

Norddeutsche Landesbank Girozentrale

Key Rating Drivers

Owners' Support Drives IDRs: Norddeutsche Landesbank Girozentrale's (NORD/LB) Long-Term Issuer Default Rating (IDR) is driven by its Shareholder Support Rating (SSR), which reflects a strong likelihood of support from the bank's owners, Germany's savings banks group Sparkassen-Finanzgruppe (Sparkassen) (SFG; A+/Stable) and the federal states of Lower Saxony and Saxony-Anhalt (both AAA/Stable).

Fitch Ratings uses SFG's Long-Term IDR as the anchor rating for determining NORD/LB's support-driven ratings, as it believes support would need to be forthcoming from both SFG and its federal states owners to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if NORD/LB fails. The Stable Outlook on NORD/LB's Long-Term IDR reflects that of SFG.

Fitch believes the federal states of Lower Saxony and Saxony-Anhalt will participate in support measures for the bank, but NORD/LB's SSR does not factor in support from the states as it is based on the lowest of the owners' ratings, i.e., that of SFG.

We notch NORD/LB's SSR down twice from SFG's 'A+' to reflect regulatory restrictions on support, due to the requirement for state-aid examination under EU competition rules. The two-notch difference also reflects NORD/LB's strategic, but not key and integral, role for its owners.

Execution Risk, Weak Profitability: The VR reflects the bank's ongoing restructuring, satisfactory asset-quality, adequate capitalisation and access to savings banks' excess liquidity. NORD/LB's VR is two notches below the implied 'bbb-' rating due to the bank's weak profitability, which we score at 'bb-'.

Business Model Transformation Continues: The bank is reducing headcount and winding-down its shipping loan portfolios. However, profitability remains weak and a large portion of the planned cost reduction and revenue generation measures is subject to execution risk.

Improved Asset Quality: The bank's risk appetite is in line with Landesbanken peers' and limited by its owners' close scrutiny. NORD/LB's business model entails high single-borrower concentrations, but asset quality has been resilient through the pandemic, and the bank's impaired loan ratio further improved at end-3Q22. Rising interest rates and high energy prices will likely lead to an increase of German corporate defaults in 2023 and 2024, but we expect only a moderate deterioration of NORD/LB's asset-quality metrics.

Profitability to Gradually Increase: We expect operating profit to improve in the next two years, driven by higher net interest margins, lower fees paid on guarantees, and progress in cost reduction measures. We also expect precautionary loan loss allowances to offset a large portion of credit losses. We believe that the probability of incurring large operational losses during the restructuring has decreased. At the same time, pre-tax profit could be burdened by revaluation reversals on guarantees in 2023, which Fitch views as non-operating.

Adequate Capitalisation: NORD/LB's common equity Tier 1 (CET1) capital ratio declined to 14.6% at end-3Q22 (end-2021: 15.4%), driven mainly by loan growth, but remains well above its regulatory requirement of 8.7%. The bank benefits from capital reinjections from Lower Saxony during its restructuring, but its weak organic capital generation, in combination with expected regulatory and business-driven risk-weighted assets (RWA) inflation, constrains our assessment.

Ratings

Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1
Derivative Counterparty Rating	A(dcr)

Viability Rating	bb
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

Applicable Criteria

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

Related Research

[Fitch Affirms NORD/LB at 'A-'; Stable Outlook \(March 2023\)](#)

[Global Economic Outlook \(March 2023\)](#)

[Fitch Affirms Sparkassen-Finanzgruppe at 'A+; Outlook Stable \(June 2022\)](#)

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Rating Sensitivities

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

A downgrade of SFG's IDRs, or an adverse change in the ownership structure or in SFG's strategic commitment to the bank, could lead to a downgrade of the ratings. The ratings could also be downgraded if failed execution of the business plan threatens NORD/LB's viability, in which case an orderly wind-down under sponsorship of the owners is likely. We believe support from SFG's IPS would qualify as an alternative private-sector measure, capable of preventing resolution under German law.

We could downgrade the VR on a material deviation from NORD/LB's business plan, in particular weak execution on the bank's cost-cutting programme or an inability to generate sufficient and adequately priced new business. We could also downgrade the ratings if we expect NORD/LB's CET1 ratio to fall below 12%.

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

An upgrade of NORD/LB's IDRs would require an upgrade of SFG's ratings. We could upgrade the VR if we believe NORD/LB will remain profitable on a sustained basis and if its CET1 ratio remains above 13%, while maintaining asset-quality metrics broadly in line with peers'.

Other Debt and Issuer Ratings

Rating level	Rating
Long-term deposits	A
Short-term deposits	F1
Long-term senior preferred	A
Short-term senior preferred	F1
Senior non-preferred	A-
Subordinated debt	B+
State-guaranteed senior and subordinated debt	AAA

Source: Fitch Ratings, Fitch Solutions

NORD/LB's Short-Term IDR is the higher of two possible levels that map to an 'A-' Long-Term IDR on Fitch's rating scale, because propensity to support by its institutional owners is likely more certain in the near term and the bank shares strong links to SFG and privileged access to SFG's ample liquidity and funding resources.

NORD/LB's senior non-preferred debt is rated in line with its Long-Term IDR. The Derivative Counterparty Rating, long-term senior preferred debt and long-term deposit ratings are one notch above its Long-Term IDR, to reflect the protection that could accrue to them from junior resolution debt buffers.

NORD/LB's short-term senior debt and deposit rating are the lower of two possible ratings that map to a long-term rating of 'A'. This is because we believe that, despite the owners' very high propensity to provide support to NORD/LB, there are potential impediments to the prompt flow of funds given the lengthy process required to support a Landesbank, which are not commensurate with an 'F1+' short-term rating.

NORD/LB's non-guaranteed Tier 2 subordinated bond rating is notched down twice from the VR to reflect loss severity, in line with Fitch's baseline approach.

The ratings of NORD/LB's grandfathered state-guaranteed senior and subordinated notes are equalised with the Long-Term IDRs of their guarantors, Lower Saxony and Saxony-Anhalt. This reflects our opinion that both states' ability and propensity to honour their guarantees are very strong.

Ratings Navigator

Norddeutsche Landesbank Girozentrale							ESG Relevance:	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Shareholder Support Rating	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%	aaa	aaa	aaa	AAA
							aa+	aa+	aa+	AA+
							aa	aa	aa	AA
							aa-	aa-	aa-	AA-
							a+	a+	a+	A+
							a	a	a	A
							a-	a-	a-	A- Sta
							bbb+	bbb+	bbb+	BBB+
							bbb	bbb	bbb	BBB
							bbb-	bbb-	bbb-	BBB-
							bb+	bb+	bb+	BB+
							bb	bb	bb	BB
							bb-	bb-	bb-	BB-
							b+	b+	b+	B+
							b	b	b	B
							b-	b-	b-	B-
							ccc+	ccc+	ccc+	CCC+
							ccc	ccc	ccc	CCC
							ccc-	ccc-	ccc-	CCC-
							cc	cc	cc	CC
							c	c	c	C
							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The business profile score of 'bb' is below the 'bbb' 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 earnings and profitability score of 'bb-' is above the 'b' implied category score due to the following adjustment reason: historical and future metrics (positive).

The capitalisation and leverage score of 'bbb' is below the 'a' implied category score due to the following adjustment reason: internal capital generation and growth (negative).

Company Summary and Key Qualitative Factors

Business Profile

Regional German Landesbank

NORD/LB is a public-sector-owned wholesale bank that focuses on corporate and asset-based finance. It operates primarily in northern Germany with modest international operations, mainly in renewable energies. Like its Landesbanken peers, its pricing power is limited and its margins are low, due to strong competition in corporate banking in Germany. In some sectors such as agriculture, however, its established relationships allow for moderate pricing power.

NORD/LB is also the state bank for the states of Lower Saxony and Saxony-Anhalt and the central institution for the saving banks in both regions and in Mecklenburg-Western-Pomerania. It also serves retail and small business clients in Lower Saxony via its subsidiary Braunschweigische Landessparkasse (BLSK).

Business Model in Transition

NORD/LB has been undergoing a deep restructuring, agreed in its transformation plan with its owners and approved by the European Commission for state aid, since its recapitalisation by its owners at end-2019. The plan envisaged a wind-down of the bank's ship-financing business, which is nearly completed, and an aim for a significantly leaner and more profitable bank, with less than EUR100 billion total assets by 2024. After a decade of deleveraging, the balance sheet increased in 9M22 to EUR120 billion at end-3Q22 (end-2021: EUR115 billion) due to strong new business volumes. We believe this reveals a renewed appetite of the bank for growth in its four core segments of corporate lending, markets, special financing, and commercial real estate. However, this should not compromise the bank's capitalisation and the execution of the cost-cutting measures.

Further changes to NORD/LB's structure are being considered, including a carve-out of BLSK. This is likely to be a lengthy process, however, because BLSK does not hold a banking license and operates within NORD/LB's core banking system. Other planned organisational changes, including the reduction of pass-through lending conducted with KfW (AAA/Stable) and carve-out of the integrated regional development banks, were postponed due to high demand for emergency loans from these institutions during the pandemic. The development bank of Saxony-Anhalt was finally carved out on 1 March 2023 – without any impact on NORD/LB's financials because it was outside of NORD/LB's scope of consolidation.

The ability of NORD/LB's future business model to deliver adequate returns remains unproven through the cycle, but its smaller size allows for more flexibility and opportunistic new business than at larger Landesbanken.

Risk Profile

NORD/LB's commitment to preserve its capitalisation and its adherence to its restructuring plan limit its risk appetite. The bank's risk and growth appetite is also closely monitored by its owners, SFG in particular. The deleveraging of riskier non-strategic assets is improving NORD/LB's risk profile and asset quality metrics, which have converged toward its peers' levels. Consequently, we expect LICs, which have been material and volatile in the past, to be manageable over the next few years, despite the deteriorating economic environment.

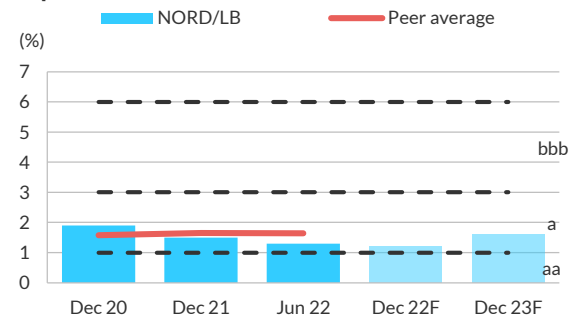
Interest-rate risk in the banking book does not materially affect NORD/LB's risk profile. A 200bp parallel upward shift in interest rates would have reduced the economic value of its equity by 2.8% at end-1H22. Foreign-currency risk in the loan book (primarily caused by its large proportion of US dollar-denominated ship financing) has decreased to only 10% of NORD/LB's total usage of economic capital for market risk, a level comparable to the other Landesbanken.

Financial Profile

Asset Quality

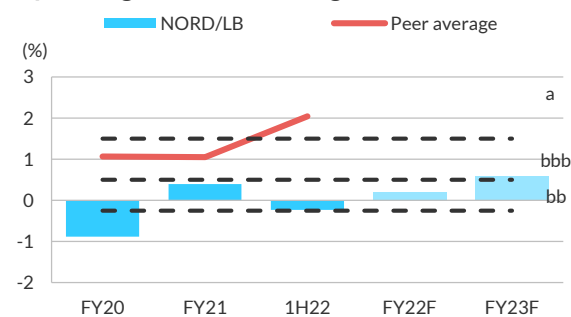
Similar to its domestic peers, NORD/LB's asset quality has been resilient so far. This is despite the gradually worsening economic environment in Germany. Its Stage 3 loans declined to EUR894 million at end-1H22 (end-2021: EUR1.1 billion). The impaired loan ratio reported by the bank also fell further to 0.7% at end-3Q22 (end-2021: 0.9%). The bank had only EUR8 million exposure to Russia at end-1H22, and no direct exposure to Ukraine or Belarus, although EUR73 million of its EUR351 million (5bp of gross loans at end-3Q22) management adjustments are allocated to second-round effects from the Ukraine-Russia conflict. We consider the bank's exposure to those industries most affected by the energy crisis as manageable.

Impaired Loans/Gross Loans



Source: Fitch Ratings, NORD/LB

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, NORD/LB

Earnings and Profitability

The restructuring targets 7% net return on equity and EUR563 million additional operating income in 2024 relative to 2019, about two-thirds of which are from cost savings and one third from revenue-enhancing measures. The restructuring remains on track, as evidenced by declining administrative costs in 9M22. The bank plans to further reduce its staff to 2,800–3,000 by end-2023 (end-2021: 4,426). Delays in the roll-out of the new core bank IT system are resulting in cost overruns, but the integration of Deutsche Hypothekenbank into NORD/LB started at end-1H21 was completed at end-1H22, as planned.

Higher new business volumes and lower guarantee fees paid to the Lower Saxony increased the bank's net interest and fee income in 9M22. However, rising market interest rates resulted in a negative fair-value result, reducing the bank's net profit to EUR37 million (9M21: EUR127 million). As the economic environment weakens, we expect NORD/LB's strong franchise in the renewable energy sector to mitigate lower new business in the corporate and commercial real estate segments in 2023.

The bank's 9M22 performance also benefitted from EUR97 million net releases of loan loss allowances, and by the offboarding of less profitable legacy clients as part of the bank's downsizing, as well as its ability to select higher-margin new business. NORD/LB reduced its management overlays for the pandemic and the Russia-Ukraine war by EUR11 million, down to EUR351 million. We believe the bank released its remaining pandemic-related overlays by end-2022, but most of it should have been reallocated as precautionary provisions for the war.

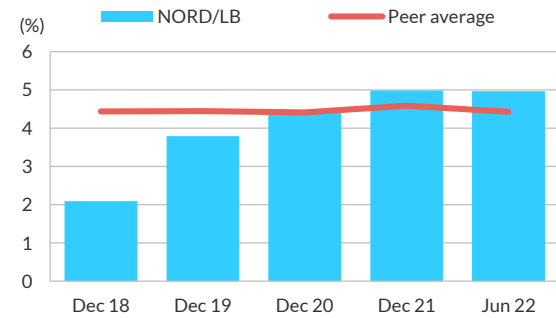
Higher interest rates resulted in a revaluation of pension liabilities, which was the main driver of the increase of NORD/LB's equity in 9M22. This was partially offset by negative market values of derivative hedges on pension liabilities, which drive the negative net trading income over the same period.

Capital and Leverage

NORD/LB remains committed to a 15% CET1 ratio by end-2024 under its restructuring plan, which we view as achievable if credit losses remain low. Lower Saxony's contractual commitment to reinvest the fees it receives from NORD/LB for guaranteeing aviation and shipping loans will support the bank's capitalisation until 2024, compensating for higher RWA density.

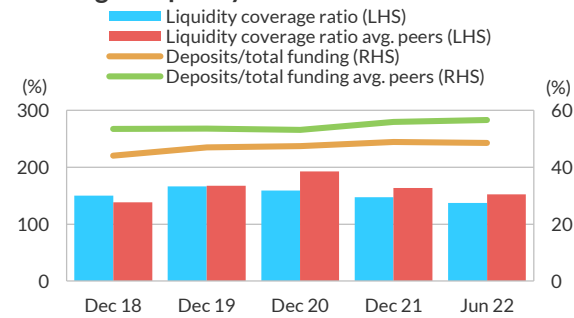
NORD/LB's owners contractually agreed to forgo dividends until end-2021, and to make profit distribution from 2022 conditional on the achievement of specific performance indicators. However, the bank has also indicated it could resume dividend payments at a later date and we do not expect the bank to pay a dividend in 2023. We believe that maintaining a sound capitalisation and a low-risk profile, rather than maximising returns on investment, is also the priority for SFG.

Tangible Equity/Tangible Assets



Source: Fitch Ratings, NORD/LB

Funding & Liquidity vs Peers



Source: Fitch Ratings, NORD/LB

Funding and Liquidity

Similar to the other Landesbanken, NORD/LB’s funding benefits from the savings banks’ excess liquidity placed with the bank and from client deposits, which are mainly sourced from corporates and SMEs (its EUR49 billion client deposits at end-1H22 include a high share of corporate deposits). Therefore, we believe NORD/LB will need to reprice these quickly in light of the central bank’s interest rate rises. NORD/LB also collects retail deposits through BLSK. Its reliance on interbank funding remains reasonable, at about 30% of total funding in recent years, and is mostly sourced from SFG and development banks. TLTRO funding was a modest EUR500 million at end-2021, repaid in June 2022.

NORD/LB issued moderate unsecured bond volumes in 2021, as in 2020. In September 2022, it also issued a further ‘green’ benchmark covered bond after previous issuances – for example, in 2017 and 2018 by Deutsche Hypo, and a benchmark covered bond, as it gradually restores its wholesale funding franchise. The bank’s market funding needs have been modest in the past few years due to its declining balance sheet.

At end-1H22, NORD/LB’s liquidity coverage ratio (145%) was underpinned by almost EUR20 billion of highly liquid assets (about 20% of total funding).

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 Landesbank Baden-Wuerttemberg (VR: bbb+), Bayerische Landesbank (bbb+), Landesbank Saar (bbb-), Crown Agents Bank Limited (bb).

Financials

Financial Statements

	30 Jun 22		31 Dec 21	31 Dec 20	31 Dec 19
	6 months - interim (USDm)	6 months - interim (EURm)	Year end (EURm)	Year end (EURm)	Year end (EURm)
Summary income statement					
Net interest and dividend income	455	438	899	988	1,024
Net fees and commissions	64	62	52	-38	41
Other operating income	-180	-173	91	40	151
Operating costs	454	437	911	916	970
Pre-impairment operating profit	-114	-110	131	74	246
Loan and other impairment charges	-70	-67	-18	425	-29
Operating profit	-45	-43	149	-351	275
Other non-operating items (net)	-49	-47	-133	338	-305
Net income	-65	-63	19	25	-69
Other comprehensive income	400	385	-25	-138	-327
Fitch comprehensive income	334	322	-6	-113	-396
Summary balance sheet					
Assets					
Gross loans	72,357	69,661	69,687	75,119	82,909
- Of which impaired	929	894	1,076	1,427	2,714
Loan loss allowances	847	815	877	1,014	1,595
Net loans	71,510	68,846	68,810	74,105	81,314
Interbank	14,046	13,523	14,029	14,949	20,701
Derivatives	2,868	2,761	3,907	5,983	5,897
Other securities and earning assets	20,616	19,848	19,614	23,626	26,536
Total earning assets	109,041	104,978	106,360	118,663	134,448
Cash and due from banks	6,029	5,804	6,930	6,031	3,454
Other assets	1,532	1,475	1,373	1,797	1,717
Total assets	116,602	112,257	114,663	126,491	139,619
Liabilities					
Customer deposits	50,702	48,813	49,357	52,374	57,887
Interbank and other short-term funding	31,316	30,149	28,705	30,460	35,517
Other long-term funding	22,292	21,461	22,867	27,401	29,837
Trading liabilities and derivatives	2,678	2,578	3,699	6,122	6,395
Total funding and derivatives	106,987	103,001	104,628	116,357	129,636
Other liabilities	3,216	3,096	4,155	4,313	4,145
Preference shares and hybrid capital	52	50	50	50	50
Total equity	6,346	6,110	5,830	5,771	5,788
Total liabilities and equity	116,602	112,257	114,663	126,491	139,619
Exchange rate		USD1 = EUR0.96274	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015

Source: Fitch Ratings, Fitch Solutions, NORD/LB

Key Ratios

	30 Jun 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	-0.2	0.4	-0.9	0.7
Net interest income/average earning assets	0.8	0.8	0.8	0.8
Non-interest expense/gross revenue	157.8	87.8	90.3	82.3
Net income/average equity	-2.1	0.3	0.4	-1.8
Asset quality				
Impaired loans ratio	1.3	1.5	1.9	3.3
Growth in gross loans	0.0	-7.2	-9.4	-8.9
Loan loss allowances/impaired loans	91.2	81.5	71.1	58.8
Loan impairment charges/average gross loans	-0.2	0.0	0.5	0.0
Capitalisation				
Common equity Tier 1 ratio	15.2	15.5	14.6	14.5
Tangible common equity/tangible assets	5.0	5.0	4.5	3.8
Basel leverage ratio	5.0	5.2	4.3	4.1
Net impaired loans/common equity Tier 1	1.4	3.4	7.1	19.3
Funding and liquidity				
Gross loans/customer deposits	142.7	141.2	143.4	143.2
Liquidity coverage ratio	137.3	147.1	158.9	166.5
Customer deposits/total non-equity funding	48.5	48.9	47.5	46.9

Source: Fitch Ratings, Fitch Solutions, NORD/LB

Support Assessment

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

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

Higher influence Moderate influence Lower influence

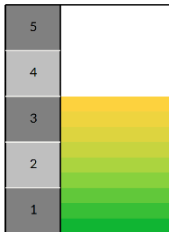
Fitch’s support assumptions are underpinned by NORD/LB’s focus on its statutory roles, which include supporting the regional economy as well as acting as the central institution for regional savings banks and as house bank for its federal state owners, and by provisions contained in the statutes of the institutional protection scheme (IPS) of SFG and the Landesbanken.

NORD/LB’s Shareholder Support Rating (SSR) reflects our view of very high support propensity from its owners. We use the lowest rating of NORD/LB’s parents, SFG’s Long-Term IDR, as the anchor rating for determining the bank’s SSR because, in our view, support from SFG would be necessary to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if NORD/LB fails.

Fitch believes the federal states of Lower Saxony and Saxony-Anhalt will participate in support measures for the bank; however, NORD/LB’s SSR does not factor support from the federal states as it is based on the lowest of the owners’ ratings, i.e. that of SFG. We notch down NORD/LB’s Long-Term IDR twice from SFG’s ‘A+’, so as to reflect regulatory restrictions to support due to the requirement for state aid examination under the EU competition rules. The two-notch difference in the ratings also reflects NORD/LB’s non-integral role within SFG despite strong synergies. The Stable Outlook on NORD/LB’s Long-Term IDR mirrors that on SFG.

Environmental, Social and Governance Considerations

Overall ESG

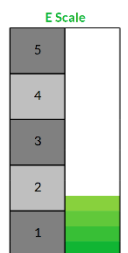


How relevant are E, S and G issues to the overall credit rating?

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.

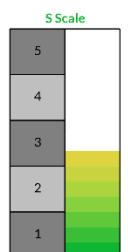
Environmental (E)

General Issues	Score	Impact	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1		n.a.	n.a.
Energy Management	1		n.a.	n.a.
Water & Wastewater Management	1		n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1		n.a.	n.a.
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



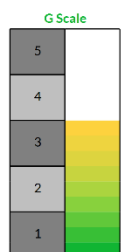
Social (S)

General Issues	Score	Impact	Sector-Specific Issues	Reference
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
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
Labor Relations & Practices	2		Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1		n.a.	n.a.
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



Governance (G)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Management Strategy	3		Operational implementation of strategy	Business Profile (incl. Management & governance)
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
Group Structure	3		Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3		Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)



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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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