FitchRatings

Banks
Universal Commercial Banks
Belgium

Belfius Bank SA/NV

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 (Belgium)	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

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

Key Rating Drivers

Business Profile Drives Ratings: Belfius Bank SA/NV's ratings reflect its sound business profile in Belgium, where the bank benefits from a well-established retail and commercial banking franchise, leading position in public-sector financing, and private banking and wealth-management activities. The ratings also reflect low risk appetite, sound asset quality, adequate profitability, and solid capitalisation and funding profiles.

The bank's 'a-' Viability Rating (VR) is one notch below the implied VR of 'a', reflecting the high importance of the bank's less diversified business profile for the bank's ratings relative to similarly-rated peers.

Stable Business Model: Belfius operates a stable and fairly low-risk bancassurance business model. It has a clear and consistent strategy geared towards strengthening its profitability. It plans to consolidate its market position in Belgium, increase cross-selling between the banking arm and other group units, namely insurance and wealth and asset management, and maintain costs under control. A growing market position, namely in corporate banking and asset gathering services, supported the structural improvement in profitability in recent years.

Low Risk Profile: Its conservative risk profile is underpinned by the large proportion of residential mortgage and public-sector loans that we expect to continue to comprise the majority of its total loans in the medium term (end-2023: about 60%). This helps mitigate some concentration risk in commercial real estate, as at some other Belgian banks. Non-financial and market risks appear to be well controlled.

Satisfactory Asset Quality: Belfius's asset quality has remained resilient in recent years. The impaired loans ratio of 2% at end-2023 was in line with its peers, but we expect it to weaken moderately in 2024, driven by borrowers vulnerable to higher interest rates and a still-sluggish economic environment. However, the high coverage of impaired loans by loan loss allowances (end-2023: 81%) provides a comfortable buffer to absorb asset quality pressures.

Adequate Profitability: The bank's adequate profitability has steadily improved in the past few years, although it remains weaker than some of its more diversified domestic peers. The operating profit/risk weighted assets (RWA) ratio rose to 2.1% in 2023 (2022: 1.8%). We expect it to be maintained close to 2% in the near term, helped by resilient net interest income, higher non-interest income, controlled cost inflation, and manageable loan impairment charges (LICs) due to its low-risk profile.

Solid Capitalisation: Belfius's capitalisation is a rating strength. The common equity Tier 1 (CET1) ratio of 16% at end-2023 was maintained with a large buffer above its CET1 requirement of 10.1%. This provides sufficient headroom to absorb RWA inflation from continued business growth and regulatory impacts. We expect the ratio will remain comfortably above the bank's target of 15%–15.5% in 2024.

Stable Funding, Ample Liquidity: Belfius's healthy funding profile is supported by its large and predominantly stable retail customer deposit base, and good access to wholesale market funding. Liquidity is sound, as reflected in cash and securities that comprised about 25% of the balance sheet at end-2023. The Belgian government's issuance of an attractive retail bond in 2023 led to a significant deposit outflow for the bank and other domestic banks, but its strong funding and liquidity was able to comfortably absorb this.

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Global Economic Outlook (June 2024)

Belgian Bank Deposit Repricing Highlighted by Latest Sovereign Retail Bond (March 2024)

Fitch Affirms Belgium at 'AA-'; Outlook Negative (February 2024)

Analysts

Michal Bryks, FCCA
+48 22 103 3024
michal.bryks@fitchratings.com

Gary Hanniffy, CFA
+49 69 768076 266
gary.hanniffy@fitchratings.com

Rating Sensitivities

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

Belfius has considerable rating headroom, and its VR would withstand a downward revision of the Belgian banks' operating environment score to 'a+' from 'aa-'. We would likely downgrade its ratings if we expect its impaired loans ratio to increase towards 4% over a prolonged period, with an operating profit/RWAs ratio well below 1.5% and the CET1 ratio below 14% on a sustained basis. However, this is not our expectation.

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

An upgrade of Belfius's ratings would require a revision of the Outlooks on the Belgian sovereign rating to Stable, and a similar action on the bank's operating environment score. It would also require a further strengthening of the bank's franchises and business diversification outside lending, mainly in insurance and asset-gathering activities, which would result in stronger profitability metrics with operating profit/RWAs comfortably above 2%, while maintaining strong and resilient capitalisation and a low risk profile.

Other Debt and Issuer Ratings

Rating Level	Belfius Bank SA/NV	Belfius Financing Company SA
Derivative Counterparty Rating	A-(dcr)	
Senior preferred debt	A-/F1	F1

Source: Fitch Ratings

Belfius's 'F1' Short-Term IDR is the higher of two options mapping to an 'A-' Long-Term IDR, reflecting our 'a' assessment of Belfius's funding and liquidity profile and expectation that the bank will maintain high liquidity buffers.

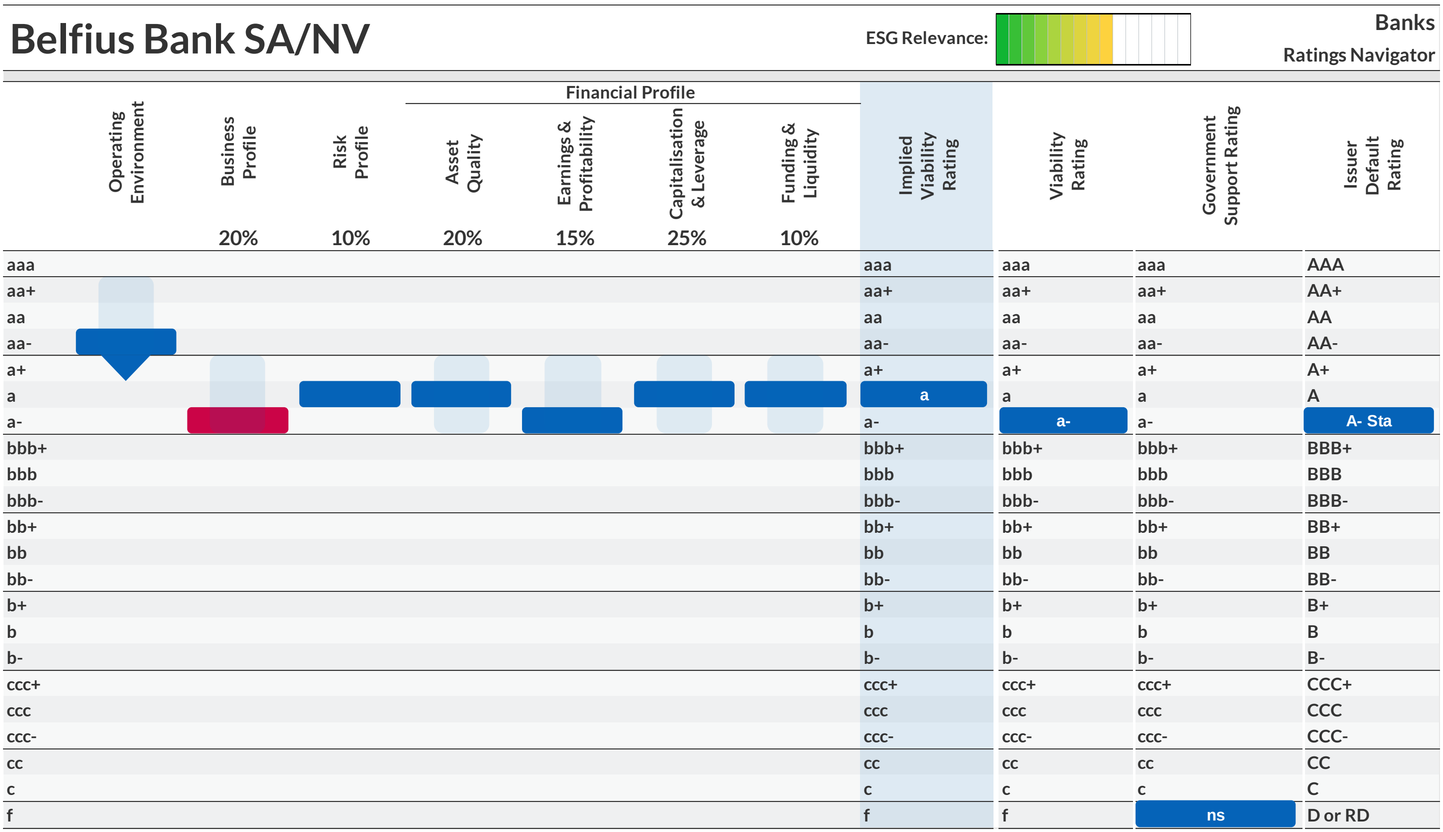
The bank's Derivative Counterparty Rating (DCR) is aligned with its Long-Term IDR because, under Belgian legislation, derivative counterparties have no preferential status over other senior obligations in a resolution.

The rating of the long-term senior preferred debt is also in line with the bank's Long-Term IDR. This is because we expect Belfius to use senior preferred debt to meet its minimum requirement for own funds and eligible liabilities (MREL) over the medium term. Fitch also expects subordination and resolution buffers to remain below 10% of RWAs on a sustained basis, a threshold above which it would consider a one-notch uplift of the senior preferred debt ratings.

Belfius Financing Company SA is a financing vehicle wholly owned by Belfius. Its senior preferred short-term debt rating is aligned with that of its parent, based on Fitch's expectation that the bank will honour the unconditional and irrevocable guarantee provided to holders of the notes issued by the vehicle.

Optional section 'Significant Changes at sector level - Public' has been hidden. It can be displayed and enabled for authoring by re-enabling it via the side-bar.

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.

Company Summary and Key Qualitative Factors

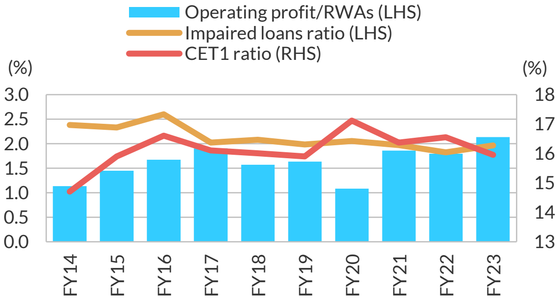
Business Profile

Belfius's operations are focused in Belgium, where it has a leading retail banking franchise and a dominant position in public sector lending. The banking franchise is complemented by adequate market positions in insurance, asset management, and equipment and property leasing. Its subsidiary Belfius Insurance is the fifth-largest insurer in Belgium. The bank's revenue is mainly generated from traditional and non-volatile banking business. It is dominated by interest income on loans and recurring fee and commission income, with a strong contribution from insurance (about 20% of net income in 2023).

Its bancassurance business model is less diverse than that of higher-rated peers, but it benefits from a healthy balance between low risk appetite and stable income. At the same time, the bank's large exposure to public sector lending leads to the bank's lower operating profitability than most domestic peers, although the gap has been reduced in the past few years as a result of the strategic diversification into higher-yielding business and corporate banking.

Belfius's execution of its business transformation plan has been solid. The bank improved its market shares in business and corporate lending in Belgium, despite fierce competition and while maintaining sound asset quality. The bank had around 20% market share in corporate and business banking in 2023, and a 17.5% share in new mortgage loan production. We expect the bank to continue its strategy of focusing on increasing its market share in targeted segments, while maintaining conservative underwriting standards.

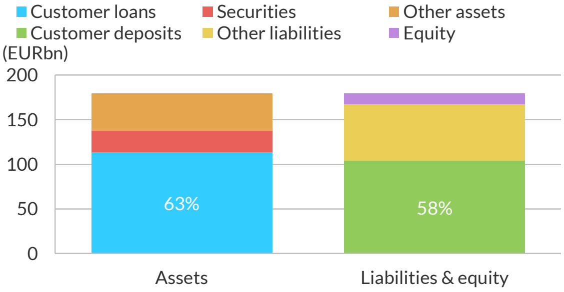
Performance Through the Cycle



Source: Fitch Ratings, Fitch Solutions, Belfius

Balance Sheet

End-2023



Source: Fitch Ratings, Fitch Solutions, Belfius

Risk Profile

Underwriting standards are generally low-risk, supported by the focus on residential mortgage loans (about 40% of gross loans at end-2023) and public-sector lending (about 21%). The origination of residential mortgage loans is overall prudent, in our view. Loans are typically amortising, and most of them have a fixed rate for the entire life of the loan. Since January 2020, underwriting of high loan-to-value (LTV; >90% for first-time borrowers, and >80% for buy-to-let buyers) and high debt service-to income loans are being monitored and limited by the National Bank of Belgium. As a consequence, LTVs at origination of over 90% have fallen (2023: 14%; 2019: 39%).

Belfius's legacy business has largely been de-risked, but still includes a significant, though steadily falling, derivative exposure to Dexia (EUR5.2 billion of notional value at end-2023), which is fully hedged externally. Interest rate risk in the banking book is moderate, despite its large portfolio of long-dated fixed-rate residential mortgage loans. Belfius estimates that the most severe rate scenario of the six supervisory outlier tests, corresponding to a parallel increase of 200bp, would lead to a EUR1.3 billion decrease in the economic value of equity, equivalent to 12% of common equity, which we view as manageable. It would have an immaterial impact on the 2023 net interest income.

Interest rate risk in the life insurance activities remains manageable. Higher interest rates meant the insurance subsidiary had some shift from unit-linked to guaranteed products in its new contracts in 2023, but the subsidiary still has fairly low guaranteed rates on average in comparison to investment portfolio returns, and should continue to benefit from higher reinvestment yields.

Financial Profile

Asset Quality

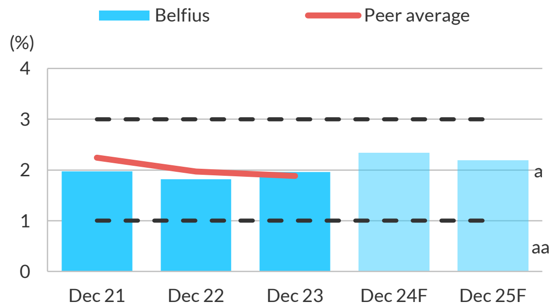
Belfius's asset quality was again close to that of Belgian and international peers in 2023. The impaired loans ratio rose to 2% at end-2023 (end-2022: 1.8%), driven by increased defaults by real estate and construction borrowers in its SME and corporate loan books. With the build-up of the SME and corporate portfolio, the bank's asset quality has become inherently more sensitive to economic cycles than it was a few years ago. However, the risks are mitigated by the bank's large proportion of domestic residential mortgage and public sector lending in Belgium, which continues to perform well, and its prudent underwriting with good sector diversification and low single-name concentration.

The construction and commercial real estate (CRE) portfolios accounted about 12% of the exposure at default (including loans and commitments) at end-2023 and is concentrated in Belgium. Credit quality in the book weakened in 2023 and we expect further inflows of defaults in 2024 as the effects of high interest rates continue to pressure valuations and borrower refinancing ability. However, we expect losses to be manageable, supported by adequate underwriting and a well-diversified book by asset and borrower type.

We expect the credit quality of the residential mortgage portfolio to remain solid, supported by a fairly stable level of unemployment, and preserved borrower-servicing capacity thanks to the automatic wage indexation. The book has low sensitivity to increasing interest rates as most loans have fixed rates, and the variable rates are legally capped at twice the interest rate at origination. The impaired loans ratio for the retail portfolio, including mainly residential mortgage loans and a small unsecured consumer lending portfolio, was a low 0.5% of credit outstanding at end-2023 (as reported by the bank). Similarly, we expect asset quality metrics in public sector lending to remain robust.

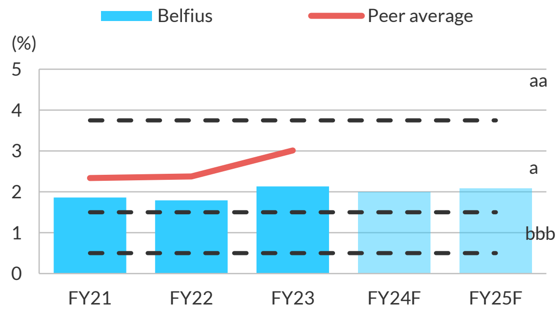
We expect impaired loans to increase to about 2.3% of gross loans by end-2024, driven by a moderate deterioration in the bank's more vulnerable portfolios, including CRE, unsecured consumer and SME loans. However, Belfius's asset quality has sufficient headroom at the current rating level to withstand a moderate degree of deterioration and the large portion of strongly-performing residential mortgage and public sector loans will continue to cushion any performance swings in other loan subsectors.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Belfius's overall profitability is still below that of larger domestic peers', but it should be viewed in light of the bank's low-risk business model, its stable and recurring revenue, tight cost control and contained credit losses. The bank's operating profit/RWAs ratio rose to 2.1% in 2023 from 1.8% in 2022, and we expect it to be maintained close to this level in 2024 and 2025. At that level it would continue to lag behind that of most peers, and the European average.

The bank's solid performance in 2023 was driven by a 15% increase in net interest income, due to the higher interest rates, and 19% growth in non-interest revenues, including continued strong momentum in non-life and health insurance. Operating expense growth of 9% was mostly driven by personnel costs rising by almost 12% due to a higher number of full-time employees and wage inflation. The cost/income ratio fell to 53% (2022: 57%) and it continues to be below the peer group average (60%). We expect it to be maintained at a fairly stable level in 2024.

LICs were in line with the previous year at a low 7bp of average gross loans (2022: 9bp). We expect higher charges in 2024 and 2025 due to our expectation of a moderate weakening of asset quality. However, any weakening is likely to be manageable and the bank has a large management overlay in place (about 17bp of end-2023 gross loans) to cushion the impact on profitability.

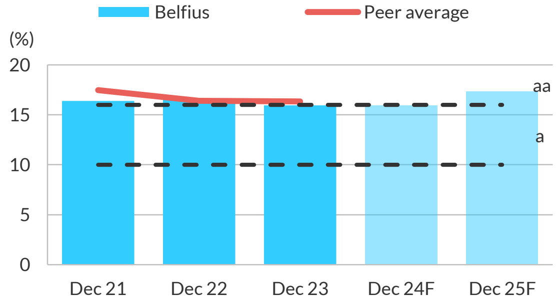
Capitalisation and Leverage

Belfius's capitalisation is underpinned by sound risk-weighted capital ratios, which compare well with domestic and international peers, a moderate distribution policy of around 40% of net income, and very low encumbrance of capital by unreserved impaired loans. The bank's Basel III leverage ratio was sound at 6.6% at end-2023.

Belfius's CET1 ratio (end-2023: 16%) provided a sound buffer of around 600bp above its minimum regulatory requirement, and a large cushion to absorb potential negative credit rating migrations and further regulatory changes. We expect the ratio to be maintained at a stable level at end-2024 as higher RWAs from model updates will be offset by steady earnings retention as a result of the bank's resilient profitability.

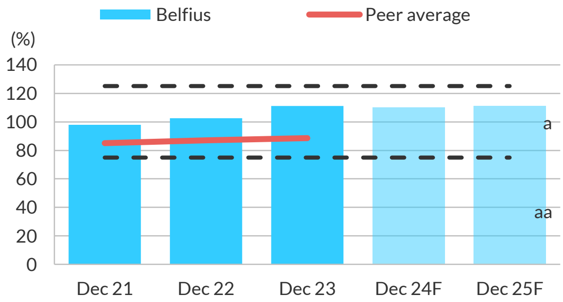
Based on end-2023 results, Belfius expects the impact from Basel III end-game implementation to result in the CET1 ratio rising by 1.1pp in 2025. This will largely be due to a more favourable risk weighting of the equity stake of its insurance subsidiary (to 250% from 370% under the "Danish Compromise"). Belfius Insurance had a solid Solvency II ratio of 195% at end-2023, after the payment of a dividend to the parent.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Belfius's large and stable customer deposit base, which typically accounts for more than 70% of total non-equity funding (end-2023: 73%), is comparable with domestic peers, and underpins the bank's funding profile. Customer deposits fell by 4% in 2023, mostly due to an EUR3.5 billion outflow due to the Belgian government's issuance of one-year notes to retail investors that raised nearly EUR22 billion in September 2023. This resulted in the (Fitch-calculated) loans/deposits ratio increasing to 111% by end-2023 (end-2022: 102%).

We expect the ratio to be maintained close to this level, although larger-than-expected inflows following the maturity of the state bond could provide some upside.

Belfius has good access to the wholesale funding market, as reflected in year-to-date issuance totalling EUR2.25 billion across senior preferred, senior non-preferred, covered bonds and subordinated issuance. The bank repaid the last of its targeted long-term refinancing operations (TLTRO) participation of EUR1.4 billion in March 2024. Future wholesale funding needs are mostly limited to minimum requirement for own funds and eligible liabilities (MREL) compliance and liquidity management.

Collateral requirements have decreased and weigh less on the bank's liquidity needs than in past years due to the reduction in the run-off derivatives portfolio. Assets encumbered for securitisations, covered bonds issuance, repo transactions, loans granted by central banks, assets given under bond lending transactions and collateral posted for derivatives transactions represented about 12% of assets at end-2023. Wholesale funding, maturing within one year, totalling about EUR6 billion at end-2023, was well covered by the high-quality liquid assets (about EUR28 billion).

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 ING Belgium NV/SA (VR: a-), KBC Group NV (a), BNP Paribas Fortis SA/NV (a+), de Volksbank N.V. (a-), ABN AMRO Bank N.V. (a), Santander UK Group Holdings plc (a).

Financials

Financial Statements

	31 Dec 23		31 Dec 22	31 Dec 21	31 Dec 20
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	2,721	2,483.5	2,150.4	2,074.3	2,041.8
Net fees and commissions	719	656.5	650.7	757.5	640.9
Other operating income	285	259.7	118.3	110.8	126.3
Total operating income	3,725	3,399.7	2,919.4	2,942.6	2,809.0
Operating costs	1,982	1,808.6	1,653.6	1,733.3	1,715.5
Pre-impairment operating profit	1,743	1,591.1	1,265.8	1,209.3	1,093.5
Loan and other impairment charges	120	109.3	103.7	-1.4	453.1
Operating profit	1,623	1,481.8	1,162.1	1,210.7	640.4
Other non-operating items (net)	12	10.9	35.3	15.0	38.6
Tax	412	375.9	264.4	290.1	147.4
Net income	1,224	1,116.8	933.0	935.6	531.6
Other comprehensive income	54	49.7	1,023.9	46.0	-238.4
Fitch comprehensive income	1,278	1,166.5	1,956.9	981.6	293.2
Summary balance sheet					
Assets					
Gross loans	126,497	115,458.9	111,092.6	102,249.8	97,193.1
- Of which impaired	2,475	2,258.8	2,026.3	2,011.9	1,997.3
Loan loss allowances	2,011	1,835.2	1,810.8	1,765.6	1,827.9
Net loans	124,486	113,623.7	109,281.8	100,484.2	95,365.2
Interbank	505	460.8	197.7	9,961.0	11,859.0
Derivatives	7,593	6,930.0	7,027.4	12,560.8	16,820.0
Other securities and earning assets	33,991	31,025.1	29,271.3	35,181.4	36,422.8
Total earning assets	166,575	152,039.6	145,778.2	158,187.4	160,467.0
Cash and due from banks	22,446	20,487.1	27,295.4	31,640.3	25,433.8
Other assets	7,289	6,652.7	5,994.6	2,322.8	2,090.6
Total assets	196,309	179,179.4	179,068.2	192,150.5	187,991.4
Liabilities					
Customer deposits	113,874	103,937.9	108,402.2	104,392.3	95,319.4
Interbank and other short-term funding	9,823	8,965.6	5,176.8	19,904.8	20,355.7
Other long-term funding	31,546	28,793.1	28,734.2	23,471.6	24,095.1
Trading liabilities and derivatives	6,855	6,256.9	6,804.0	14,291.9	18,826.7
Total funding and derivatives	162,098	147,953.5	149,117.2	162,060.6	158,596.9
Other liabilities	20,743	18,933.4	17,899.2	18,437.8	18,501.7
Preference shares and hybrid capital	625	570.2	639.0	656.5	656.5
Total equity	12,843	11,722.3	11,412.8	10,995.6	10,236.3
Total liabilities and equity	196,309	179,179.4	179,068.2	192,150.5	187,991.4
Exchange rate		USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Note: Some income statement classifications may differ from the bank's.

Source: Fitch Ratings, Fitch Solutions, Belfius

Key Ratios

	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.1	1.8	1.9	1.1
Net interest income/average earning assets	1.7	1.4	1.3	1.3
Non-interest expense/gross revenue	53.3	56.7	59.0	61.2
Net income/average equity	9.8	8.4	8.8	5.3
Asset quality				
Impaired loans ratio	2.0	1.8	2.0	2.1
Growth in gross loans	3.9	8.7	5.2	3.7
Loan loss allowances/impaired loans	81.3	89.4	87.8	91.5
Loan impairment charges/average gross loans	0.1	0.1	0.0	0.4
Capitalisation				
Common equity Tier 1 ratio	16.0	16.6	16.4	17.1
Fully loaded common equity Tier 1 ratio	15.8	16.2	15.9	16.4
Tangible common equity/tangible assets	6.3	6.2	5.5	5.3
Basel leverage ratio	6.6	6.3	7.1	6.9
Net impaired loans/common equity Tier 1	3.8	2.0	2.3	1.7
Funding and liquidity				
Gross loans/customer deposits	111.1	102.5	98.0	102.0
Gross loans/customer deposits + covered bonds	104.2	96.7	92.2	94.3
Liquidity coverage ratio	138.6	173.0	195.0	158.0
Customer deposits/total non-equity funding	73.0	75.8	70.2	67.8
Net stable funding ratio	128.1	135.0	136.0	128.0

Source: Fitch Ratings, Fitch Solutions, Belfius

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Negative
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	Neutral
Liability structure	Neutral
Ownership	Neutral

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

Belfius's Government Support Rating of 'no support' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event that Belfius 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 is likely to require senior creditors participating in losses, instead of, or ahead of, a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings **Belfius Bank SA/NV**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

ESG Relevance to Credit Rating

Belfius Bank SA/NV has 5 ESG potential rating drivers

- Belfius Bank SA/NV 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) 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 reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES