FitchRatings

Banks
Universal Commercial Banks
Netherlands

ABN AMRO Bank N.V.

Key Rating Drivers

Strong Standalone Credit Profile: ABN AMRO Bank N.V.'s ratings reflect its strong and fairly diversified universal banking business model, complemented by a solid European private banking foothold, and its moderate risk profile, which results in resilient asset quality. The bank's capitalisation, funding and liquidity are rating strengths. The ratings also consider the bank's adequate profitability with solid earnings but weaker cost efficiency than peers'.

Strong Dutch Franchise: ABN AMRO has a leading and well-entrenched position as the third-largest bank in the Netherlands. It offers a broad range of products and services to Dutch retail, corporate and wealth management clients. Solid positions in these segments in selected north-west European markets and a leading global position in international clearing services provides moderate geographical and business diversification.

Moderate Risk Appetite, Sound Controls: ABN AMRO's underwriting standards are prudent, with a strategic focus on low-risk domestic mortgage loans and well-executed exit from riskier and cyclical sectors such as energy, shipping and trade and commodity finance. Risk controls are robust and sophisticated, with granular limits. ABN AMRO has effective tools, including advanced and rating-based models, stress testing and scenario analyses. The bank's appetite for traded market risk is low.

Resilient Asset Quality: ABN AMRO's moderate risk appetite supports its stable asset quality. A high share of low-risk residential mortgage loans underpins its asset quality. Credit quality also benefits from the bank's focus on sectors with moderate risk profiles in northwest Europe, diversified Dutch SME lending and prudent corporate loan origination. Fitch expects the impaired loans ratio to remain below 3% in the short term as credit losses rise moderately, although from a low base in 2023, despite the weak macroeconomic environment.

Satisfactory Earnings: ABN AMRO's profitability improved significantly in 9M23, as rising interest rates began to feed through its net interest income, which accounts for about three-quarters of the bank's revenues. We expect earnings to continue to benefit in the near term from high rates and a gradual pickup in fee income. This will help to maintain the operating profit/risk-weighted assets (RWAs) ratio above 2.0% in 2023-2024.

Persisting Near-Term Cost Pressure: The bank has made progress in cutting non-staff-related expenses as a result of its restructuring. However, cost inflation, including from resources allocated to its anti-money laundering (AML) remediation programme, has thwarted its ability to meet its 2024 cost target. We expect higher-than-anticipated AML-related expenses and necessary investments in data and IT to weigh on profitability in the near term and the bank's cost efficiency is likely to remain generally weaker than similarly rated northern Europe peers.

Sound Capitalisation: We expect ABN AMRO's common equity Tier 1 (CET1) ratio of 15.0% at end-September 2023 (about 16% pro forma under Basel IV, under which the bank manages its capital) to converge in the longer term toward management's guidance of about 13% under Basel III end-game rules. However, we expect the ratio will stay close to 15% in the near term and the bank will maintain a material buffer over its guidance for as long as the macroeconomic outlook and operating environment remain uncertain.

Stable, Diversified Funding; Sound Liquidity: ABN AMRO's funding and liquidity profile benefits from its strong domestic deposit franchise, which typically provides around two-thirds of its funding, good access to wholesale markets and ample liquidity that comfortably covers short-term wholesale maturities.

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 ABN AMRO 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 - 1H23 (July 2023)

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Rating Sensitivities

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

Fitch believes a downgrade is unlikely in the near term given ABN AMRO's significant headroom at its current rating. However, we could downgrade the ratings if there were a combined and lasting deterioration in ABN AMRO's operating profit/RWAs below 1.5%, CET1 capital ratio below 14% and impaired loans ratio to above 4%. The latter would most likely lead to a re-assessment of the bank's risk profile.

Negative rating pressure could also arise if ABN AMRO experiences outsized losses from its core operations, as this would suggest some weaknesses in its risk controls and governance.

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

Positive rating action is unlikely in the short term as it would require further material diversification of the bank's business model and significant market share gains in ABN AMRO's core segments. To be rating positive, this diversification that structurally improves earnings would have to be delivered with a conservative risk appetite.

In the longer term, a more diversified business model coupled with structurally improved impaired loans ratio durably below 2%, operating profit/RWAs close to 3% on a sustained basis and a CET1 ratio of around 15% could exert upward pressure on the ratings.

Other Debt and Issuer Ratings

Rating level	Rating
ABN AMRO Bank N.V.	
Derivative counterparty rating	A+(dcr)
Senior preferred debt and deposits	A+/F1
Senior non-preferred debt	A
Tier 2 subordinated debt	BBB+
Additional Tier 1 notes	BBB-
ABN AMRO Funding USA LLC	
Senior unsecured debt	F1

Source: Fitch Ratings

The long-term senior preferred debt and deposit ratings and Derivative Counterparty Rating (DCR) are one notch above the Long-Term IDR, and the long-term senior non-preferred debt rating is aligned with the Long-Term IDR. This reflects the protection that could accrue to senior preferred creditors from the bank's junior resolution debt buffers, as the bank plans to fulfil its expected minimum requirement for own funds and eligible liabilities of 28.9% of RWAs with senior non-preferred and junior debt only.

The short-term senior preferred debt and deposit ratings are the lower of the two options mapping to the long-term rating of 'A+' and reflect the funding and liquidity score of 'a+'.

The Tier 2 debt rating is notched twice from the VR to reflect the higher loss severity of this debt class. The additional Tier 1 instrument rating is notched four times from the VR, twice for loss severity and twice for non-performance risk due to fully discretionary coupon omission. The additional Tier 1 rating also reflects our expectation that the bank will maintain a CET1 capital ratio comfortably above its maximum distributable amount thresholds.

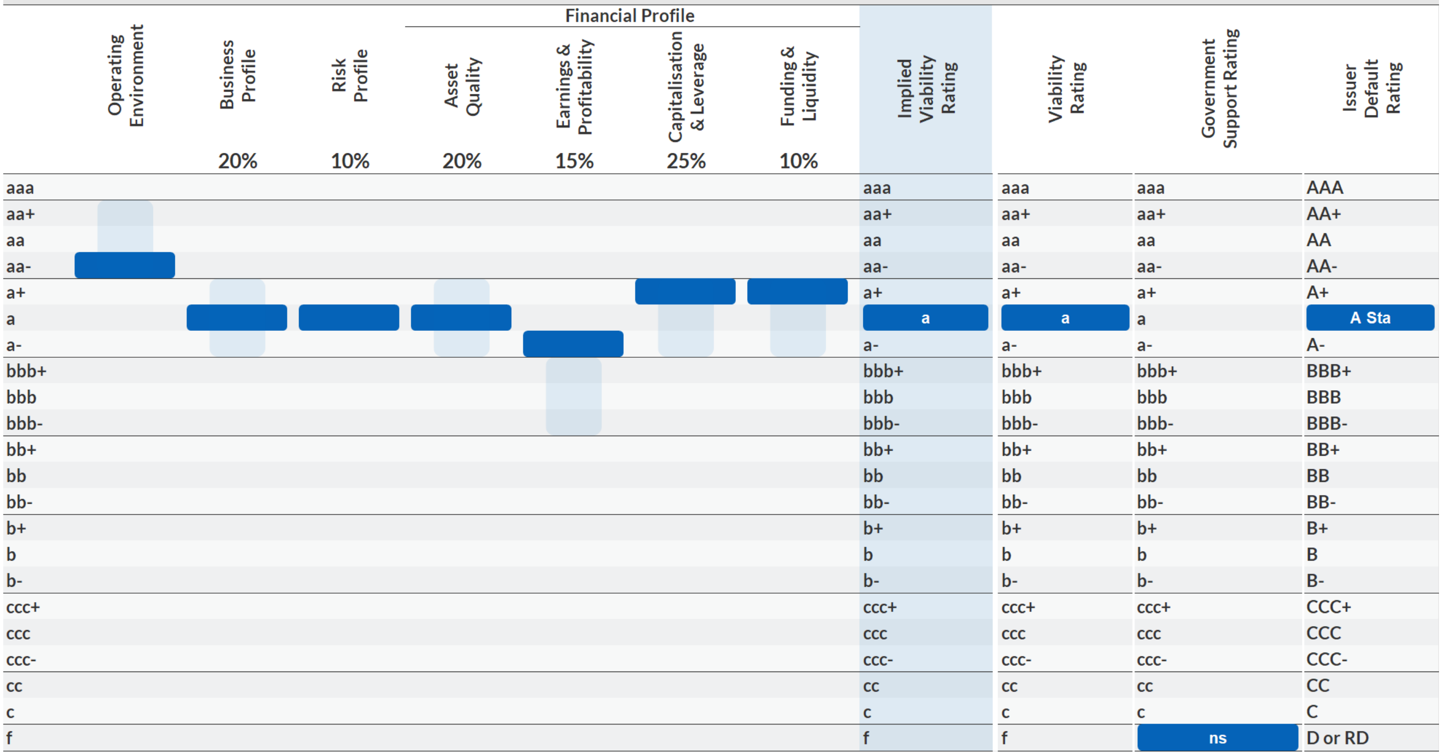
The rating of the US commercial paper programme issued by ABN AMRO Funding LLC, a fully owned US-based funding vehicle, is aligned with ABN AMRO's short-term preferred rating to reflect the fact that the commercial paper is guaranteed by ABN AMRO and that the guarantee is unconditional, irrevocable and timely.

Ratings Navigator

ABN AMRO Bank N.V.

ESG Relevance:

Banks
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 'a-' has been assigned above the 'bbb' category implied score due to the following adjustment reason: historical and future metrics (positive).

Company Summary and Key Qualitative Factors

Business Profile

ABN AMRO has a well-established market position in the Netherlands, with a broad offering for retail and business clients, complemented by a solid private banking foothold in key Northwest European markets. Net interest income (NII) accounted for about 75% of revenue on average in recent years (9M23: 73%). Its stable retail banking business comprises mainly low-risk mortgage loans, which accounted for close to 60% of total loans at end-September 2023. The bank is the second-largest domestic mortgage lender. It is the leader in the domestic onshore private banking market and has top-three and top-five positions in Germany and in France, respectively.

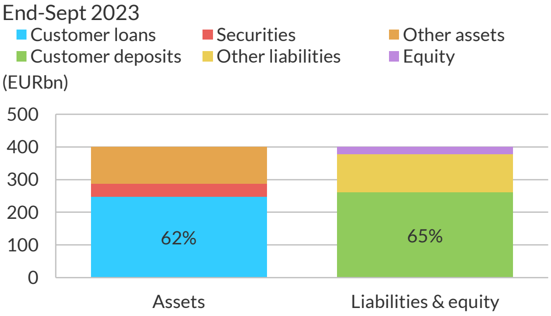
The bank's revenue diversification also benefits from its position as a top-three global provider of international clearing.

The Dutch state ultimately owns just below 50% of ABN AMRO following the sale of part of its stake in recent months. We do not expect any significant changes as a result of the state's reduced ownership as under its tenure the government has behaved as a passive financial investor and has not been involved in its day-to-day management.

ABN AMRO will announce new long-term financial and non-financial strategic targets with the release of its full year 2023 results in 1Q24. We do not expect changes to the bank's broader strategy, which focuses on businesses with robust growth potential (Dutch SMEs, affluent clients and mortgage loans) or where it considers it has a competitive edge (notably private banking and clearing). ABN AMRO's exit from all non-European corporate banking activities (except clearing) was almost fully completed by end-September 2023 as non-core loans were reduced to just EUR0.4 billion.

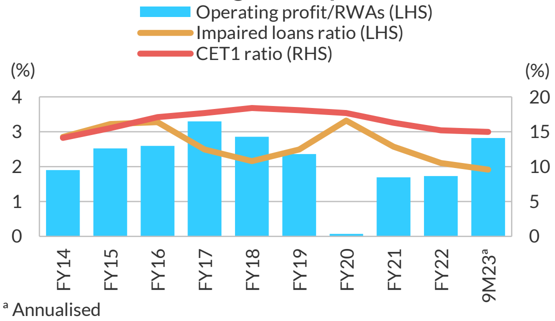
Performance against financial targets in 9M23 was largely satisfactory, with higher interest rates helping to deliver a 13.1% ROE (based on the bank's calculation) that was above the bank's 2024 target of 10% under normalised rates. However, cost efficiency remains a notable weakness. The bank will not meet its absolute cost goal of EUR4.7 billion in 2024 (9M23: EUR3.8 billion) due to delayed investment spend from 2023 to be made in 2024, high inflation, and higher-than-expected AML costs.

Balance Sheet
End-Sept 2023



Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Risk Profile

ABN AMRO's risk profile benefits from its focus on low-risk domestic mortgage loans and almost fully completed exit from riskier and cyclical sectors such as energy, shipping, trade and commodity finance. Lending is predominantly secured, with prudent concentration limits. Its risk indicators comprise prudent limits for key risks (capital, credit risk, market risk, liquidity). Exposure to clearing clients such as proprietary traders is material, but the bank does not assume direct market risk and credit risk is mitigated by strict collateral requirements. Surplus liquidity is invested in highly rated debt securities.

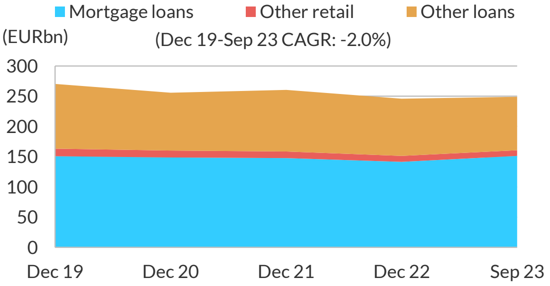
High loan/value (LTV) ratios at origination (capped at 100% since 2018) and a high share of interest-only loans are typical features of Dutch mortgage lending, which is driven by tax incentives for borrowers. The average LTV of ABN AMRO's mortgage loan book rose to 58% by end-September 2023 (end-2022: 54%) as house prices fell. The share of amortising loans in the book has continuously increased in recent years and reached 46% by end-September 2023 (end-2021: 41%; end-2012: 3%).

The vast majority of interest-only loans have LTV ratios below 50%. ABN AMRO's mortgage lending mainly pertains to prime, owner-occupied properties, with very limited buy-to-let that is structurally constrained by the small and rigid Dutch rental market. Like its peers', the bank's underwriting standards test borrowers' resilience to interest rate rises and apply affordability metrics.

The exposure to commercial real estate (CRE) represented only about 6% of total gross loans but a material about 80% of total CET1 capital at end-September 2023. The vast majority related to cash flow generating companies, with development CRE accounting for about 10% of the total. The exposures are well spread by asset type, with residential accounting for the largest portion at around 45%. Retail and office comprised about 17% and 14% of the total, respectively. Only about 4% of the CRE book had LTVs above 70% by end-September 2023, which should help it withstand valuation pressure from high interest rates and the economic slowdown.

ABN AMRO's main market risk is interest rate risk in the banking book. The bank applies a combination of portfolio and single transaction hedges to keep the interest rate sensitivity within its overall moderate risk appetite. NII loss in case of a gradual 200bp rate cut was EUR219 million at end-June 2023 (equivalent to less than 4% of annualised 1H23 NII). The impact of a 200bp parallel upward shift of the yield curve on the economic value of equity was EUR1.7 billion (about 8% of CET1 capital at end-June 2023).

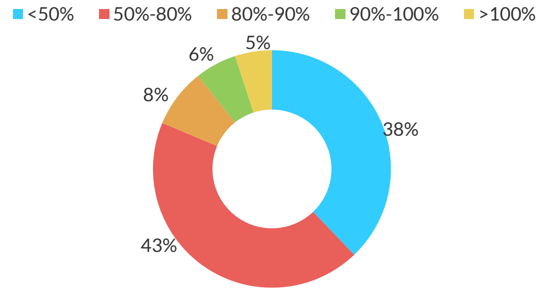
Loan Book Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Mortgage Loans

End-Sept 2023 by Loan-to-Value



Source: Fitch Ratings, ABN AMRO

Financial Profile

Asset Quality

The bank's stable asset quality benefits from a high share of mortgage loans, a focus on industries with moderate risk profiles across northwest Europe, diversified Dutch SME lending, prudent origination, and an exit from non-core cyclical sectors. The corporate loan book accounts for close to a third of total loans and includes loans to Dutch SMEs, which are well diversified. These were largely resilient to the pandemic thanks to generous government support measures. At end-June 2023, the largest sector comprised short-term exposures to the clearing and markets business, followed by manufacturing, CRE, and food and beverage.

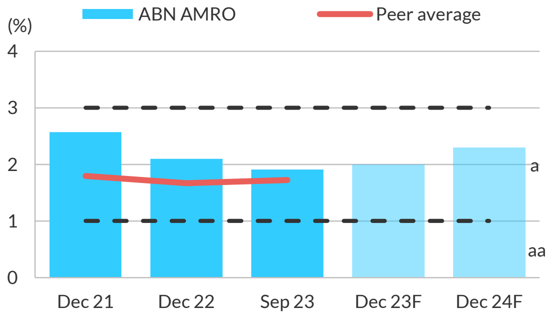
The Stage 3 ratio was stable at 1.9% at end-September 2023. We expect it to modestly weaken in 2024 as the effects of weaker growth, persisting inflation and high interest rates affect more vulnerable borrowers. Loan impairment charges will rise from a low base of about 2bp of average loans in 2023, but we expect them to remain below the bank's conservative through-the-cycle guidance of around 20bp in the short term.

We expect mortgage loans (0.8% Stage 3 ratio at end-September 2023) to remain healthy in 2024 with credit losses remaining low, due to limited further property price correction and low unemployment. Negligible credit losses since 2019, about 20% portfolio coverage by the Nationale Hypotheek Garantie and the limited housing stock available in the densely populated Netherlands explain the low coverage ratio of ABN AMRO's Stage 3 mortgage loans (8% at end-September 2023). Mortgage borrowers' refinancing risk is limited by long durations and fixed rates as most loans extended in recent years carry fixed rates for at least 10 years.

Older mortgages often carry higher rates and are, therefore, less vulnerable to the rising rate environment.

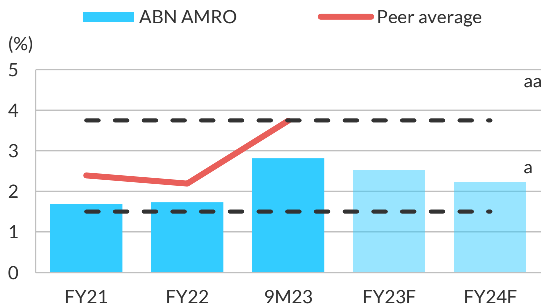
The CRE and unsecured retail loan portfolios (6% and 4% of total loans, respectively) had low Stage 3 ratios at end-September 2023 below 2% and about 3%, respectively. The bank's prudent underwriting standards should limit the extent of the asset quality weakening in both books. CRE borrowers' refinancing risk remains moderate despite pressure from inflation and rising interest rates, thanks to generally well spread refinancing maturities and widespread use of contracts that pass on inflation from the property owners to their tenants.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

ABN AMRO's earnings quality benefits from the high revenue contribution of low-risk retail banking and some diversification from fee income. The 9M23 operating profit/RWA ratio was strong at 2.8%, broadly in line with the European average, but we expect the ratio to decrease modestly to about 2.5% in 2023, due to growing funding costs and higher loan impairment charges. Operating income grew by 10% yoy in 9M23 driven by higher NII (up 24% yoy), helped by strong deposit margins.

However, NII moderately declined qoq in 3Q23, mainly due to deposit repricing and further deposit migration to more expensive term products, which is likely to continue in 4Q23 and 2024. The revenue benefit from higher interest rates will continue to feed through more gradually than at most European banks due to a modest pickup in loan growth and because a large part of residential mortgage loans (almost 60% of loans) are fixed rate for a long duration.

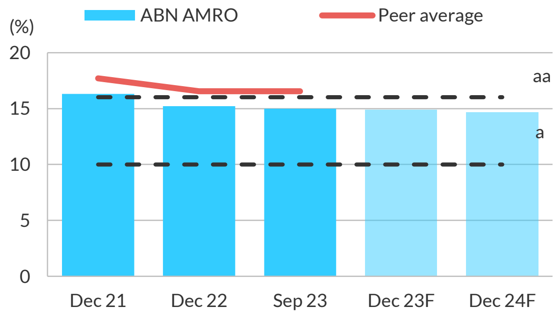
Operating costs fell sharply yoy, in line with our expectation and contrasting with European banks, despite inflationary pressures. Lower regulatory levies and one-offs and benefits from the bank's cost savings programmes more than offset a modest rise in staff costs. We expect 2023 expenses to be around EUR5.1 billion, in line with the bank's revised guidance due to delayed investments that will be made in 2024.

Capital and Leverage

ABN AMRO's end-September 2023 CET1 capital ratio of 15.0% was 440bp over its regulatory minimum. The bank is well positioned to absorb higher capital requirements, including an 85bp impact by 2024 mostly due to a further increase of the regulatory countercyclical buffer on Dutch exposures.

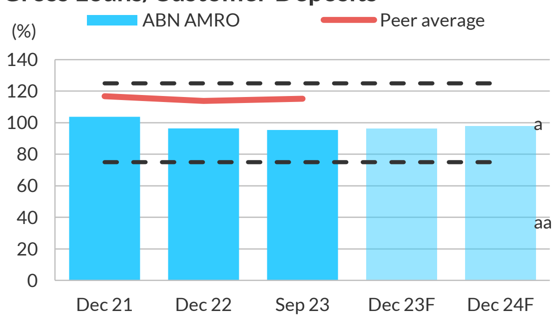
The bank is reviewing its capital framework - including its CET1 ratio guidance - at the same time as it prepares new medium-term strategic targets. In the meantime, we expect the CET1 ratio to remain close to 15% over the coming years, despite the bank's guidance of about 13% under Basel IV. Maintaining a large buffer over guidance appears likelier than aggressive capital optimisation in the uncertain economic environment. This is in line with management's 50% dividend pay-out guidance and pro forma Basel IV CET1 ratio of at least 15% to consider further share buybacks.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

ABN AMRO's funding and liquidity profile benefits from its strong deposit franchise in the Netherlands, where it serves about 20% of the population. Customer deposits account for about two-thirds of total funding on average, are well diversified and mainly pertain to stable relationships. About a third of the bank's debt funding of about EUR66 billion (excluding TLTRO) at end-September 2023 consisted of covered bonds, but asset encumbrance is manageable at around 17%. Debt is well spread by maturity and currency, with over six years of average residual maturity. Despite the volatile funding markets, full-year 2023 issuance is likely to be at the higher end of the bank's usual EUR10 billion-15 billion range.

ABN AMRO's liquidity buffer of EUR107 billion at end-September 2023 accounted for a high 27% of assets. Eighty-six percent of the buffer was liquidity coverage ratio eligible as it consisted predominantly of cash, central bank deposits and highly rated government bonds, and it covered 14x the volume of wholesale funding maturing within one year. Remaining TLTRO funding is due to mature in 2024 but, at just EUR3 billion, the impact on liquidity will be negligible.

Additional Notes on Charts

The forecasts in the charts above reflect Fitch's forward view on the bank's core metrics under Fitch's Bank Rating Criteria. They reflect a combination of Fitch's economic forecasts, sector outlook and bank-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, Fitch considers such information 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 Cooperatieve Rabobank U.A. (VR: a+), ING Bank N.V. (a+), de Volksbank N.V. (a-), Danske Bank A/S (a+), Nordea Bank Abp (aa-), Lloyds Banking Group plc (a), Credit Agricole (a+). Latest average uses 1H23 data for Cooperatieve Rabobank U.A. and de Volksbank N.V.

Financials

	30 September 2023		31 December 2022	31 December 2021	31 December 2020
	9 months - 3rd quarter (USDm) Unaudited	9 months - 3rd quarter (EURm) Unaudited	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified
Summary income statement					
Net interest and dividend income	5,059	4,775	5,422	5,210	5,863
Net fees and commissions	1,409	1,330	1,778	1,663	1,558
Other operating income	500	472	493	396	219
Total operating income	6,968	6,577	7,693	7,269	7,640
Operating costs	3,996	3,772	5,425	5,324	5,256
Pre-impairment operating profit	2,972	2,805	2,268	1,945	2,384
Loan and other impairment charges	-81	-76	39	-46	2,303
Operating profit	3,052	2,881	2,229	1,991	81
Other non-operating items (net)	n.a.	n.a.	147	-153	275
Tax	773	730	509	604	401
Net income	2,279	2,151	1,867	1,234	-45
Other comprehensive income	n.a.	n.a.	385	506	-314
Fitch comprehensive income	2,279	2,151	2,252	1,740	-359
Summary balance sheet					
Assets					
Gross loans	264,013	249,210	245,954	260,667	255,625
- Of which impaired	5,030	4,748	5,175	6,701	8,474
Loan loss allowances	1,818	1,716	2,026	2,416	3,467
Net loans	262,195	247,494	243,928	258,251	252,158
Interbank	3,956	3,734	2,782	2,602	3,174
Derivatives	6,290	5,937	5,212	3,785	6,381
Other securities and earning assets	79,067	74,634	60,447	61,022	66,088
Total earning assets	351,508	331,799	312,369	325,660	327,801
Cash and due from banks	63,592	60,026	61,065	67,064	60,410
Other assets	8,146	7,689	6,147	6,389	7,412
Total assets	423,245	399,514	379,581	399,113	395,623
Liabilities					
Customer deposits	276,512	261,008	255,015	251,218	238,570
Interbank and other short-term funding	31,856	30,070	41,884	56,747	57,365
Other long-term funding	76,275	71,998	48,826	58,059	65,735
Trading liabilities and derivatives	5,713	5,393	4,789	5,031	7,954
Total funding and derivatives	390,356	368,469	350,514	371,055	369,624
Other liabilities	7,865	7,424	6,253	6,059	5,010
Preference shares and hybrid capital	2,105	1,987	1,985	1,987	1,987
Total equity	22,919	21,634	20,829	20,012	19,002
Total liabilities and equity	423,245	399,514	379,581	399,113	395,623
Exchange rate		USD1 = EUR0.943931	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, ABN AMRO

Key Ratios

	30 September 2023	31 December 2022	31 December 2021	31 December 2020
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.8	1.7	1.7	0.1
Net interest income/average earning assets	2.0	1.6	1.6	1.7
Non-interest expense/gross revenue	57.7	71.5	73.5	69.1
Net income/average equity	13.7	9.1	6.3	-0.2
Asset quality				
Impaired loans ratio	1.9	2.1	2.6	3.3
Growth in gross loans	1.3	-5.6	2.0	-5.5
Loan loss allowances/impaired loans	36.1	39.2	36.1	40.9
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.8
Capitalisation				
Common equity Tier 1 ratio	15.0	15.2	16.3	17.7
Tangible common equity/tangible assets	5.4	5.1	4.4	4.3
Basel leverage ratio	5.2	5.2	5.0	5.0
Net impaired loans/common equity Tier 1	14.8	16.1	22.3	25.6
Funding and liquidity				
Gross loans/customer deposits	95.5	96.5	103.8	107.2
Liquidity coverage ratio	144.0	144.0	168.0	149.0
Customer deposits/total non-equity funding	71.3	73.2	68.1	65.5
Net stable funding ratio	135.0	133.0	138.0	n.a.

Source: Fitch Ratings, Fitch Solutions, ABN AMRO

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

ABN AMRO's Government Support Rating (GSR) of 'no support' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign if the bank becomes non-viable. The EU's bank resolution regime requires senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support. This is despite the Dutch government still holding close to 50% of ABN AMRO's shares.

Environmental, Social and Governance Considerations

FitchRatings **ABN AMRO Bank N.V.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

				ESG Relevance to Credit Rating
ABN AMRO Bank N.V. has 5 ESG potential rating drivers ABN AMRO Bank N.V. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. Governance is minimally relevant to the rating and is not currently a driver.	key driver	0	issues	5
	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E) 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.

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.