

Credit Europe Bank N.V.

Key Rating Drivers

Emerging Markets Exposure; Weak Profitability: Credit Europe Bank N.V.'s (CEB) ratings capture its improved post-pandemic performance and reduced impaired loans, although profitability remains weak due to its significant exposure to emerging markets and cyclical industries. Capital encumbrance is also higher than at peers. The bank's niche and established franchise and stable and experienced management are rating strengths. CEB also benefits from a stable and granular funding profile.

Weakening Operating Environment: Fitch Ratings expects the bank's operating environment to deteriorate due to slower-than-expected global GDP growth in 2023 under Fitch's forecast. However, we expect the impact on trade finance banks to be mitigated by their focus on less cyclical trades of essential goods and short-term transactions.

Niche Trade-Finance Bank: CEB has a niche commodity-trade finance and corporate franchise with diversification into the retail segment in Romania. The bank's trade-finance business volumes should continue to benefit from high commodity prices, although its exposure to developing economies makes it vulnerable to stress.

High Concentration; Low Coverage: Impaired loans declined to 7.5% of total loans at end-1H22 (still above that of peers), helped by tightened underwriting policies and increased lending in developed markets. However, large concentrations and exposure to emerging markets make the bank's asset quality potentially more volatile than traditional banks'. In addition, coverage of impaired loans by total loan loss allowances was low, reflecting its reliance on collateral.

Performance Remains Weak: CEB's revenue largely depends on global trade flows and commodity volumes, but profitability remains modest. Its operating profit/risk-weighted assets (RWAs) has been low over the past three years, and pre-impairment profits only provide a weak buffer against credit losses.

High Capital Encumbrance: CEB's consolidated common equity Tier 1 (CET1) ratio (14.3% at end-1H22) is likely to be maintained around current levels due to its modest performance and low loan growth expectations.

Capitalisation metrics are moderately above the regulatory minimum requirements, but the buffer is small in nominal terms in light of business concentrations and capital encumbrance. Unreserved impaired loans totalled about a quarter of CEB's CET1 capital. We believe CEB has capacity to scale down RWAs fairly swiftly due to the short-term nature of its trade-finance portfolio, which should help strengthen its capital ratios in case of need.

Granular Deposit Franchise: CEB is mainly funded by granular retail deposits, which are collected online mostly in Germany, and, to a lesser extent, in the Netherlands and Romania. Almost all household deposits benefit from deposit-guarantee schemes in all three countries, contributing to funding stability. Corporate and interbank deposits are originated from CEB's trade-finance and corporate-banking operations. Wholesale borrowings are limited to one subordinated bond placement.

Banks
Trade Finance Banks
Netherlands

Ratings

Foreign Currency

Long-Term IDR	B+
Short-Term IDR	B

Viability Rating b+

Government Support Rating ns

Sovereign Risk (Netherlands)

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

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

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

Related Research

[Fitch Revises Credit Europe Bank's Outlook to Stable; Affirms IDR at 'B+' \(October 2022\)](#)

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

[Oil & Gas Updated Base Case \(July 2022\)](#)

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Rating Sensitivities

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

We would be likely to downgrade CEB's ratings if the challenging macroeconomic environment leads to asset-quality deterioration (with impaired loans over 10% of total loans), resulting in persistently weak profitability, particularly if coverage by loan loss allowances remains low.

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

We could upgrade the ratings on an improvement in the operating environment, a continued reduction in impaired loans, lower capital encumbrance and wider buffers against CEB's minimum capital requirements. Stronger profitability, with operating profit/RWAs above 1%, would also be credit positive.

Other Debt and Issuer Ratings

Rating level	Rating
Subordinated: Long Term	B-

Source: Fitch Ratings

CEB's Tier 2 subordinated debt is rated two notches below the banks' VR, reflecting poor recovery prospects for this type of debt.

Ratings Navigator

Credit Europe Bank N.V.							ESG Relevance:	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support	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
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+ Sta
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

The operating environment score of 'bb+' is below the category-implied score of 'aa' due to the following adjustment reason: international operations (negative).

The business profile score of 'bb-' is above the category-implied score of 'b' due to the following adjustment reason: management and governance (positive).

The capitalisation and leverage score of 'b+' is below the category-implied score of 'bb' due to the following adjustment reason: reserve coverage and assets valuation (negative).

Company Summary and Key Qualitative Factors

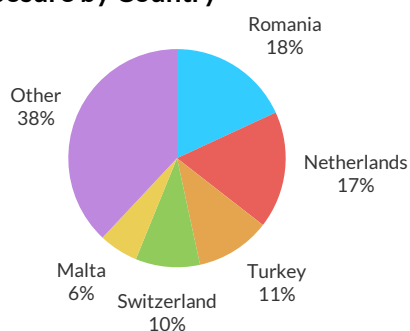
Operating Environment

CEB's operating environment score of 'bb+' reflects the bank's wide geographical scope of operations, including potentially volatile emerging markets, where the largest concentrations are in Romania and Turkey. We expect a global economic slowdown in 2023 against the backdrop of inflationary pressures and the military conflict between Russia and Ukraine. However, trade finance banks, including CEB, are likely to be less affected by the downturn than traditional banks due to increasing commodity prices, the short-term and self-liquidating nature of the majority of trade finance transactions, limited direct exposure to Russian and Ukraine, and focus on less cyclical and essential goods.

CEB also benefits from being incorporated in the Netherlands in the context of the prudent banking regulation and strong funding profile, as the bank's deposit franchise is mostly originated in the eurozone.

CEB's Exposure by Country

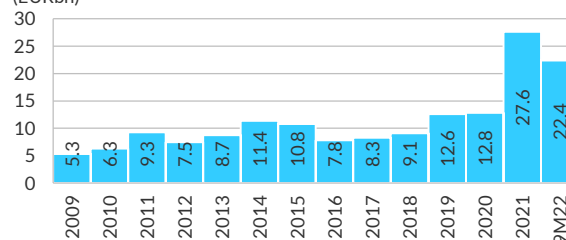
End-1H22



Source: Fitch Ratings, CEB

Trade Finance Volumes

(EURbn)



Volumes: notional amount of trade finance operations underwritten during the period

9M22 is not annualised

Source: Fitch Ratings, CEB

Business Profile

Trade Finance and Corporate Franchise; Retail Lending in Romania

CEB's trade finance operations (about half of the loan book) are mainly short term with a focus on oil-related industries and, to a lesser extent, metals and soft commodities. Apart from trade finance, the bank's corporate franchise also includes marine financing and commercial real estate. Global post-pandemic recovery and strong commodity markets underpinned CEB's trade finance volumes, which doubled in 2021 to EUR27 billion and remained strong in 9M22 at EUR22 billion. Business volumes lost as a result of the Russia/Ukraine military conflict are partly compensated by high commodities prices, as well as by the bank's diversification to other markets.

Retail operations (about 10% of loans) are mainly concentrated in Romania, where the bank has an established credit cards franchise with a 19% market share, as well as the mortgage loan portfolio. Retail business in western Europe is concentrated on the funding side as about 60% of CEB's deposits are collected in Germany and the Netherlands.

Strong Management Team; Adequate Corporate Governance

CEB's management is highly experienced in the bank's key business areas and has been very stable, with most of the management team serving at the bank in different capacities for about 20 years. In January 2022 the bank's CEO retired, with his successor smoothly taking over the role, having served on the management board since 2005. We believe there is some reliance on key individuals, especially in corporate banking.

Corporate governance practices are aligned with Dutch regulatory standards and are commensurate with CEB's size. The supervisory board comprises six members, four of whom are independent. Related-party loans made up EUR129 million (4% of total gross loans) at end-1H22, or about a quarter of CET1 capital, but we believe these were granted on an arm's-length basis.

Risk Profile

Sizeable Concentration; Reduced Exposure to High-Risk Countries

High sector concentration and operations in volatile industries are inherent to the bank’s business model and its relatively small size. Exposure to cyclical segments (tourism, real estate) has declined materially in recent years, but remains large at about 0.9x of CET1 capital at end-1H22.

Direct gross exposure to Russia and Ukraine declined to EUR61 million (including the 10% equity stake in Credit Europe Bank (Russia) Ltd. at end-1H22, or 11% of CET1 equity, from EUR129 million at end-2021 (23% of CET1 equity). The bank plans to sell the remaining 10% equity stake in the Russian bank (EUR6 million) to Fiba Holding by end-2022. CEB has also scaled down its operations in Turkey, where long-term foreign-currency exposures are gradually amortising. New financing is mainly short term (60-90 days), and provided for working capital purposes.

Increased Focus on Core Trade Finance Operations

CEB plans to continue increasing the share of traditional trade finance activities in the bank’s business mix, focusing on the developed economies. This should help the bank contain the risk costs, and reduce vulnerability to stress. CEB has been winding down or disposing of the segments that are less relevant to its franchise. It has closed the private banking operations in Switzerland and a subsidiary in Dubai.

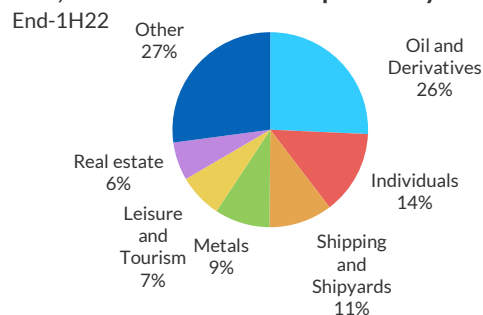
Market Risks Manageable

The bank has exposure to foreign-currency risk as a significant portion of its loan book is either US dollar or Romanian leu denominated. However, CEB has appropriate hedges to limit the impact from adverse movements in the relevant currency pairs on its earnings.

Structurally, CEB benefits from the recent increase in interest rates as its liabilities are generally of longer maturity than assets, while most of the bank’s credit exposure is short term and reprices quickly.

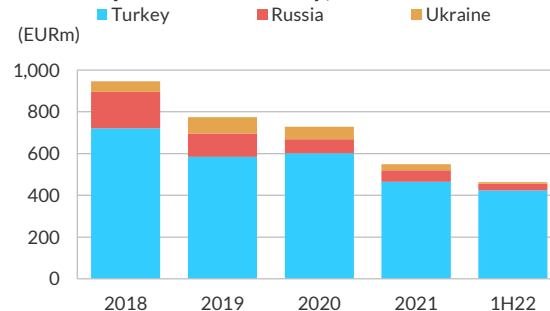
The bank is exposed to credit spread risk from its liquidity portfolio. About 50% of the securities in this portfolio had credit ratings of ‘BBB+’ or below at end-1H22, largely represented by Romanian sovereign debt. The weighted average duration of the securities portfolio is 2.5 years.

On-, Off-Balance Sheet Exposure by Industry



Source: Fitch Ratings, CEB

Gross Exposures to Turkey, Russia and Ukraine



Source: Fitch Ratings, CEB

Financial Profile

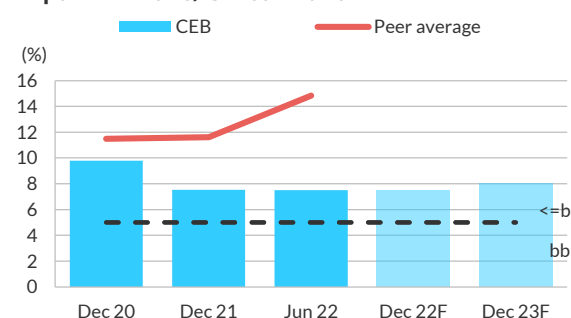
Asset Quality

Reduced Problem Exposure; Pressures Likely Due to Macro Challenges

The share of problem loans has declined over the past two years, as the bank has entered post-pandemic recovery. Impaired loans totalled 7.5% at end-1H22 (end-2020: 9.8%), while Stage 2 loans reduced almost 3x to 7.5% at end-1H22 (end-2020: 20%), largely helped by the recovery in the tourism sector.

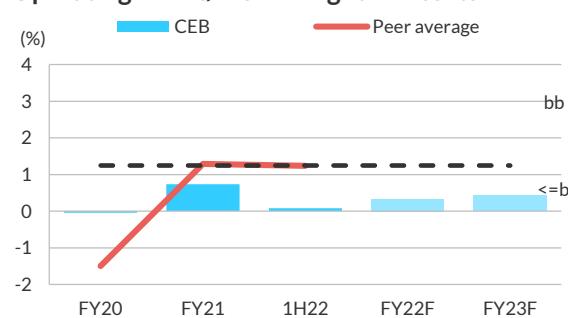
However, we expect recession in the eurozone (0.1% GDP contraction in 2023 forecast by Fitch), coupled with increasing interest rates and inflationary environment, to put pressure on borrowers' repayment capacity, leading to a potential increase in impairments from 2023. However, the increase should be only moderate as the risks are mitigated by the short-term nature of CEB's trade finance portfolio, which is equal to about half of the loan book.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Volatile Performance Metrics; Limited Loss-Absorption Capacity

Profitability has been variable in the past, owing to the cyclicity of the bank's business model. Its revenues are more volatile than conventional retail and commercial banks and depend on commodity prices and trade finance volumes, but also on the funding spread, as most of CEB's trade finance volumes are carried out in US dollars, while funding is mainly sourced in euros.

Operating profit/RWAs was a low 0.1% in 1H22, under pressure from one-off losses on investment securities and high non-interest expenses. Core revenues (net interest and fee income) slightly improved in 1H22, helped by strong commodities markets, but remain insufficient to absorb even moderate asset-quality stress. Asset quality is likely to be key to the bank's future performance, as impaired loans coverage by loan loss allowances is low.

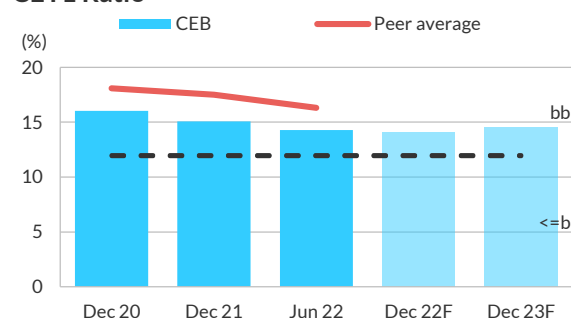
Capital and Leverage

Asset-Quality Risks Put Pressure on Capital Buffers

We consider the bank's capital cushion to be small in nominal terms in light of potential asset quality pressures, a large, albeit declining, exposure to cyclical markets, and modest profitability. The consolidated CET1 ratio was 14.3% at end-1H22, down from 15.1% at end-2021. Buffers against the minimum regulatory requirements are adequate. Pre-impairment profits were equal to 0.4% of average loans in 1H22 (2021: 1%), which in our view is a modest cushion to absorb potential future losses before a capital hit. Unreserved impaired exposures encumbered about a quarter of bank's CET1 capital at end-1H22. Stage 2 loans, although not all of these are necessarily of high risk, were at a further 40% of CET1 capital.

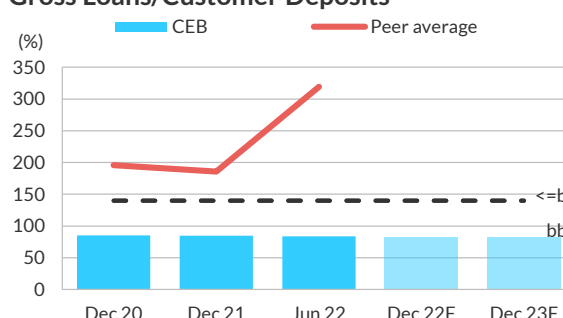
Pressure to return capital through dividends has been low until recently. However, in 1H22 CEB paid out its entire 2021 net income, which will be partly used by the shareholders to purchase the remaining 10% equity stake in CEB Russia. We expect solvency metrics to be supported by limited growth and a potential moderate improvement in performance.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

Stable Funding; Healthy Liquidity Buffer

CEB's retail customer deposit base was relatively stable in 2021-1H22. Household deposits are granular, but price sensitive, and we expect the average cost of funding to gradually increase over the next year against the backdrop of higher market interest rates. Concentration in the corporate deposits is moderate, being originated from CEB's trade finance and corporate banking operations. Wholesale debt comprises a single Tier 2 USD150 million bond with a call option in November 2022. Drawings under the European Central Bank's targeted long-term refinancing operations were minimal (EUR144 million at end-1H22) and funding obtained from related parties is negligible.

Liquidity is ample, with about EUR1 billion of 'A-' to 'AAA' rated central bank deposits and securities (20% of total assets) covering 40% of CEB's retail deposit base. At end-1H22 the bank's liquidity coverage ratio of 468% remained comfortably above its 140% internal target. We believe liquidity is not fully fungible between CEB's local subsidiaries, but these are mostly self-funded with retail and corporate deposits.

About Fitch Forecasts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics under 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 'bb' category. Light-blue columns represent Fitch's forecasts. Peer average includes Arap Turk Bankasi A.S. (VR: b-), Banque de Commerce et de Placements SA (bbb-), FIMBank p.l.c. (b), Banca UBAE S.p.A. (b+), and Union de Banques Arabes et Francaises (bb-).

Financials

Financial Statements

	30 Jun 22		31 Dec 21	31 Dec 20	31 Dec 19
	6 months - interim (USDm) Audited - unqualified	6 months - interim (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified (emphasis of matter)
Summary income statement					
Net interest and dividend income	52	49.7	90.9	97.1	120.0
Net fees and commissions	18	17.7	31.3	23.9	31.0
Other operating income	12	11.3	51.2	29.4	28.4
Total operating income	82	78.7	173.4	150.4	179.4
Operating costs	75	72.3	150.0	121.3	139.3
Pre-impairment operating profit	7	6.4	23.4	29.1	40.1
Loan and other impairment charges	5	5.0	-4.6	30.6	1.9
Operating profit	1	1.4	28.0	-1.5	38.2
Other non-operating items (net)	n.a.	n.a.	0.0	4.3	-24.0
Tax	-3	-3.1	-9.4	-1.9	-5.4
Net income	5	4.5	37.4	4.7	19.6
Other comprehensive income	-28	-26.8	2.5	-11.5	17.2
Fitch comprehensive income	-23	-22.3	39.9	-6.8	36.8
Summary balance sheet					
Assets					
Gross loans	3,053	2,939.4	2,827.7	2,667.0	2,832.3
- Of which impaired	229	220.8	212.9	261.0	290.4
Loan loss allowances	71	68.4	58.6	79.6	66.4
Net loans	2,982	2,871.0	2,769.1	2,587.4	2,765.9
Interbank	253	243.8	283.4	204.0	187.9
Derivatives	41	39.2	69.6	189.2	169.8
Other securities and earning assets	660	635.4	767.1	856.8	750.6
Total earning assets	3,936	3,789.4	3,889.2	3,837.4	3,874.2
Cash and due from banks	1,024	985.4	934.6	666.1	737.2
Other assets	314	302.5	281.7	322.9	308.7
Total assets	5,274	5,077.3	5,105.5	4,826.4	4,920.1
Liabilities					
Customer deposits	3,645	3,508.8	3,326.0	3,127.2	3,401.7
Interbank and other short-term funding	481	463.0	799.1	677.2	482.8
Other long-term funding	300	289.0	132.7	122.1	133.1
Trading liabilities and derivatives	106	101.6	87.9	165.4	164.5
Total funding and derivatives	4,531	4,362.4	4,345.7	4,091.9	4,182.1
Other liabilities	69	66.1	63.1	81.1	72.5
Preference shares and hybrid capital	50	48.2	44.2	40.8	44.6
Total equity	624	600.6	652.5	612.6	620.9
Total liabilities and equity	5,274	5,077.3	5,105.5	4,826.4	4,920.1
Exchange rate		USD1 = EUR0.96274	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015

Source: Fitch Ratings, Fitch Solutions, CEB

Key Ratios

	30 Jun 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	0.1	0.7	0.0	1.0
Net interest income/average earning assets	2.6	2.4	2.6	3.1
Non-interest expense/gross revenue	89.2	83.8	80.1	77.1
Net income/average equity	1.5	5.9	0.8	3.3
Asset quality				
Impaired loans ratio	7.5	7.5	9.8	10.3
Growth in gross loans	4.0	6.0	-5.8	-2.0
Loan loss allowances/impaired loans	31.0	27.5	30.5	22.9
Loan impairment charges/average gross loans	0.3	-0.2	1.1	0.0
Capitalisation				
Common equity Tier 1 ratio	14.3	15.1	16.0	15.7
Tangible common equity/tangible assets	10.5	11.4	11.8	11.9
Basel leverage ratio	n.a.	12.0	n.a.	n.a.
Net impaired loans/common equity Tier 1	28.5	27.1	30.1	36.8
Funding and liquidity				
Gross loans/customer deposits	83.8	85.0	85.3	83.3
Liquidity coverage ratio	n.a.	397.0	453.0	509.1
Customer deposits/total non-equity funding	81.4	77.3	78.8	83.7
Net stable funding ratio	n.a.	159.0	150.0	150.0

Source: Fitch Ratings, Fitch Solutions, CEB

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	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
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	Neutral
Ownership	Negative

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

■ Higher influence ■ Moderate influence ■ Lower influence

CEB's Government Support Rating of 'no support' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign if CEB becomes non-viable. This reflects the bank's lack of systemic importance in the Netherlands, as well as the implementation of the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism. These provide a framework for resolving banks that is likely to require senior creditors to participate in losses, if necessary, instead or ahead of a bank receiving sovereign support.

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Credit Europe Bank N.V. has 5 ESG potential rating drivers ➔ Credit Europe Bank N.V. 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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