile: The ratings could be downgraded if the CET1 ratio falls below 13% without the prospect of a recovery in the short term and with unreserved impaired loans rising substantially above the current low levels on a sustained basis. The ratings could also be downgraded if Mediobanca's risk profile worsens materially, for example, if the bank becomes more aggressive in its underwriting standards, including in riskier asset classes.

Stronger Business, Risk Profiles: A rating upgrade for Mediobanca is contingent on an upgrade of Italy's rating and on much stronger business and risk profiles, including an impaired loan ratio consistently below 3% and operating profit/RWAs of at least 3%. The ratings could also be upgraded if stronger financial metrics were accompanied by stronger capitalisation with a CET1 ratio consistently above 17%.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F3
Derivative Counterparty Rating	BBB(dcr)

Viability Rating bbb

Government Support Rating ns

Sovereign Risk	
Long-Term Foreign- and Local-Currency IDRs	BBB
Country Ceiling	AA

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

[Bank Rating Criteria \(September 2022\)](#)

Related Research

[Western European Banks Outlook 2023 \(December 2022\)](#)

[Global Economic Outlook \(December 2022\)](#)

[Fitch Affirms Italy at 'BBB'; Outlook Stable \(November 2022\)](#)

Analysts

Francesca Vasciminno

+39 02 9475 7057

francesca.vasciminno@fitchratings.com

Paolo Comensoli

+39 02 9475 6550

paolo.comensoli@fitchratings.com

Other Debt and Issuer Ratings

Debt Rating Classes

Rating level	Rating
Long- and short-term deposits	BBB+/F2
Long- and short-term senior preferred ^a	BBB/F3
Senior non-preferred	BBB-
Subordinated	BB+

^a Including the ratings of the senior debt issued by Mediobanca International (Luxembourg) S.A., which are equalised with that of the parent. This is because the debt is unconditionally and irrevocably guaranteed by Mediobanca and Fitch expects the parent to honour this guarantee.


Source: Fitch Ratings

Mediobanca's long-term deposit rating is one notch above its Long-Term Issuer Default Rating (IDR). This is because there is full depositor preference in Italy and Fitch believes that Mediobanca has sufficient combined buffers of junior and senior debt that result in a lower probability of default on deposits relative to the Long-Term IDR. Fitch also expects Mediobanca to maintain sufficient buffers to comply with the minimum requirement for own funds and eligible liabilities (MREL).

The senior non-preferred notes are rated one notch below the bank's Long-Term IDR. This is to reflect the risk of below-average recoveries arising from the use of senior preferred debt to meet resolution buffer requirements and that the combined buffer of additional Tier 1, Tier 2 and senior non-preferred debt is unlikely to exceed 10% of RWAs. For the same reason, the rating of senior preferred debt is in line with the Long-Term IDR.

Tier 2 subordinated debt is rated two notches below the Viability Rating (VR) for loss severity to reflect poor recovery prospects.

Ratings Navigator

Mediobanca - Banca di Credito Finanziario SPA							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
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB Sta
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

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

VR - Adjustments to Key Rating Drivers

We consider the bank's measured risk appetite, which has resulted in better operating profitability and asset quality than domestic peers' through cycles, as having a stronger impact in our overall assessment, leading to a VR that is one notch above the implied VR. Over the long term, we expect risk profile to have a positive impact on the bank's earnings and asset quality metrics.

The bank's rigorous underwriting standards for the diverse asset classes, resulting in better asset quality metrics than most domestic peers through several economic cycles, is a positive adjustment to the implied asset quality score.

Adequate diversification by funding source and reliable capital market access result in a positive adjustment to the implied funding and liquidity score.

Company Summary and Key Qualitative Factors

Operating Environment

Mild Recession on the Horizon

The European energy crisis, high inflation, and a sharp acceleration in monetary policy tightening are taking a toll on Italy's economic prospects. Fitch expects the economy to contract slightly in 2023, followed by a rebound in 2024. The effective deployment of Next Generation EU funds remains important to improving growth prospects and debt sustainability.

The Italian banking sector is stronger than at the onset of previous downturns, evident from a gross impaired loan ratio of just below 4% at end-June 2022, according to Fitch's definition – the lowest over the past decade – as well as stronger capital metrics and more diversified revenue. Default experience on the banks' lending exposures remained benign throughout 2022. The prospect of a domestic recession in 2023, persistent inflation, rising rates, and continued geopolitical uncertainty are likely to reduce loan demand and business opportunities for the banks and result in higher borrower default rates than in 2022, but an uplift from interest rates should help support the banks' performance.

Business Profile

Established Specialised and Diverse Businesses; Growing WM Segment

Consumer lender Compass Banca is the main contributor to group revenue. It focuses on personal loans but has leading market shares in all consumer products domestically. The parent has a solid corporate and investment banking (CIB) franchise domestically from established client relationships with large- and mid-cap Italian companies. Mediobanca is also active in CIB internationally, with non-domestic exposures accounting for about 50% of the CIB loan book. CIB is largely client-driven and fee-based, led by M&A and equity capital market activities, in which the bank is a domestic leader.

The group has been successfully developing its WM franchise, mainly in the affluent and private banking segments, both organically and through acquisitions, enriching product offering and expanding distribution. Consequently, the customer deposit base in Italy has been expanding, which, despite the small national market share, contributes to funding stability. The overall WM franchise is still modest, with total assets under management and administration (AuM and AuA) of EUR52 billion at end-September 2022, but has proved resilient and supported operating profit.

Its 12.8% stake in insurer Assicurazioni Generali S.p.A. (A-/Positive) contributes materially to group earnings but could be sold to finance large-scale acquisitions to expand its businesses.

Coherent Strategic Direction

Strategic objectives have been coherent with Mediobanca's business and risk profile through several cycles, and quantitative targets are generally within the bank's execution capabilities. Alongside continued expansion in WM, Mediobanca aims to consolidate its competitive position in the historical CIB and consumer businesses. The execution record on business and financial targets is good. Mediobanca's appetite for expansion in WM could result in external growth. New targets and objectives for the next strategic cycle will be presented during 2023.

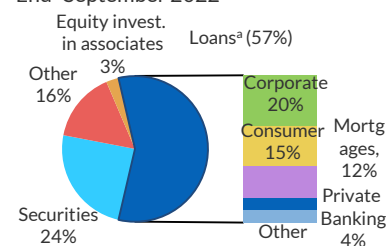
Risk Profile

Measured Risk Appetite

Risk governance is sufficiently pervasive and commensurate with the group's business and risk profiles. Mediobanca is primarily exposed to credit risk. Monitoring in retail lending is tight and recovery procedures effective. Impaired consumer loans are regularly written off and sold after being fully provided for. Credit standards in CIB have a record of stability, limited appetite for single-name risks and a bias towards investment-grade risk. Industry allocation can shift modestly based on the economic cycle but the bank typically lends to borrowers in well-known and less risky sectors. Within the CIB book, geographic diversification is mainly towards counterparties in stable Western European economies. Direct own-sovereign risk is kept modest, with holdings of Italian government bonds representing 49% of CET1 capital at end-June 2022. Exposure to market risk is average and appropriately hedged. Traded volumes may be material given its capital market activities, but risks are well managed.

Total Assets

End- September 2022

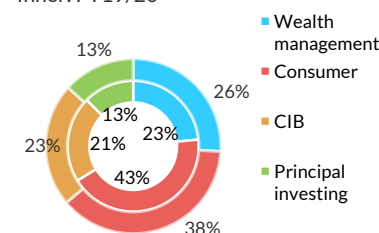


^a Including Repos. Other Includes: Purchased NPLs, Factoring and Leasing
Source: Fitch Ratings, Mediobanca

Operating Income^a

Outer: FY21/22

Inner: FY19/20

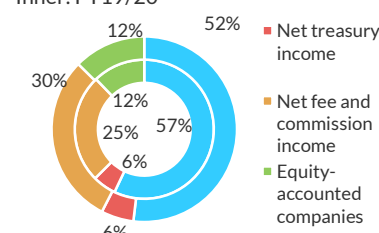


^a excluding non-interest expenses and LICs
Source: Fitch Ratings, Mediobanca

Breakdown of Operating Income

Outer: FY21/22

Inner: FY19/20



Source: Fitch Ratings, Mediobanca

Resilient WM

(EURbn)



Source: Fitch Ratings, Mediobanca

Summary Financials

	30 Sep 22		30 Jun 22	30 Jun 21	30 Jun 20
	3 months - 1st quarter	3 months - 1st quarter	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Unaudited	Unaudited	Audited - unqualified	Audited - unqualified	Unaudited
Summary income statement					
Net interest and dividend income	386	396.3	1,612.1	1,522.3	1,529.1
Net fees and commissions	205	209.9	668.0	585.3	486.7
Other operating income	144	148.2	589.0	619.9	414.7
Total operating income	735	754.4	2,869.1	2,727.5	2,430.5
Operating costs	313	321.4	1,507.6	1,341.2	1,230.7
Pre-impairment operating profit	422	433.0	1,361.5	1,386.3	1,199.8
Loan and other impairment charges	78	79.6	203.3	283.8	402.7
Operating profit	344	353.4	1,158.2	1,102.5	797.1
Other non-operating items (net)	n.a.	n.a.	3.4	-21.5	17.8
Tax	86	88.6	251.9	271.8	213.5
Net income	258	264.8	909.7	809.2	601.4
Other comprehensive income	-603	-618.4	-498.3	556.2	-221.6
Fitch comprehensive income	-345	-353.6	411.4	1,365.4	379.8
Summary balance sheet					
Assets					
Gross loans	52,668	54,029.5	52,810.6	49,127.7	47,820.6
- Of which impaired	1,633	1,675.0	1,676.3	1,974.6	2,240.2
Loan loss allowances	1,626	1,667.9	1,633.7	1,687.7	1,590.0
Net loans	51,042	52,361.6	51,176.9	47,440.0	46,230.6
Interbank	n.a.	n.a.	1,281.8	2,741.4	2,393.4
Derivatives	n.a.	n.a.	4,193.0	4,312.7	3,744.6
Other securities and earning assets	33,829	34,703.6	22,043.3	23,119.0	19,946.5
Total earning assets	84,871	87,065.2	78,695.0	77,613.1	72,315.1
Cash and due from banks	n.a.	n.a.	8,893.6	2,247.3	3,808.8
Other assets	4,254	4,364.1	2,979.8	2,738.3	2,825.8
Total assets	89,125	91,429.3	90,568.4	82,598.7	78,949.7
Liabilities					
Customer deposits	28,003	28,726.8	30,941.0	26,893.9	25,192.1
Interbank and other short-term funding	4,367	4,479.7	17,534.3	13,001.9	13,991.4
Other long-term funding	26,400	27,082.0	18,881.9	19,412.3	19,973.9
Trading liabilities and derivatives	9,663	9,912.4	10,568.5	10,439.1	8,422.2
Total funding and derivatives	68,432	70,200.9	77,925.7	69,747.2	67,579.6
Other liabilities	11,170	11,458.4	1,893.9	1,750.4	1,630.0
Total equity	9,524	9,770.0	10,748.8	11,101.1	9,740.1
Total liabilities and equity	89,125	91,429.3	90,568.4	82,598.7	78,949.7
Exchange rate		USD1 = EUR1.02585	USD1 = EUR0.96274	USD1 = EUR0.841468	USD1 = EUR0.893017

Source: Fitch Ratings, Fitch Solutions, Mediobanca

Key Ratios

	30 Sep 22	30 Jun 22	30 Jun 21	30 Jun 20
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.7	2.3	2.3	1.7
Net interest income/average earning assets	1.9	2.0	2.0	2.0
Non-interest expense/gross revenue	48.1	60.1	54.7	57.9
Net income/average equity	10.2	8.3	7.7	6.0
Asset quality				
Impaired loans ratio	3.1	3.2	4.0	4.7
Growth in gross loans	2.3	7.5	2.7	6.2
Loan loss allowances/impaired loans	99.6	97.5	85.5	71.0
Loan impairment charges/average gross loans	0.5	0.4	0.5	0.8
Capitalisation				
Common equity Tier 1 ratio	15.1	15.7	16.3	16.1
Fully loaded common equity Tier 1 ratio	14.0	15.6	16.2	14.5
Tangible common equity/tangible assets	10.7	10.9	12.4	11.4
Basel leverage ratio	8.4	8.4	9.1	9.7
Net impaired loans/common equity Tier 1	0.1	0.5	3.7	8.4
Funding and liquidity				
Gross loans/customer deposits	188.8	170.7	182.7	189.8
Liquidity coverage ratio	154.0	151.8	158.7	165.0
Customer deposits/total non-equity funding	40.9	43.5	42.4	40.4
Net stable funding ratio	114.0	115.5	116.3	109.0

Source: Fitch Ratings, Fitch Solutions, Mediobanca

Financial Profile

Risk of Modest Asset Quality Deterioration in 2023

The gross Stage 3 ratio calculated excluding purchased non-performing loans (NPLs) declined to approximately 2.5% by end-September 2022, and stage 3 loans are more than entirely covered by specific and collective reserves. Impaired loan inflows during 2022 in the corporate or consumer books were kept low. Including NPLs purchased by its subsidiary MB Credit Solutions (net EUR336 million) does not change the overall picture materially.

We see the risk of asset quality deterioration in 2023 in light of Italy's weakening economic backdrop. Impaired loan inflows are more likely to materialise from the group's consumer lending exposure as inflation might erode individual borrowers' debt servicing ability. However, we expect the extent of a potential deterioration to be modest.

Specific impaired loan coverage was robust at over 70%, as was Stage 2 loan coverage at 11% at end-September 2022. The bank retains EUR300 million in reserve overlays, equivalent to over one year of normalised loan impairment charges (LICs). Management intends to manage potential releases of these overlays conservatively over a multi-year period, depending on the macroeconomic trajectory as well as the specific circumstances of individual borrowers.

Resilient Profitability Expected

Profitability throughout 9M22 was driven by rising revenue and robust business volumes in lending, WM and advisory, which offset the negative performances of trading and fair-valued securities. Interest rate increases supported revenue growth in the second part of the year and we expect this to remain the case into 2023, partly compensating potential revenue and volume weakness elsewhere.

Cost inflation reflects continued investments in new business and IT initiatives, an increase in full-time employees to support organic expansion and higher variable compensation. The cost/income ratio as calculated by Fitch remains controlled despite peaking at 60% over the past four years.

The benign asset quality evolution and robust loan impairment allowances throughout 2022 resulted in LICs/gross loans staying below 50bp. We do not expect spikes in LICs in 2023, including in the event of modestly deteriorating asset quality dynamics.

Adequate, Resilient Capitalisation

The bank's credit profile benefits from sound capital ratios, with ample buffers over regulatory requirements. The application of the Danish Compromise treatment of insurance holdings to the investment in Generali generates a 110bp benefit to Mediobanca's reported transitional regulatory ratios, while transitional IFRS9 provisions contribute an additional 5bp. The CET1 ratio suffered a 45bp reduction in the first quarter of the financial year ending June 2023 following a revalidation of the large corporate internal risk-based model which resulted in EUR1.5 billion higher RWAs.

The bank maintains a 70% dividend payout guidance for 2023. In the medium term, we expect the capital ratios to remain resilient in the absence of M&A and the bank to maintain a sound CET1 ratio even in the event of external growth.

Diversified Funding, Ample Liquidity

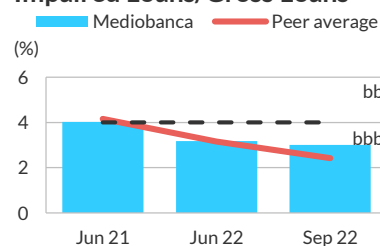
Mediobanca's funding structure is evolving with its business model. Customer deposits (EUR29 billion at end-September 2022) have grown consistently in recent years to represent nearly half of total funding (excluding derivatives), with increasing contributions from affluent and private banking clients. The rest of the funding is sourced through bonds (sold to institutional investors as well as private banking clients) and wholesale channels, including about EUR8 billion in ECB targeted longer-term refinancing operation facilities, accounting for about 13% of total funding. Liquidity is backed by about EUR16 billion in unencumbered eligible assets to repo or use for central bank refinancing.

Mediobanca has abundant buffers over its overall MREL of 21.84% of RWAs (including a 2.5% combined buffer requirement). Own funds and non-preferred liabilities represented 86% of the requirement at end-September 2022.

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 'bbb' category. Light-blue columns represent Fitch's forecasts.

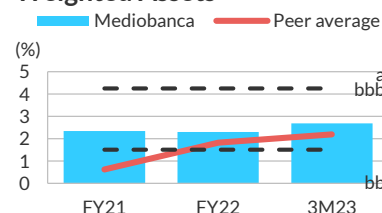
Peer average includes Intesa Sanpaolo S.p.A. (VR: bbb), UniCredit S.p.A. (bbb), Credito Emiliano S.p.A. (bbb). Financial year end of Mediobanca Banca di Credito Finanziario S.p.A is 30 June. Latest average uses 9M22 data for Intesa Sanpaolo S.p.A., UniCredit S.p.A., Credito Emiliano S.p.A..

Impaired Loans/Gross Loans



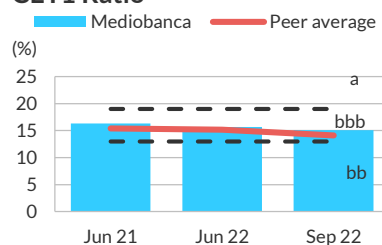
Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



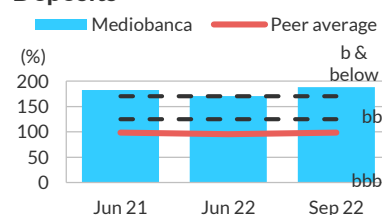
Source: Fitch Ratings, Fitch Solutions

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Government Support Rating

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

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

■ Higher influence ■ Moderate influence ■ Lower influence

No Sovereign Support Factored into the Ratings

We believe that Mediobanca's senior creditors cannot rely on extraordinary support from the Italian authorities if the bank is declared non-viable. This is in line with other Italian and eurozone banks. It reflects our belief that the authorities' propensity to support the banking system, and their ability to do so ahead of senior bondholders participating in losses has decreased materially following the implementation of recovery and resolution legislation.

Environmental, Social and Governance Considerations

FitchRatings Mediobanca - Banca di Credito Finanziario SPA

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Mediobanca - Banca di Credito Finanziario SPA has 5 ESG potential rating drivers ➔ Mediobanca - Banca di Credito Finanziario SPA 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.	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
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.

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