

Norddeutsche Landesbank Girozentrale

Key Rating Drivers

Support Drives IDRs: Norddeutsche Landesbank Girozentrale's (NORD/LB) Issuer Default Ratings (IDRs) 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 NORD/LB's membership of the Institutional Protection Scheme (IPS). The Stable Outlook on NORD/LB's Long-Term IDR mirrors that on SFG's.

We believe support would also be available from the bank's other owners, the states of Lower Saxony (58% owner) and Saxony-Anhalt (6.25%). Fitch uses SFG's Long-Term IDR as the anchor rating because support would need to be forthcoming from SFG and the regional owners to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if NORD/LB fails.

Wholesale-Oriented Business Profile: The Viability Rating (VR) reflects NORD/LB's largely wholesale-driven business profile, modest profitability, good but concentrated asset quality as well as adequate capitalisation and funding underpinned by its IPS membership. The VR is one notch below the 'bbb' implied VR, due to its business profile being weaker than peers', which has a high influence on the bank's credit profile.

Concentration Constrains Risk Profile: The bank's risk appetite is in line with Landesbanken peers' and limited by its owners' close scrutiny. NORD/LB's focus on wholesale banking leads to sector concentrations, in particular in commercial real estate (CRE). The latter benefits from conservative underwriting standards and good collateralisation.

Resilient Asset Quality: We estimate the bank's impaired loans ratio to have deteriorated slightly in 2024, due to continued challenging economic conditions. We expect the ratio to increase further but remain below 3% in the medium term. The deterioration will be driven by further risks materialising in the bank's CRE lending, albeit to a lesser extent than in 2024, as well as in the corporate loan portfolio. Risk concentrations, including to the energy sector and CRE, are fairly high.

Improving Profitability but Modest: We expect the operating profit to remain above 0.5% of risk-weighted assets (RWAs) over the next two years, but that it will still be weaker than that of its larger Landesbanken peers. The bank's pricing power, and thus profitability, are structurally limited by intense competition in most of its business segments. The challenging operating environment in Germany remains a risk to NORD/LB's profitability, as it could weaken loan demand and lead to higher loan impairment charges (LICs).

Adequate Capitalisation: We expect the bank's common equity Tier 1 (CET1) ratio, which was 15.6% at end-September 2024, to remain above 15% in the medium term. This is comfortably above the regulatory requirement of 9.6%.

IPS Membership Underpins Funding: NORD/LB's predominantly wholesale funding benefits from its membership in SFG's IPS and is reflected in a moderately higher loans/deposits ratio than at commercial bank peers. The bank has re-established its funding franchise in the past year. Its liquidity profile is sound.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1+
Derivative Counterparty Rating	AA-(dcr)

Viability Rating	bbb-
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Shareholder Support Rating	a+
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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 \(March 2024\)](#)

Related Research

[Fitch Affirms NORD/LB's Long-Term IDR at 'A+'; Upgrades VR to 'bbb-'](#)

[Fitch Affirms Sparkassen-Finanzgruppe at 'A+'; Outlook Stable \(April 2024\)](#)

[Global Economic Outlook \(December 2024\)](#)

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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 NORD/LB's IDRs and SSR.

The VR would likely be downgraded if NORD/LB's operating profit drops below 0.5% of RWAs without clear recovery prospects. A higher impaired loans ratio at above 3% and a CET1 ratio consistently below 12% would lead to negative rating pressure.

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 NORD/LB's IDRs and SSR.

An upgrade of the VR is unlikely unless the bank strengthens its franchise and profitability, without relaxing its risk standards. An upgrade would also require asset quality to remain resilient and broadly in line with peers, while maintaining capitalisation at current levels.

Other Debt and Issuer Ratings

Rating Level	Rating
Long-term deposits	AA-
Senior non-preferred: long term	A+
Senior preferred: long term	AA-
Senior preferred: short term	F1+
Short-term deposits	F1+
Subordinated: long term	AAA
Subordinated: long term	A-

Source: Fitch Ratings

NORD/LB's 'F1+' Short-Term IDR is the higher of two ratings mapping to its Long-Term IDR and is equalised with SFG's Short-Term IDR to reflect our view that propensity to support is more certain in the short term.

NORD/LB's Derivative Counterparty Rating (DCR), 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.

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

The 'AAA' ratings of NORD/LB's grandfathered state-guaranteed subordinated notes reflect our view of the creditworthiness of the state of Lower Saxony and the state of Saxony-Anhalt, which is closely linked to that of Germany (AAA/Stable), and our expectation that the federal states will honour the guarantee.

The rating of NORD/LB's non-guaranteed Tier 2 subordinated debt is notched twice from NORD/LB's Long-Term IDR to reflect poor recoveries in case of non-performance. We use NORD/LB's Long-Term IDR rather than its VR as the anchor rating because we expect shareholder support from SFG to be extended to the bank's Tier 2 instruments under the revised statutes of the IPS, which we believe has reduced the likelihood of regulatory resolution measures at NORD/LB.

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+ Sta
							a	a	a	A
							a-	a-	a-	A-
							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 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 'bbb-' is above the 'bb' 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 energy and infrastructure. 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).

Sustainable Business Model After Transformation

NORD/LB completed a deep restructuring at end-2024, agreed in its transformation plan with its owners. It was approved by the European Commission for state aid after its recapitalisation by its owners at end-2019. The plan envisaged a wind-down of the bank's ship-financing business, and a significantly leaner and more profitable bank, which we believe has now been established. At end-1H24 NORD/LB's balance sheet totalled around EUR113 billion (end-2020: EUR127 billion). We believe NORD/LB has a moderate appetite for growth. However, this should not compromise the bank's capitalisation and cost-cutting measures.

In June 2024 NORD/LB announced the sale of a EUR1.7 billion aircraft financing portfolio. The remaining EUR1.1 billion aircraft exposure will remain on NORD/LB's balance sheet until maturity. Further changes to NORD/LB's structure are being reviewed, in particular a carve-out of BLSK. This would be a lengthy process and may not be supported by the bank's part owner, the federal state of Lower Saxony.

Risk Profile

NORD/LB's commitment to preserving its capitalisation guides its risk appetite. The bank's risk and growth appetite is also closely monitored by its owners, in particular by SFG. The deleveraging of riskier non-strategic assets has improved NORD/LB's risk profile and asset quality metrics, which have moved 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 still-challenging economic environment.

Credit risk is adequately managed, as reflected in its fairly stable rating distribution. However, some concentrations on regional industries and single-name exposures and CRE make the bank vulnerable to deterioration.

Interest-rate risk in the banking book does not materially affect NORD/LB's risk profile. Foreign-currency risk in the loan book (primarily caused by its US dollar-denominated legacy ship and aviation financing) has decreased to a low 3% of NORD/LB's total usage of economic capital for market risk at end-2023.

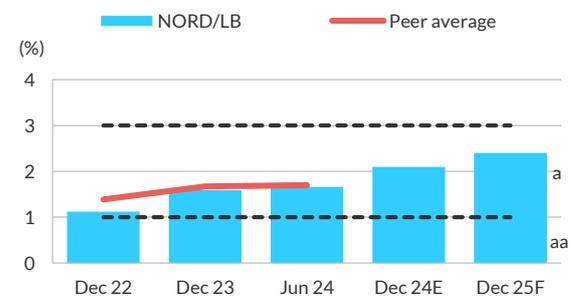
Financial Profile

Asset Quality

The gradually worsening economic environment in Germany has led to a weakening in NORD/LB's asset quality. NORD/LB's Stage 3 loans increased to EUR1.2 billion at end-1H24 (end-2022: EUR814 million), and its impaired loans ratio rose to almost 1.7% at end-1H24 (end-2022: 1.1%). Fitch expects the ratio to have deteriorated further in 2024, as a result of the continued challenging economic environment, and to remain heightened at more than 2% in 2025 before falling again as the economic environment improves. We expect a normalised level of LICs for 2024 and for 2025, which are likely to be cushioned by NORD/LB's remaining management overlay of EUR299 million at end-1H24.

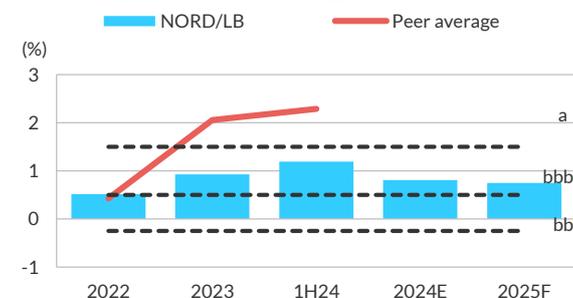
Commercial real estate accounts for around 15% of total assets, which is less than for Landesbanken peers, and focuses on Germany (60%), the Netherlands (16%) and the UK (9%). CRE lending includes inherently high loan concentrations, and we expect further inflows of impaired loans in this segment as it remains vulnerable to refinancing risks, due to continued high interest rates and falling market valuations. However, this should not result in outsized credit losses, in particular due to strong collateralisation and adequate provisioning. The continuing challenging economic environment creates further potential risks in the bank's corporate loan book, which could come under increasing pressure. This risk is mitigated by the sound diversification of the corporate portfolio.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

NORD/LB has completed its restructuring process and reported an increased operating profit/RWAs ratio of 1.2% in 1H24. Good new business volumes and higher interest rates increased the bank's net interest and fee income in 1H24, while LICs reached a more normalised level at EUR61 million. Net fee income was also supported by lower guarantee fees paid to Lower Saxony. Consequently, net income increased significantly (1H24: EUR195 million; 1H23: EUR109 million).

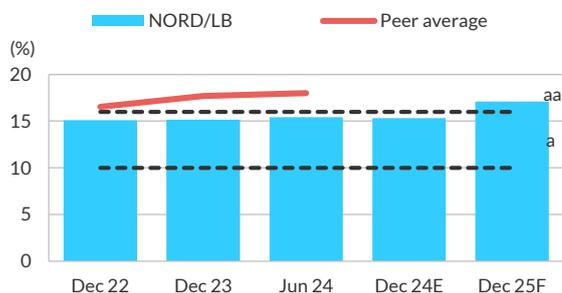
We expect NORD/LB's operating profit/RWAs ratio to have reduced in 2024, partly driven by an expected increase in RWAs. However, our forecast indicates that profitability will structurally remain at a level that is higher than in 2022 in the medium term, due to the persisting high interest rates, as well as the bank's transformed business model enabling it to generate sustainable and profitable business. Nevertheless, we expect net interest income to slightly decline in the next two years due to a further fall in interest rates, while loan impairment charges are likely to remain on a level similar to that in 2023. We expect costs to be well managed but also to increase due to the implementation of collective wage bargaining agreements and the bank's contributions to the new fund of SFG's institutional protection scheme. In addition, cost developments will also depend on the implementation of the new core bank IT system. This process will last into 2026, and is, in Fitch's view, subject to execution risk.

Capitalisation and Leverage

We expect NORD/LB to maintain its CET1 ratio above 15% in the medium term, which we view as achievable if credit losses remain in line with our forecast. 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. The Basel leverage ratio was adequate at 5.7% at end-3Q24.

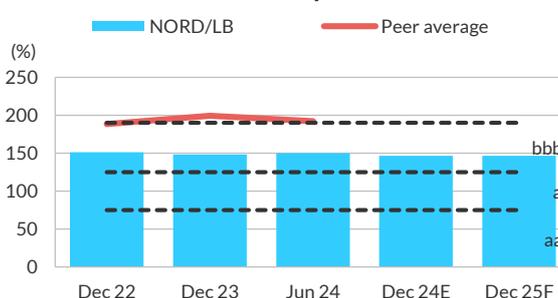
We believe that maintaining a sound capitalisation and a low-risk profile, rather than maximising returns on investment, is a priority for SFG and NORD/LB. We expect NORD/LB's CET1 ratio to improve in 2025 due to Basel III final effects, which will counterbalance the likely RWA increase due to higher business volumes and rating deterioration.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

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 customer deposits, which are mainly sourced from corporates and SMEs. NORD/LB held almost EUR50 billion client deposits at end-1H24, including a high share of corporate deposits, which we view as price-sensitive. NORD/LB also collects retail deposits through BLSK. Its reliance on interbank funding remains reasonable, in our view, at less than 30% of total funding in recent years. It is mostly sourced from savings banks and also includes pass-through funding from development banks. At end-3Q24, NORD/LB’s liquidity coverage ratio (140%) was underpinned by more than EUR17 billion of highly liquid assets, equal to 15% of total assets.

NORD/LB had moderate funding needs of EUR7.3 billion at end-2024. Its market funding needs have been modest in the past few years due to its previously declining balance sheet.

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 macroeconomic 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.

Peer average includes Bayerische Landesbank (VR: bbb+), Landesbank Baden-Wuerttemberg (bbb+), Landesbank Saar (bbb-), UniCredit Bank GmbH (a-), IKB Deutsche Industriebank AG (bbb-), NIBC Bank N.V. (bbb+). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	1st half (USDm) Reviewed – unqualified	1st half (EURm) Reviewed – unqualified	12 months (EURm) Audited – unqualified	12 months (EURm) Audited – unqualified	12 months (EURm) Audited – unqualified
Summary income statement					
Net interest and dividend income	647	602	1,076	896	899
Net fees and commissions	126	117	208	166	52
Other operating income	54	50	241	-86	91
Total operating income	826	769	1,525	976	1,042
Operating costs	499	464	1,048	909	911
Pre-impairment operating profit	328	305	477	67	131
Loan and other impairment charges	63	59	98	-142	-18
Operating profit	264	246	379	209	149
Other non-operating items (net)	-24	-22	-108	-105	-133
Tax	31	29	47	15	-3
Net income	210	195	224	89	19
Other comprehensive income	-82	-76	319	-268	-25
Fitch comprehensive income	128	119	543	-179	-6
Summary balance sheet					
Assets					
Gross loans	78,428	72,990	73,924	72,411	69,687
– of which impaired	1,303	1,213	1,172	814	1,076
Loan loss allowances	823	766	729	706	877
Net loans	77,605	72,224	73,195	71,705	68,810
Interbank	14,409	13,410	13,404	13,107	14,029
Derivatives	2,394	2,228	2,380	2,983	3,907
Other securities and earning assets	21,170	19,702	18,280	17,748	19,614
Total earning assets	115,578	107,564	107,259	105,543	106,360
Cash and due from banks	3,125	2,908	3,435	2,464	6,930
Other assets	3,027	2,817	1,287	1,318	1,373
Total assets	121,729	113,289	111,981	109,325	114,663
Liabilities					
Customer deposits	52,270	48,646	49,931	47,925	49,357
Interbank and other short-term funding	31,562	29,374	27,400	28,664	28,705
Other long-term funding	25,069	23,331	22,933	21,184	22,867
Trading liabilities and derivatives	2,246	2,090	1,870	2,429	3,699
Total funding and derivatives	111,147	103,441	102,134	100,202	104,628
Other liabilities	3,085	2,871	2,982	2,823	4,155
Preference shares and hybrid capital	53	49	49	50	50
Total equity	7,444	6,928	6,816	6,250	5,830
Total liabilities and equity	121,729	113,289	111,981	109,325	114,663
Exchange rate		USD1 = EUR0.930665	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, NORD/LB

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.2	0.9	0.5	0.4
Net interest income/average earning assets	1.1	1.0	0.9	0.8
Non-interest expense/gross revenue	61.1	73.4	97.2	87.8
Net income/average equity	5.7	3.4	1.5	0.3
Asset quality				
Impaired loans ratio	1.7	1.6	1.1	1.5
Growth in gross loans	-1.3	2.1	3.9	-7.2
Loan loss allowances/impaired loans	63.2	62.2	86.7	81.5
Loan impairment charges/average gross loans	0.2	0.1	-0.2	0.0
Capitalisation				
Common equity Tier 1 ratio	15.4	15.2	15.1	15.5
Tangible common equity/tangible assets	5.7	6.0	5.6	5.0
Basel leverage ratio	5.5	5.5	5.5	5.2
Net impaired loans/common equity Tier 1	7.0	7.2	1.8	3.4
Funding and liquidity				
Gross loans/customer deposits	150.0	148.1	151.1	141.2
Gross loans/customer deposits + covered bonds	120.8	120.6	122.5	113.0
Liquidity coverage ratio	138.2	165.0	138.6	147.1
Customer deposits/total non-equity funding	47.9	49.8	49.0	48.9
Net stable funding ratio	-	118.0	-	126.8
Source: Fitch Ratings, Fitch Solutions, NORD/LB				

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

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

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

Fitch's assumptions on support from SFG are underpinned by the provisions contained in the statutes of the IPS of SFG and the Landesbanken. SFG initiated a reform of its IPS in 2021, 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 needed 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 previously.

The risk-monitoring system was strengthened with quantitative triggers, allowing for an early identification of member with a deteriorating financial profile 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 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 a house bank for its federal state owners.

Environmental, Social and Governance Considerations

FitchRatings Norddeutsche Landesbank Girozentrale

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

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

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5 and provides a brief explanation for the score.

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

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.

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>.

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