FitchRatings

de Volksbank N.V.

Key Rating Drivers

Standalone Strength Drives Ratings: The ratings reflect de Volksbank N.V.'s straightforward but concentrated business model, which results in weaker earnings diversification than larger domestic peers'. The bank's sound asset quality and overall moderate risk profile, with a focus on low-risk residential mortgage lending, are rating strengths. The ratings also capture improved earnings generation, satisfactory capitalisation and leverage, and robust funding underpinned by a granular and stable deposit base.

Straightforward Business Model: The bank is the fourth-largest commercial bank in the Netherlands, with a small market share of around 2% of total banking system assets. It operates almost exclusively in its home market with a clear focus on retail banking, offering mainly residential mortgage loans, savings and payments products. The bank's focus on lending results in a high reliance on net interest income (NII), which accounted for 90% of revenue in 1H23.

Moderate Risk Profile: Fitch Ratings expects de Volksbank to maintain a conservative risk appetite, given its focus on low-risk residential mortgage lending in the Netherlands, which comprised 94% of the bank's gross loans at end-June 2023. The bank's risk control framework has revealed some deficiencies over the past year, including with respect to its anti-money laundering (AML) obligations, but we expect these to be addressed in the near term.

Asset Quality Supports Ratings: The bank's sound and stable impaired loans ratio (end-June 2023: 1.1%) reflects its large and low-risk residential mortgage loan portfolio. A weaker economic outlook and high interest rates will likely challenge de Volksbank's asset quality in the near term, but we expect deterioration to remain modest, due to a resilient employment market and the bank's prudent underwriting. The remainder of the balance sheet mainly comprises cash and high-quality securities.

Satisfactory Profitability: The bank considerably benefitted from higher interest rates in 1H23, as reflected in its operating profit/risk-weighted assets (RWAs) of 4.4% in 1H23, which we view as unsustainable. We forecast this ratio to gradually decline towards a still-sound 3% in the next 12 to 24 months as funding costs rise and additional costs to rectify AML risk assessment deficiencies will weigh on the bank's operating expenses. Such a performance would nonetheless remain well above the 2019–2022 average of 2.3%.

Capital Buffers Reflect Low-Risk Assets: The bank's strong common equity Tier 1 ratio (CET1; end-June 2023: 20.4%) benefits from the low risk-weighting of its large residential mortgage loans portfolio, which accounts for more than 60% of total assets. Fitch expects the CET1 ratio to be maintained above the bank's medium-term minimum of about 19% in the next 12 to 18 months. The regulatory leverage ratio (end-June: 4.8%) is adequate for a bank concentrated on low-risk assets, although it is lower than at larger domestic peers.

Stable Funding, Ample Liquidity: Stable and granular retail and SME deposits form the bulk of de Volksbank's funding (end-June 2023: 83%). The bank has limited reliance on wholesale funding, and it is a less frequent issuer in debt capital markets than its larger Dutch peers.

The bank's liquidity is strong, as reflected by its liquidity buffer of around EUR14 billion, of which EUR10 billion was cash. This represented a high 20% of total assets at end-June 2023, or around 25% of customer deposits, and comfortably covered short- and medium-term funding maturities.

Banks
Retail & Consumer Banks
Netherlands

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F1
Derivative Counterparty Rating	A(dcr)
Viability Rating	a-
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 2023)

Related Research

Fitch Affirms de Volksbank at 'A-'; Outlook Stable (October 2023)

Global Economic Outlook (September 2023)

Fitch Affirms the Netherlands at 'AAA'; Outlook Stable (August 2023)

Mortgage Market Index: Netherlands (July 2023)

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Rating Sensitivities

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

The bank has significant headroom within its current rating. However, a downgrade could result from a significant loss of market share in mortgage lending, signalling a weakening in its business profile and profitability, and from a higher risk profile, for example through rapid expansion in higher-risk lending. The latter would cause the impaired loans ratio to durably increase above 2%.

A downgrade could also result from a sustained deterioration of the operating environment if accompanied by a weaker assessment of de Volksbank's business and financial profiles. However, both scenarios are highly unlikely.

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

The potential for positive rating action in the near term is limited by de Volksbank's concentrated business model and small domestic franchise. In the longer term, an upgrade of the ratings could result from a broader product and service offering that leads to more diversified revenue streams away from interest income. This would reduce earnings sensitivity to the interest-rate cycle and strengthen internal capital generation. An upgrade would, in that case, require the bank to maintain its conservative risk profile and stable funding and liquidity.

Other Debt and Issuer Ratings

Rating level	Rating
Deposits (long term/short term)	A/F1
Senior preferred debt (long term/short term)	A/F1
Senior non-preferred debt	A-
Subordinated Tier 2	BBB

Source: Fitch Ratings

Short-Term IDR

The 'F1' Short-Term IDR is the higher of the two options mapping to a 'A-' Long-Term IDR, driven by de Volksbank's funding and liquidity score of 'a'.

Senior Debt, Deposits and Derivative Counterparty Rating (DCR)

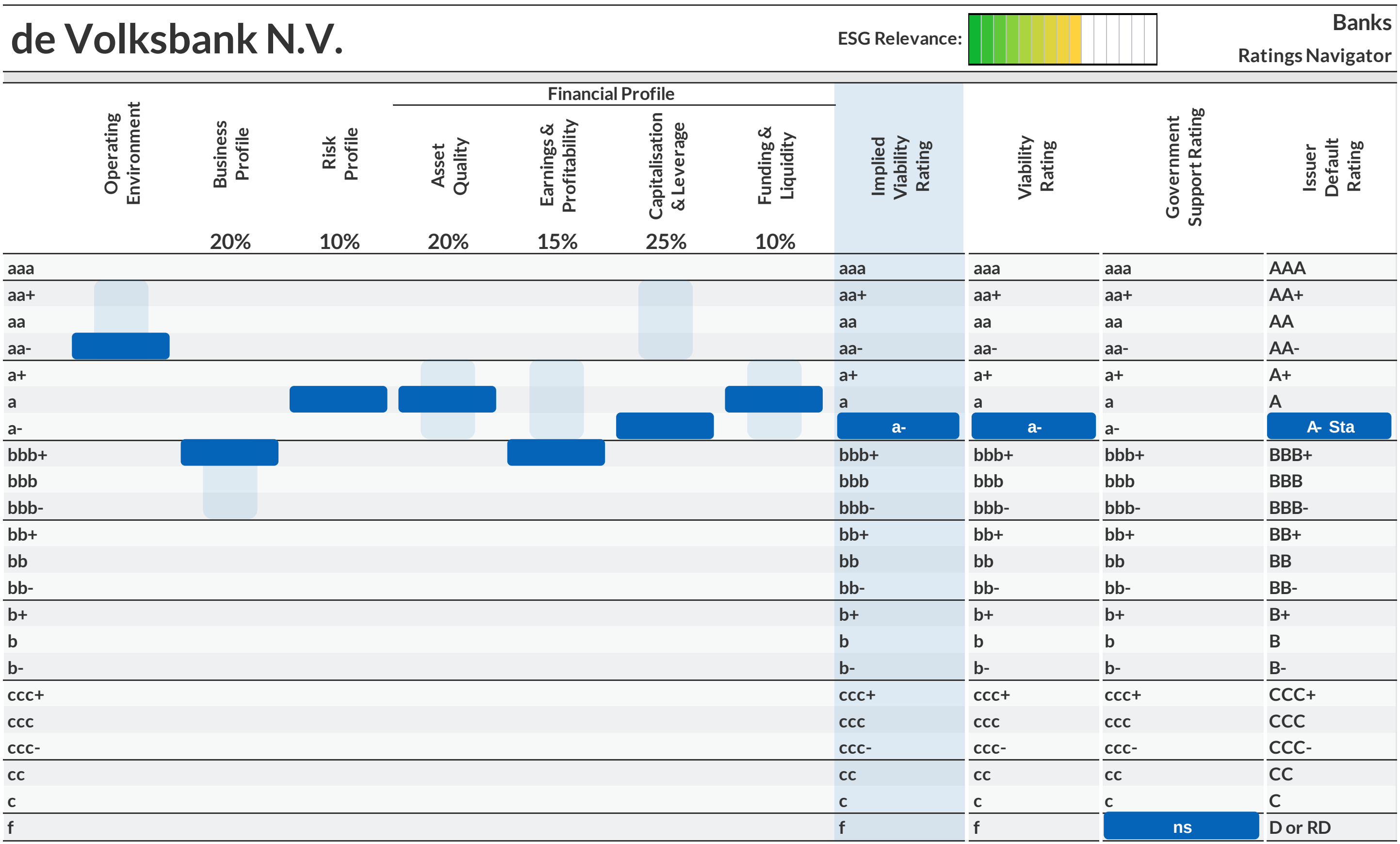
The bank's long-term senior preferred debt, long-term deposits and DCR are rated one notch above the bank's Long-Term IDR. This reflects Fitch's expectation that de Volksbank will meet its resolution buffer requirement with only senior non-preferred and more junior debt and equity instruments. For the same reason, we rate de Volksbank's senior non-preferred debt at 'A-', in line with its Long-Term IDR.

The short-term senior preferred and deposit ratings of 'F1' are the lower of two options mapping to their respective 'A' long-term ratings, reflecting our assessment of the bank's funding and liquidity score at 'a'.

Subordinated Debt

The bank's subordinated (Tier 2) debt is rated two notches below its VR, in line with the baseline notching for this type of debt, and reflecting poor recovery prospects of these instruments.

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 earnings and profitability score of 'bbb+' is below the 'a' category implied score due to the following adjustment reason: revenue diversification (negative).

The capitalisation and leverage score of 'a-' is below the 'aa' category implied score due to the following adjustment reason: risk profile and business model (negative).

Company Summary and Key Qualitative Factors

Business Profile

Domestic Retail Banking Business Model

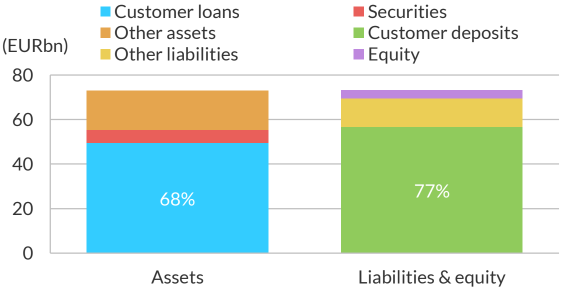
The bank has been indirectly state-owned since 2013. It serves more than three million customers, and has strong social recognition. It operates four separate brands (SNS, RegioBank, BLG Wonen and ASN Bank) under one banking licence. It focuses on providing Dutch residential mortgage loans and retail savings, in which it holds market shares of about 6% and 10%, respectively. Its overall business diversification results into a low-risk but undiversified business model, constraining the bank's business profile.

Clear Medium-Term Strategic Plan

The bank's strategy is well-articulated with clear medium-term targets covering both financial and non-financial performance. The 2025 strategic plan focuses on growth through improving its product offering to existing clients and diversifying into SME banking, while improving its cost efficiency and, ultimately, its profitability. The bank is aiming for a return on equity of 8% (1H23: about 13.6%), a cost/income ratio of 57%-59% (1H23: 53%), and a CET1 ratio under the Basel III endgame rules of at least 19% by end-2025 (end-June 2023: 20.4%). The bank aims to make a strong positive impact on society and targets at least 75% of its balance sheet to be climate neutral by end-2025 (end-June 2023: 66%) as part of its goal of achieving a net-zero balance sheet by 2050.

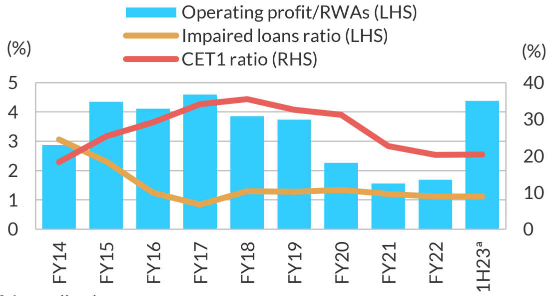
We would view a successful execution of the strategic plan as credit positive, if it results in business model diversification and improved profitability, while maintaining a conservative risk profile. The financial targets do not appear difficult for the bank given the higher interest rate environment, but we expect the bank's business model to remain largely dominated by residential mortgage loans and interest income for the next few years.

Balance Sheet
End-June 2023



Source: Fitch Ratings, Fitch Solutions, de Volksbank

Performance Through the Cycle



ª Annualised
Source: Fitch Ratings, Fitch Solutions, de Volksbank

Risk Profile

Underwriting Consistent with Industry Standards

We view the bank's underwriting standards for residential mortgage loans as prudent and consistent with industry standards. Dutch mortgage lending is mainly prime and owner-occupied. In the past, the bank's mortgage lending has been conducted at high loan/value (LTV) ratios by international standards, similar to its Dutch peers, and driven by past tax incentives to borrow. Regulatory changes adopted since 2011 have reduced the LTV cap at loan origination to 100%, which is still high, and require new mortgage loans to be fully amortising for interest expenses to be tax-deductible. The bank's average LTV increased to 55% at end-June 2023 (end-2022: 51%), driven by falling house prices in the Netherlands, but this was in line with Dutch peers.

Loans with high LTVs and interest-only structures will remain a feature of Dutch banks' loan portfolios in the foreseeable future given the long maturity of the asset class. Fitch believes residential mortgage lending risks are mitigated by Dutch banks' focus on debt affordability and interest rate stress-testing at origination. The legal system is creditor-friendly and banks have full recourse to the borrowers.

AML Risk Assessment Deficiencies

The bank has been working on strengthening its customer due diligence and transaction monitoring controls since shortcomings were identified in a supervisory review by the Dutch central bank (DNB) in 2020. However, following a new review conducted in 2022, the DNB found that de Volksbank did not adequately identify and assess its risks of money laundering and financing of terrorism. As a result, the DNB issued an instruction to de Volksbank to remedy this deficiency by 1 April 2024, and has informed the bank of its intention to impose a fine, although the amount is still unknown. Fitch views de Volksbank's non-compliance with its obligations as a negative development with regard to its risk controls, but expects these deficiencies to be addressed in the near term.

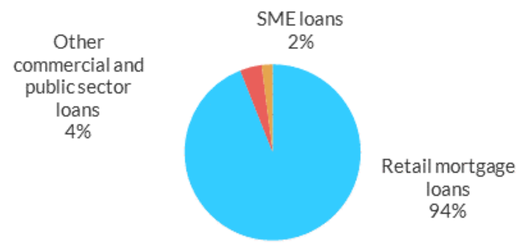
The bank has announced that it will develop a comprehensive remediation plan and make additional investments to improve its Systemic Integrity Risk Analysis by the required date. This will lead to higher near-term compliance and regulatory-related costs, but we believe the overall financial impact on de Volksbank's earnings should be manageable, as it should be absorbed by the bank's improved profitability.

Moderate Market Risk Exposure

The bank has moderate exposure to market risk. We believe techniques to manage and monitor market risk are reasonably sophisticated and commensurate with the bank's business model. It is mainly affected by structural interest rate risk arising from its portfolio of mortgage loans with fixed-rate periods of longer than one year, which represent the bulk of de Volksbank's mortgage loan book.

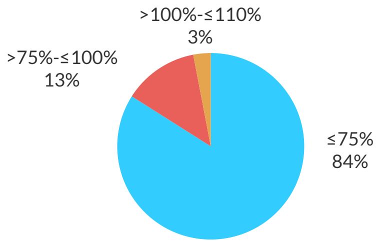
The bank estimated that the NII impact of a 200 basis points upward/downward shift in the yield curve at end-June 2023 (EUR208 million/-EUR221 million; equivalent to about 16% of annualised 1H23 NII) would be notably lower than at end-June 2022, but remain higher than in prior periods when interest rates were lower and less volatile. The bank uses interest rate swaps to hedge its interest rate risk, but is more interest-rate-sensitive than larger, and more diversified, Dutch banks.

Gross Loans
End-June 2023: EUR49.6bn



Source: Fitch Ratings, de Volksbank

Mortgage Loans
End-June 2023 by loan-to-value



Source: Fitch Ratings, de Volksbank

Financial Profile

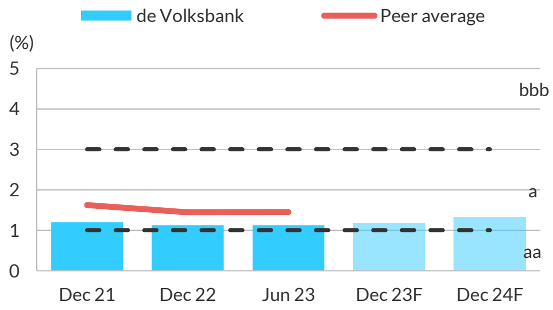
Asset Quality

The bank's large, high-quality residential mortgage portfolio in the Netherlands will continue to underpin its strong asset quality. The majority of mortgage loans have long durations and fixed rates (most loans carry fixed rates for at least a decade). The mortgage book has continued to perform well, with arrears at a low 0.6% of gross loans at end-June 2023. Stage 2 loans moderately rose to 5.7% of gross loans (end-2021: 4.9%), reflecting inflows of mortgages with higher LTVs (including interest-only mortgages). We expect de Volksbank's impaired loan ratio to weaken slightly by end-2024 as a result of the economic slowdown, but to remain below 1.5%.

The coverage of impaired loans by loan-loss allowances improved to about 31% at end-June 2023 (end-2022: about 28%) on stable impaired loans but it remains below that of Dutch and international peers. This reflects the low-risk nature of de Volksbank's lending portfolio with low historical credit losses.

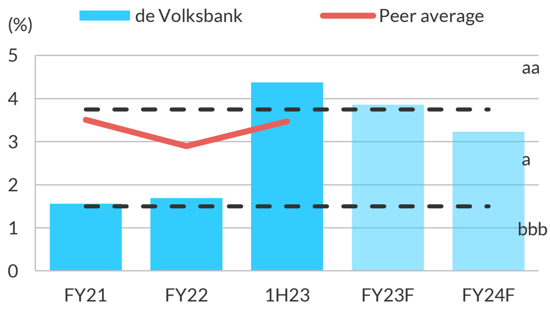
Credit risk in de Volksbank's securities portfolio is low and underpinned by the high quality of its investments. The majority of its investment portfolio comprises bonds issued by sovereign governments of core European countries and financial institutions with a credit rating of 'A' or above.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

The bank has satisfactory profitability considering its simple and concentrated business model, which results in weaker earnings diversification than peers. We expect profitability to remain healthy in the next 12 to 18 months, but to gradually decline from the very strong 1H23 level, due to rising funding costs and increased operating expenses to meet its customer integrity requirements.

Profitability benefitted considerably from higher interest rates in 1H23. Net income (1H23: EUR248 million) more than doubled from 1H22 levels (EUR95 million), driven by very strong growth in NII (78% yoy), which in turn stemmed from the higher interest rate environment. The NIM rose to 2.1%, from 1.3% in 2022, due to a significantly improved deposit margin as a result of the low deposit rate pass-through in the Dutch market. De Volksbank's improved cost/income ratio of 54% (2022: 68%) was in line with its peer average.

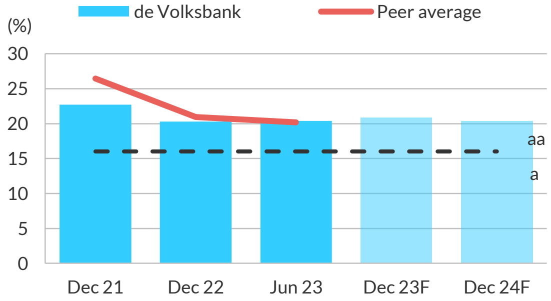
Capital and Leverage

The bank's CET1 (20.4%) and total capital (25.5%) ratios provide it with strong buffers above regulatory requirements (10.7% and 15.5%, respectively). Fitch views de Volksbank's capital planning as conservative as the bank targets a CET1 ratio of at least 19% (under Basel III endgame rules) and a minimum leverage ratio of 4.5%.

The bank's risk-weight density has risen steadily in recent years to above 21% at end-1H23, from just above 15% before 2021. This reflects higher regulatory requirements, including the minimum floor on the risk-weight of the mortgage loan portfolios of Dutch banks using internal risk models.

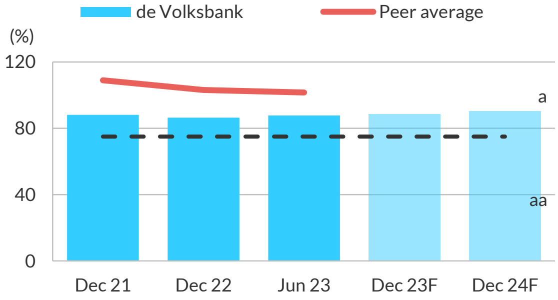
The bank needs to meet a minimum requirement for own funds and eligible liabilities (MREL) equating to around 7.8% of the leverage ratio exposure by January 2024, entirely with CET1 capital, subordinated and senior non-preferred debt. The bank is well positioned to comply with its MREL as it was already at 9% of the leverage ratio exposure at end-June 2023, after the issuances of two senior non-preferred notes in 1H23 totalling EUR1 billion.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Retail customer deposits have consistently accounted for around 85% of de Volksbank's non-equity funding in recent years. The loans/deposits ratio rose slightly to 88% by end-June 2023 (2022: 86%) as a result of modest 1% lending growth and a 0.5% decrease in deposits as a result of lower SME balances. Retail deposit balances were unchanged from end-2022 (EUR44.5 billion) and the major portion remains on-demand. Reliance on wholesale funding is low and mainly consists of covered bonds and senior debt.

Liquidity is well-managed and supported by a large cash balance placed at the central bank and high-quality liquid assets. The vast majority of the bank's mortgage loans are unencumbered, providing a large source of contingent liquidity. The liquidity coverage ratio (297%) and net stable funding ratio (179%) compared favourably to peers, and were well above the regulatory minimum of 100%.

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

Peer average includes ABN AMRO Bank N.V. (VR: a), Cooperatieve Rabobank U.A. (a+), ING Groep N.V. (a+), Leeds Building Society (a-), Skipton Building Society (a-).

Financials

Financial Statements

	30 Jun 23		31 Dec 22	31 Dec 21	31 Dec 20
	6 months - interim	6 months - interim	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	719	662	851	775	850
Net fees and commissions	36	33	51	39	46
Other operating income	43	40	63	13	27
Total operating income	799	735	965	827	923
Operating costs	423	389	655	667	652
Pre-impairment operating profit	376	346	310	160	271
Loan and other impairment charges	9	8	52	-58	38
Operating profit	367	338	258	218	233
Other non-operating items (net)	0	0	0	0	0
Tax	98	90	67	56	59
Net income	269	248	191	162	174
Other comprehensive income	10	9	-159	-22	6
Fitch comprehensive income	279	257	32	140	180
Summary balance sheet					
Assets					
Gross loans	53,888	49,593	49,120	50,677	50,708
- Of which impaired	605	557	549	607	678
Loan loss allowances	189	174	154	107	166
Net loans	53,699	49,419	48,966	50,570	50,542
Interbank	4,207	3,872	6,884	4,527	5,527
Derivatives	3,388	3,118	3,302	591	864
Other securities and earning assets	6,428	5,916	5,591	5,638	5,113
Total earning assets	67,722	62,325	64,743	61,326	62,046
Cash and due from banks	11,182	10,291	8,011	10,305	5,135
Other assets	448	412	401	450	303
Total assets	79,352	73,028	73,155	72,081	67,484
Liabilities					
Customer deposits	61,491	56,590	56,859	57,595	53,082
Interbank and other short-term funding	2,900	2,669	2,690	1,057	1,185
Other long-term funding	9,261	8,523	8,450	8,436	6,949
Trading liabilities and derivatives	1,033	951	924	1,013	2,163
Total funding and derivatives	74,685	68,733	68,923	68,101	63,379
Other liabilities	468	431	524	494	655
Preference shares and hybrid capital	324	298	298	0	0
Total equity	3,875	3,566	3,410	3,486	3,450
Total liabilities and equity	79,352	73,028	73,155	72,081	67,484
Exchange rate		USD1 = EUR0.920302	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, de Volksbank

Key Ratios

	30 Jun 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	4.4	1.7	1.6	2.3
Net interest income/average earning assets	2.1	1.3	1.3	1.4
Non-interest expense/gross revenue	52.9	67.9	80.7	70.6
Net income/average equity	14.3	5.6	4.7	5.1
Asset quality				
Impaired loans ratio	1.1	1.1	1.2	1.3
Growth in gross loans	1.0	-3.1	-0.1	0.3
Loan loss allowances/impaired loans	31.2	28.1	17.6	24.5
Loan impairment charges/average gross loans	0.1	0.1	-0.1	0.1
Capitalisation				
Common equity Tier 1 ratio	20.4	20.3	22.7	31.2
Fully loaded common equity Tier 1 ratio	20.9	20.2	22.5	n.a.
Tangible common equity/tangible assets	4.9	4.6	4.8	5.1
Basel leverage ratio	4.8	4.7	5.1	5.2
Net impaired loans/common equity Tier 1	12.1	12.7	15.7	15.9
Funding and liquidity				
Gross loans/customer deposits	87.6	86.4	88.0	95.5
Gross loans/customer deposits + covered bonds	n.a.	80.1	81.8	89.3
Liquidity coverage ratio	297.0	233.0	324.0	233.0
Customer deposits/total non-equity funding	83.1	83.3	85.9	86.7
Net stable funding ratio	179.0	174.0	176.0	n.a.

Source: Fitch Ratings, Fitch Solutions, de Volksbank

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	Neutral
Liability structure	Neutral
Ownership	Neutral

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

No Government Support

The GSR of 'ns' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event that de Volksbank becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that requires senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support. This is despite the Netherlands government's 100% ownership of de Volksbank, which we view as non-strategic due to its ultimate aim of privatising the bank.

Environmental, Social and Governance Considerations

FitchRatings **de Volksbank N.V.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

de Volksbank N.V. has 5 ESG potential rating drivers

- de Volksbank 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.

			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.

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. Fitch’s ESG Relevance Scores are not inputs in the rating process; they are an observation of the materiality and relevance of ESG factors in the rating decision. For more information on Fitch’s ESG Relevance Scores, visit www.fitchratings.com/esg .

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.