Landesbank Baden-Wuerttemberg

Key Rating Drivers

Support Drives IDRs: Landesbank Baden-Wuerttembergs' (LBBW) Issuer Default Ratings (IDR) and Shareholder Support Rating (SSR) are aligned with the IDRs of the German savings bank group, Sparkassen-Finanzgruppe (Sparkassen) (SFG; A+/Stable/F1+). This reflects Fitch Ratings' view of a very high probability of timely support from SFG, based on LBBW's membership of the Institutional Protection Scheme (IPS).

The Stable Outlook on LBBW's Long-Term IDR mirrors that on SFG. The IPS covers the savings banks and the Landesbanken, and its aim is to safeguard members' liquidity and solvency, and prevent them entering insolvency or resolution. It has an impeccable record in providing comprehensive protection to depositors and investors.

We believe support would also be available from the bank's other owners, the State of Baden-Wuerttemberg (BW; 40.5% stake) and the City of Stuttgart (10%), but LBBW's SSR does not factor in support from these public owners as it is based on the lowest of the owners' ratings. We use SFG's Long-Term IDR as the anchor rating as support would need to be forthcoming from SFG and its public owners to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if LBBW fails.

Large German Corporate Bank: LBBW's Viability Rating (VR) reflects its wholesale-driven business model with a focus on corporate clients and commercial real estate (CRE) lending, with high sector concentrations, and the structural improvement in profitability, although this remains weaker than higher-rated peers'. The VR also reflects good asset quality, adequate capitalisation, and access to the savings banks' excess liquidity.

Significant Sector Concentrations: LBBW has a good nationwide corporate-banking franchise and is the market leader in domestic CRE lending. Its business model leads to concentrations on cyclical industries and on large borrowers, particularly in CRE. Intense competition in most of LBBW's products limits its pricing power and weighs on profitability, as for its German peers. LBBW's asset management and growing project finance activities add revenue diversification.

Resilient Asset Quality: The bank's impaired loans ratio increased slightly, to 1.7% at end-2024 (end-2023: 1.3%), mainly driven by defaults in its CRE portfolio. The US CRE exposure (3% of loans at end-2024) had good asset-quality performance, and the lowest proportion of defaults out of peers.

Improving Underlying Profitability: LBBW's consistent execution of its business plan and gradual revenue growth has improved its structural profitability, although this remains lower than at higher-rated peers because of lower margins and higher costs. We forecast the operating profit/risk-weighted assets (RWAs) ratio to remain stable at about 1.3% over the next two years, well above the long-term average.

Adequate Capitalisation: The bank's common equity Tier 1 (CET1) ratio of 14.6% at end-2024 is adequate, considering its business model and risk profile. We expect the ratio to increase towards 15% over the next two years, as capitalisation should benefit from earnings retention and RWA optimisation, offsetting LBBW's growth and the phasing-in of final Basel III rules.

Sound Funding and Liquidity: LBBW is primarily wholesale-funded, as reflected in a moderately higher loans/deposits ratio than commercial bank peers'. However, the bank benefits from moderate capital market funding requirements, due to its reliable placement capacity within the savings bank sector. LBBW's liquidity position is sound, underpinned by a large portfolio of cash and liquid securities.

Ratings

Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1+
Derivative Counterparty Rating	AA-(dcr)
Viability Rating	bbb+
Shareholder Support Rating	a+

Sovereign Risk (Germany)

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

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms LBBW at 'A+'; Outlook Stable (June 2025)

Fitch Affirms Sparkassen-Finanzgruppe at 'A+'; Outlook Stable (March 2025)

Global Economic Outlook (June 2025)

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Rating Sensitivities

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

A downgrade of SFG's IDRs would likely lead to a downgrade of LBBW's IDRs and SSR.

LBBW's VR would likely be downgraded if we expected the bank's impaired loans ratio to rise to and remain above 3%, if the CET1 ratio falls durably below 13%, or if the operating profit declines below 0.7% of RWAs on a sustained basis without clear recovery prospects.

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

An upgrade of SFG's IDRs would likely lead to an upgrade of LBBW's IDRs.

An upgrade of the bank's VR would require a stronger business profile that benefits from economies of scale leading to a further structural improvement of LBBW's profitability, with an operating profit/RWAs ratio sustainably close to 2%. An upgrade would also be contingent on LBBW maintaining a moderate risk profile and an impaired loans ratio below 2%, while keeping the CET1 ratio consistently at or above current levels.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits and senior preferred debt	AA-/F1+
Senior non-preferred	A+
Guaranteed senior and subordinated debt	AAA
Subordinated debt	A-

Source: Fitch Ratings

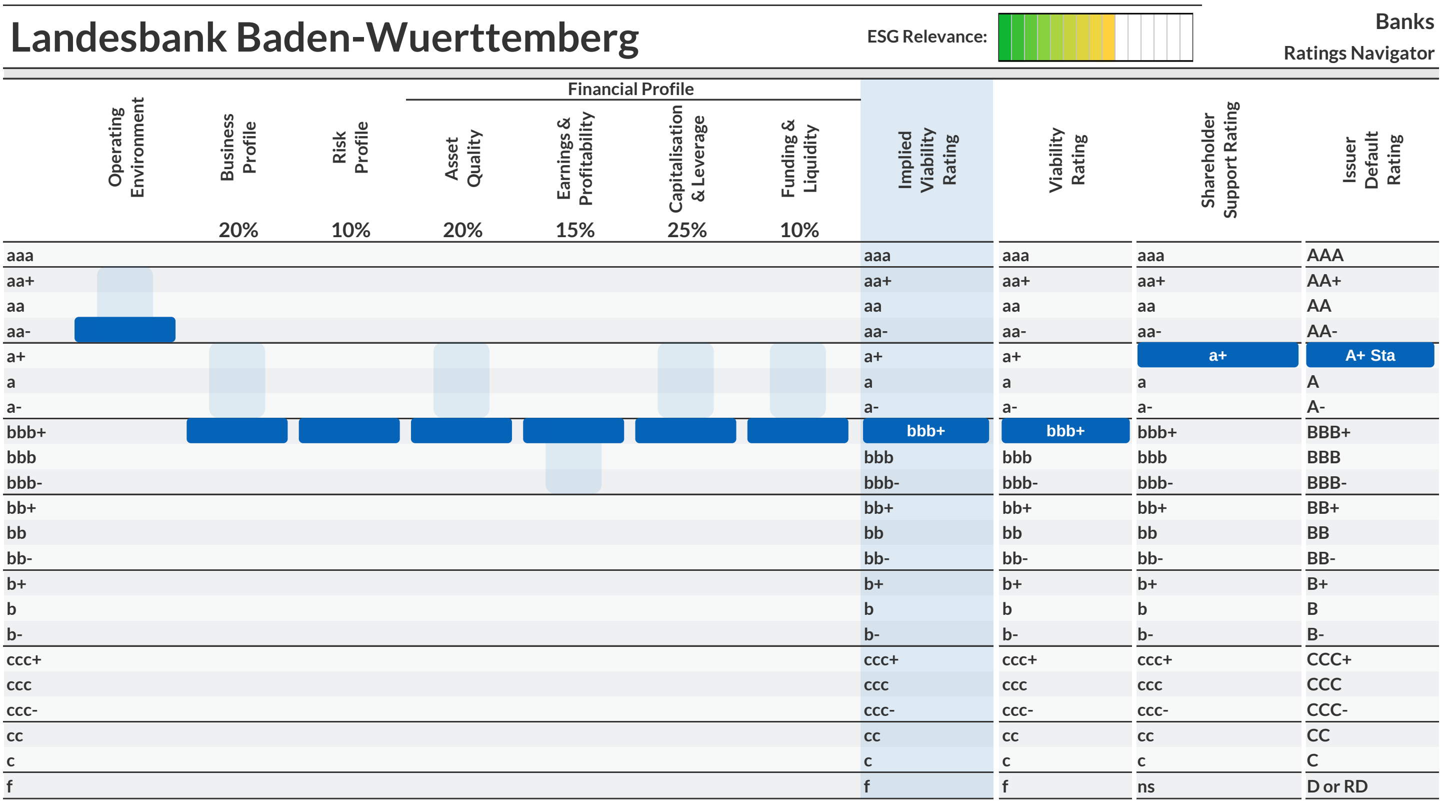
LBBW's Derivative Counterparty Rating, long-term deposit rating and senior preferred debt ratings are one notch above its Long-Term IDR. This reflects the protection of preferred creditors arising from the bank's large resolution buffers, including senior non-preferred and more junior debt. For the same reason, the senior non-preferred debt rating is in line with the bank's Long-Term IDR.

LBBW's short-term deposit and senior preferred debt ratings are the only short-term ratings mapping to the long-term deposit and senior preferred ratings, respectively.

The 'AAA' ratings of LBBW's grandfathered state-guaranteed senior unsecured and Tier 2 subordinated notes reflect our view of the creditworthiness of the state of Baden-Wuerttemberg, which is closely linked to that of Germany (AAA/Stable), and our expectation that Baden-Wuerttemberg will honour its guarantee.

The rating of LBBW's non-guaranteed Tier 2 subordinated debt is notched down twice from LBBW's Long-Term IDR to reflect poor recoveries in case of non-performance. Fitch uses LBBW's Long-Term IDR rather than the VR as the anchor rating because the agency expects shareholder support from SFG to be extended to the bank's Tier 2 instruments under the revised statutes, which has probably reduced the likelihood of regulatory resolution measures at LBBW.

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 business profile score of 'bbb+' is below the 'a' implied category score, due to the following adjustment reason: business model (negative).

The asset quality score of 'bbb+' is below the 'a' implied category score, due to the following adjustment reason: concentrations (negative).

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

The funding and liquidity score of 'bbb+' is below the 'a' implied category score, due to the following adjustment reason: deposit structure (negative).

Company Summary and Key Qualitative Factors

Business Profile

LBBW is a public-sector-owned wholesale bank that focuses on corporate and asset-based finance in addition to its statutory roles as the core bank for Baden-Wuerttemberg's public sector and central institution for the savings banks in Baden-Wuerttemberg, Rhineland-Palatinate and Saxony. The size and profit contribution of its retail activities, which are primarily concentrated in Stuttgart and Baden-Wuerttemberg, are small compared to those of universal banks of a similar size, although their profit contribution has increased in recent years. LBBW has also expanded its asset and wealth management in recent years as part of its nationwide growth strategy.

LBBW has a nationwide corporate banking franchise, with a focus on the federal state of Baden Wuerttemberg, which has an economy similar in size to Belgium's. LBBW's product offering includes traditional commercial banking products to large multinational customers and SMEs, including corporate finance, asset management, trade finance, leasing and factoring. Fitch believes that the strong competition in German corporate banking limits LBBW's pricing power. LBBW's regional focus leads to concentrations in cyclical industries. Additionally, the bank has significant exposures to large borrowers within its CRE segment. LBBW's international franchise is largely concentrated in western Europe, but the bank supports its corporate clients globally in key international financial centres.

The bank's client-driven capital markets business is complementary to its corporate business and is a sizeable – but volatile – revenue source. LBBW's acquisition of certain activities from other Landesbanken in recent years have strengthened its role as the main centre of competence and infrastructure provider for market activities within SFG. LBBW plans to increase and diversify its revenue by gaining market shares in debt capital markets and corporate finance, while leveraging on its know-how to service asset and wealth management customers.

LBBW became Germany's largest CRE lender after taking over the specialist CRE bank Berlin Hyp AG (Berlin Hyp; A+/Stable/F1+) from SFG in 2022. Full integration of Berlin Hyp into LBBW is scheduled for 2025, after which Berlin Hyp will become a business unit within LBBW. LBBW will use the strong Berlin Hyp brand for its combined CRE activities. LBBW indicated that the integration will create synergies of about EUR100 million a year – about 4% of LBBW's cost base at end-2024.

Risk Profile

LBBW's risk profile is dominated by credit risk. Since the deleveraging following the 2008–2009 global financial crisis, LBBW has grown its loan book based on prudent underwriting standards and low appetite for higher-risk segments, such as leverage finance. The group's risk monitoring and reporting is good and in line with that of domestic peers, and have resulted in overall sound asset quality. The latter is also reflected in LBBW's high proportion of internally investment-grade rated exposure of 90% at end-2024.

LBBW's corporate loan book is less diversified than those of large universal peers and has higher exposure to cyclical industries, in particular the industrial goods, consumer and automotive sectors. However, we view the gradual reduction of LBBW's exposure to combustion engine-focused automotive suppliers, and its expansion into sectors where it had previously been less active – such as pharmaceuticals or healthcare, technology, media and telecommunication (TMT), electronics and utilities – as credit positive as this increases diversification.

Market risk is driven by interest rate and credit spread risk, while foreign exchange, commodity and equity risks are not material.

Financial Profile

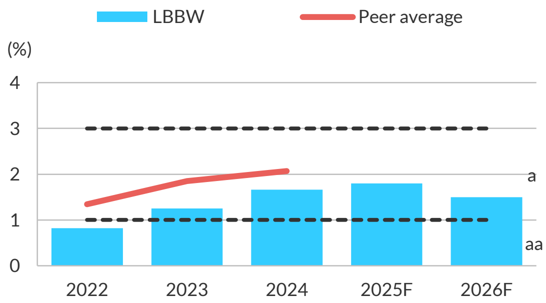
Asset Quality

LBBW's impaired loans ratio increased modestly to 1.7% at end-2024 and remains below the German sector average of 2.2%. The increase was mainly driven by the bank's CRE segment on the challenging market conditions in 2024. Pressure on asset quality could arise from LBBW's exposure to cyclical industries, which are also sensitive to global trade and weaker economic activity, particularly in its corporate loans portfolio. We expect LBBW's impaired loans to increase slightly in 2025 and then to start declining in 2026 among improved economic conditions, with the impaired loans ratio below 2%, a level that we consider to be manageable for the bank.

Impaired loans are almost fully covered by loan loss allowances, which LBBW supplements with post-model adjustments. In addition, high quality collateral mitigates downside risks. The bank's total Stage 2 gross exposure ratio was about 11.5% at end-2024 (end-2023: 10.6%); however, we believe this indicates conservative loan classification rather than heightened risk, as almost half of the exposure classified as Stage 2 was internally rated investment-grade.

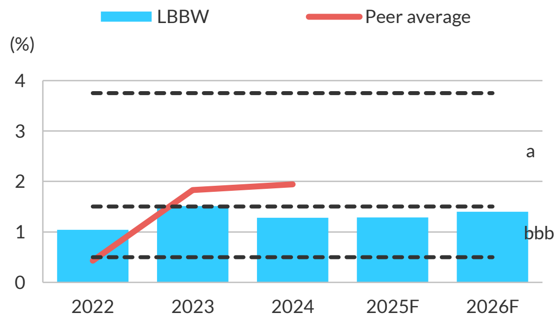
We view LBBW's EUR71 billion CRE exposure (4.8x CET1), in particular office and retail properties (39% and 11% of the CRE portfolio at end-2024, respectively), as vulnerable to structural changes and a weaker economy. At end-2024, 87% of the portfolio had a loan-to-value ratio of below 75%, and the total portfolio average was stable at 54%. The CRE Stage 3 exposure ratio slightly increased, but remains low (end-2024: 2%; end-2023: 1%), outperforming the Landesbanken peer average ratio of 5.1%. We believe there is still some headroom against asset quality deterioration, which will be partially absorbed by LBBW's precautionary provisions. Stage 1 and Stage 2 loan loss allowances accounted for 66bp of LBBW's gross loans at end-2024.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

LBBW's strong pre-tax profit of EUR1.2 billion in 2024 was in line with the performance of its German peers. Operating income remained stable, supported by resilient net interest- and fee income and moderate LICs. We expect the ratio to be stable in 2025, at 1.3%, due to broadly unchanged income coupled with a slight cost increase and stable LICs. In the short term, the weak operating environment and muted loan demand could put pressure on profitability

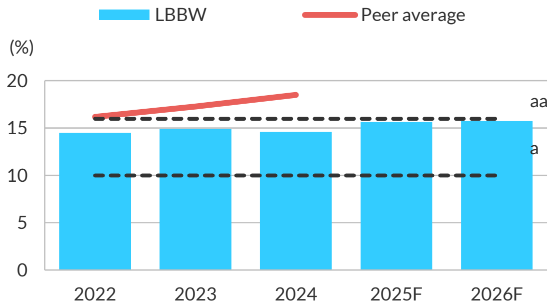
LICs increased in 2024 to 24bp of gross loans (2023: 18bp), mainly driven by defaults in LBBW's corporate and CRE portfolios. We expect LICs to remain high due to the challenging economic environment, but that they will remain manageable for the bank, due to its stable and structurally higher profitability.

LBBW's cost/income ratio (CIR) of 60.4% in 2024 is reasonable for LBBW's wholesale business model. However, maintaining this CIR sustainably over the coming years, in particular as interest rates come down, will also depend on the bank's ability to contain cost inflation and to generate adequate new business volumes. The latter will remain under pressure in the next 6–12 months, as we believe that growth in CRE will remain sluggish due to continued limited demand and amortisations. We expect a gradual recovery in 2026, as property prices should be close to reaching their new equilibriums. In corporate banking, given increased uncertainty around global trade and weak domestic business activity, we also expect LBBW to grow only moderately, as the bank remains selective in new lending.

Capitalisation and Leverage

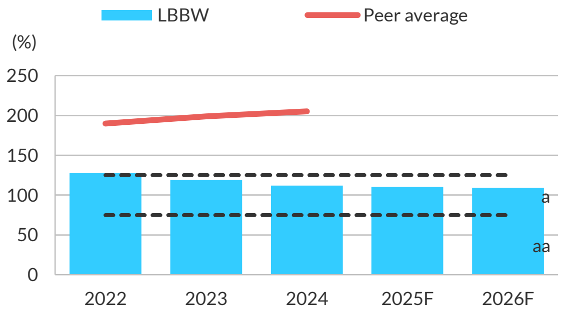
LBBW's fully loaded CET1 ratio (end-2024: 14.6%) has sufficient buffers over the regulatory requirement (10.72%) to absorb potential cyclical performance swings. We expect the CET1 ratio to increase above 15% in the coming two years, due to earnings retention and RWA optimisation. LBBW's fully-loaded total capital ratio of 19.2% benefits from the large Tier 2 debt buffer. We expect this buffer could decline gradually as we believe the bank will partially replace maturing Tier 2 with senior non-preferred debt. LBBW's fully-loaded Basel leverage ratio (end-2024: 4.4%) is adequate and on the same level as in the previous year.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

LBBW's reliance on wholesale deposits and market funding is mitigated by its membership in SFG's institutional support scheme. This ensures a nationwide privileged access to the savings banks' excess liquidity. At the same time, 53% of LBBW's deposits from banks are pass-through funding from development banks. LBBW also has a well-established capital market franchise across a diversified range of products. The bank's large stock of legacy senior non-preferred debt meant it significantly exceeds its minimum requirement for own funds and eligible liabilities of 26.4% of RWAs. As legacy senior non-preferred debt matures, we expect the resolution buffers to decline gradually, but to remain comfortably above required levels.

LBBW's mortgage and public covered pools (about EUR34.5 billion at end-2024) also ensure a source of stable funding and liquidity if market conditions worsen. The bank also issues green bonds and social bonds.

LBBW's cash and liquidity portfolios of EUR86.2 billion at end-2024 provide substantial headroom to withstand outflows. The liquidity coverage ratio was robust at 149% at end-2024 (end-2023: 151%).

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 boundaries for 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 Bayerische Landesbank (bbb+), Norddeutsche Landesbank Girozentrale (bbb-), Landesbank Hessen-Thueringen Girozentrale (bbb), Landesbank Saar (bbb-), IKB Deutsche Industriebank AG (bbb-), NIBC Bank N.V. (bbb+), UniCredit Bank GmbH (a-). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report

Financials

Financial Statements

	31 Dec 21 12 months (EURm)	31 Dec 22 12 months (EURm)	31 Dec 23 12 months (EURm)	31 Dec 24 12 months (EURm)	31 Dec 25F 12 months (EURm)	31 Dec 26F 12 months (EURm)
Summary income statement						
Net interest and dividend income	2,031	2,305	2,826	2,631	-	-
Net fees and commissions	598	628	589	636	-	-
Other operating income	372	446	620	792	-	-
Total operating income	3,001	3,379	4,035	4,059	4,071	4,220
Operating costs	1,928	2,169	2,397	2,455	2,517	2,582
Pre-impairment operating profit	1,073	1,210	1,638	1,604	1,554	1,638
Loan and other impairment charges	240	239	254	360	341	273
Operating profit	833	971	1,384	1,244	1,213	1,366
Other non-operating items (net)	-16	902	-10	-12	-	-
Tax	399	363	378	368	-	-
Net income	418	1,510	996	864	910	1,024
Other comprehensive income	180	-6	-95	28	-	-
Total comprehensive income	598	1,504	901	892	-	-
Summary balance sheet						
Assets						
Gross loans	112,644	140,965	145,722	153,270	158,634	164,980
– Of which impaired	1,002	1,156	1,826	2,548	-	-
Loan loss allowances	1,288	1,364	1,641	1,943	-	-
Net loans	111,356	139,601	144,081	151,327	-	-
Interbank	39,640	74,397	72,035	82,162	-	-
Derivatives	19,073	19,562	17,032	16,121	-	-
Other securities and earning assets	70,678	73,704	80,352	89,105	-	-
Total earning assets	240,747	307,264	313,500	338,715	-	-
Cash and due from banks	36,871	10,569	12,026	10,336	-	-
Other assets	4,726	6,341	7,779	7,304	-	-
Total assets	282,344	324,174	333,305	356,355	361,378	367,451
Liabilities						
Customer deposits	93,646	110,416	122,581	137,116	143,972	151,170
Interbank and other short-term funding	89,569	85,094	73,852	70,777	-	-
Other long-term funding	56,110	81,312	94,060	105,804	-	-
Trading liabilities and derivatives	23,533	26,188	21,080	20,355	-	-
Total funding and derivatives	262,858	303,010	311,573	334,052	-	-
Other liabilities	4,378	4,831	4,772	4,690	-	-
Preference shares and hybrid capital	1,656	1,636	1,638	1,853	-	-
Total equity	13,452	14,697	15,322	15,760	-	-
Total liabilities and equity	282,344	324,174	333,305	356,355	361,378	367,451
Exchange rate	USD1= EUR0.8842	USD1= EUR0.9376	USD1= EUR0.9127	USD1= EUR0.9622	-	-

Source: Fitch Ratings, Fitch Solutions, LBBW

Key Ratios

(%)	31 Dec 21	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25F	31 Dec 26F
Profitability						
Operating profit/risk-weighted assets	1.0	1.0	1.5	1.3	1.3	1.4
Net interest income/average earning assets	0.8	0.9	0.9	0.8	0.8	0.8
Non-interest expense/gross revenue	65.1	64.7	59.5	60.4	61.8	61.2
Net income/average equity	3.1	10.9	6.7	5.6	-	-
Asset quality						
Impaired loans/gross loans	0.9	0.8	1.3	1.7	1.8	1.5
Growth of gross loans	7.8	25.1	3.4	5.2	3.5	4.0
Loan loss allowances/impaired loans	128.5	118.0	89.9	76.3	80.0	103.3
Loan impairment charges/average gross loans	0.2	0.2	0.2	0.2	0.2	0.2
Capitalisation						
Common equity Tier 1 capital ratio	14.8	14.5	14.9	14.6	15.6	15.7
Fully loaded common equity Tier 1 capital ratio	14.6	14.1	14.6	14.4	-	-
Tangible common equity/tangible assets	4.7	4.4	4.5	4.4	-	-
Basel leverage ratio	5.1	4.6	4.6	4.4	-	-
Net impaired loans/common equity Tier 1	-2.3	-1.5	1.4	4.3	-	-
Funding and liquidity						
Gross loans/customer deposits	120.3	127.7	118.9	111.8	110.2	109.1
Gross loans/customer deposits + covered bonds	105.0	99.5	91.8	86.7	85.5	84.7
Liquidity coverage ratio	141.1	144.2	150.5	149.0	-	-
Customer deposits/total non-equity funding	37.7	38.6	40.9	42.4	-	-
Net stable funding ratio	108.5	111.3	109.7	113.9	-	-

Source: Fitch Ratings, Fitch Solutions, LBBW

Support Assessment

Shareholder Support	
Shareholder IDR	A+
Total Adjustments (notches)	0
Shareholder Support Rating	a+
Shareholder ability to support	
Shareholder Rating	A+/ Stable
Shareholder regulation	Equalised
Relative size	1 Notch
Country risks	Equalised
Shareholder propensity to support	
Role in group	1 Notch
Reputational risk	Equalised
Integration	2+ Notches
Support record	Equalised
Subsidiary performance and prospects	1 Notch
Legal commitments	Equalised

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

Very High Probability of Support from SFG

LBBW's SSR reflects our view of very high support propensity and ability from its owners.

Fitch uses SFG's Long-Term IDR as the anchor rating for determining LBBW's support-driven ratings, the lower of the two owners' ratings. This is because Fitch believes support would need to be forthcoming from both SFG and BW to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if LBBW fails. Fitch believes that BW would participate in any support measures for the bank, but LBBW's SSR does not factor in support from the federal state.

Fitch's assumptions on support from SFG are underpinned by the provisions contained in the statutes of the IPS of SFG and the Landesbanken. In 2021, SFG initiated a reform of its IPS, which came into force in January 2024. In Fitch's view, the amendments to the statutes of the IPS have substantially strengthened its governance, risk monitoring capabilities and available funds.

Fitch believes that the reformed IPS, underpinned by a dedicated rulebook, now defines the responsibilities and timelines in a potential support scenario clearer. Decision-making within the IPS is streamlined and more efficient and the role and powers of the IPS's central body have been strengthened under the revised statutes. The central body decides over recovery and support measures, including the raising of the required funds from its members, with a simple majority within two weeks of the receipt of the request for intervention. We therefore believe that the IPS would provide support to a member in need in a timelier manner than before.

The risk-monitoring system was strengthened with quantitative triggers, allowing for early identification of members with deteriorating financial profiles and enabling early intervention measures. This is also supported by a newly created internal audit unit within the IPS. In our view, this should result in timely interventions and avoid a protracted decision-making process that can result in late support measures.

The creation of an additional support fund as part of the reform, which we estimate will reach EUR5 billion–EUR6 billion by 2033, also improves the IPS's ability to support a larger number of members that may require capital support at the same time. This is in addition to SFG's sound pre-impairment operating profitability and strong capitalisation, which already provide it with sufficient financial flexibility to support the Landesbanken.

Fitch's support assumptions are also underpinned by LBBW's focus on its statutory roles, which include supporting the regional economy, as well as acting as the central institution for regional savings banks and as house bank for its federal state owners.

Environmental, Social and Governance Considerations

FitchRatings **Landesbank Baden-Wuerttemberg**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Landesbank Baden-Wuerttemberg has 5 ESG potential rating drivers
- Landesbank Baden-Wuerttemberg 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 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.

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.