FitchRatings

Raiffeisen Group

Banks
Retail & Consumer Banks
Switzerland

Ratings

Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Government Support Rating	ns

Sovereign Risk (Switzerland)

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

Key Rating Drivers

Swiss Retail Cooperative Group: Raiffeisen Group (RG) comprises 220 local banks and Raiffeisen Switzerland (RS), the group's central institution. RG's ratings are underpinned by the group's strong domestic franchise. They also reflect the group's conservative risk appetite with a loan portfolio dominated by residential mortgage loans, resulting in strong asset quality. The group's strong capitalisation mitigates its only-moderate profitability, which has come under pressure from low interest rates due to RG's reliance on net interest income (NII).

Mutual Support Underpins Ratings: RG's Viability Rating (VR) is in line with its implied VR and drives its Issuer Default Ratings (IDRs). The IDRs of RS and the local banks are group ratings and in line with RG's IDRs. This is because RG is a banking network, not a legal entity. The network's cohesion is underpinned by its mutual-support mechanism, which includes a solidarity fund to support failing banks and a cross-guarantee between the local banks and RS, to which the local banks are liable for up to the amount of their equity.

This has proven to be effective as no creditor of any member bank has suffered losses since the establishment of the group. RG is supervised as a group by the Swiss regulator, which does not set individual capital requirements for the local banks, and under its resolution plan the group will be resolved as one. Local banks operate exclusively in their geographic region, focusing on retail and SME clients, whereas RS is responsible for the group's strategy and oversight of the local banks' risk profiles and it also acts as the group's central bank.

Large Swiss Housing Exposure: RG's asset quality is strong, but the group is highly exposed to the residential real-estate sector, as mortgage loans account for about 95% of gross loans and include material buy-to-let and other real-estate investment exposures. Switzerland's strong economic fundamentals and RG's conservative underwriting standards mitigate risks from this concentrated exposure, in Fitch Ratings' view. We expect RG's asset quality to remain resilient and loan impairment charges low, despite weakening prospects for economic growth in 2023.

Modest Profitability: RG's focus on traditional retail and SME banking means that the group is reliant on NII, which, on average, accounts for about three-quarters of its revenue. Residential mortgage-lending growth at or above market rates underpinned revenue in recent years, but under its strategic plan, RG is expanding its fee-generating business to increase its contribution by 2025. This should help with lending margin pressure, which we expect to persist as interest rates remain low and competition intense.

Strong Capitalisation: RG's modest profitability is mitigated by its strong capitalisation, and the group's going-concern common equity Tier 1 (CET1) ratio of 19.6% at end-1H22 compares well with peers. Internal capital generation is underpinned by low pay-out ratios to its cooperative members, which averaged 8% over the past five years. At the same time, the group's cooperative structure results in a weaker ability to raise core equity in the capital markets, in case of need, compared with listed peers.

Sound Deposit Franchise: RG's 'F1' Short-Term IDR is the lower of the two ratings that maps to an 'A+' Long-Term IDR. This reflects our assessment of the group's funding and liquidity, to which we assign an 'a+' score. The group benefits from a large and stable granular customer deposit base, which represented just over three-quarters of funding at end-2021. The group regularly refinances mortgage loans through the issuance of covered bonds via the Swiss central mortgage institution, and RS has issued unsecured bonds, including bail-in bonds.

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Fitch Affirms Swiss Raiffeisen Group and Raiffeisen Schweiz at 'A+'; Outlook Stable (September 2022)

Global Economic Outlook (September 2022)

Analysts

Maria Shishkina
+44 20 3530 1379
maria.shishkina@fitchratings.com

Marco Diamantini
+49 69 768076 114
marco.diamantini@fitchratings.com

Rating Sensitivities

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

The most likely trigger for a downgrade of RG's VR and IDRs would be a material deterioration of the group's asset quality in conjunction with weakening capitalisation, which could arise from a sharp and prolonged downturn in the Swiss housing market. A persistent increase in the group's gross impaired loan ratio to above 1.5% would put RG's ratings under pressure.

The ratings would also come under pressure if the group's going-concern CET1 capital ratio declines to materially below 16% without any action taken to restore it to this level within 12 months. The going-concern CET1 ratio was 19.6% at end-1H22, according to the transitional rules of phasing-in additional gone-concern requirements, fully applicable from January 2026. According to the final rules, the ratio would have been 17.4% at the same date.

A downgrade of RG's IDRs would result in a downgrade of RS's and the local banks' IDRs.

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

An upgrade of RG's VR and IDRs is unlikely given the group's business model, which remains reliant on NII from mortgage-lending. A material and sustained improvement in operating profitability with a four-year average operating profit/risk-weighted assets ratio of above 3% (2021: 1.02%) and the successful execution of the group's strategic plan to increase the proportion of non-interest revenue could lead to an upgrade.

RG's Short-Term IDR would be upgraded if the group's funding and liquidity score was upgraded to 'aa-' or if RG's Long-Term IDR was upgraded.

An upgrade of RG's IDRs would result in an upgrade of RS's and the local banks' IDRs.

Other Debt and Issuer Ratings

Debt Rating Classes

Rating Level	Rating	Watch
Raiffeisen Schweiz Genossenschaft		
Long-term senior preferred debt	AA-	n.a.
Short-term senior preferred debt	F1+	n.a.
Long-term senior non-preferred ('bail-in') debt	A+	n.a.

Source: Fitch Ratings

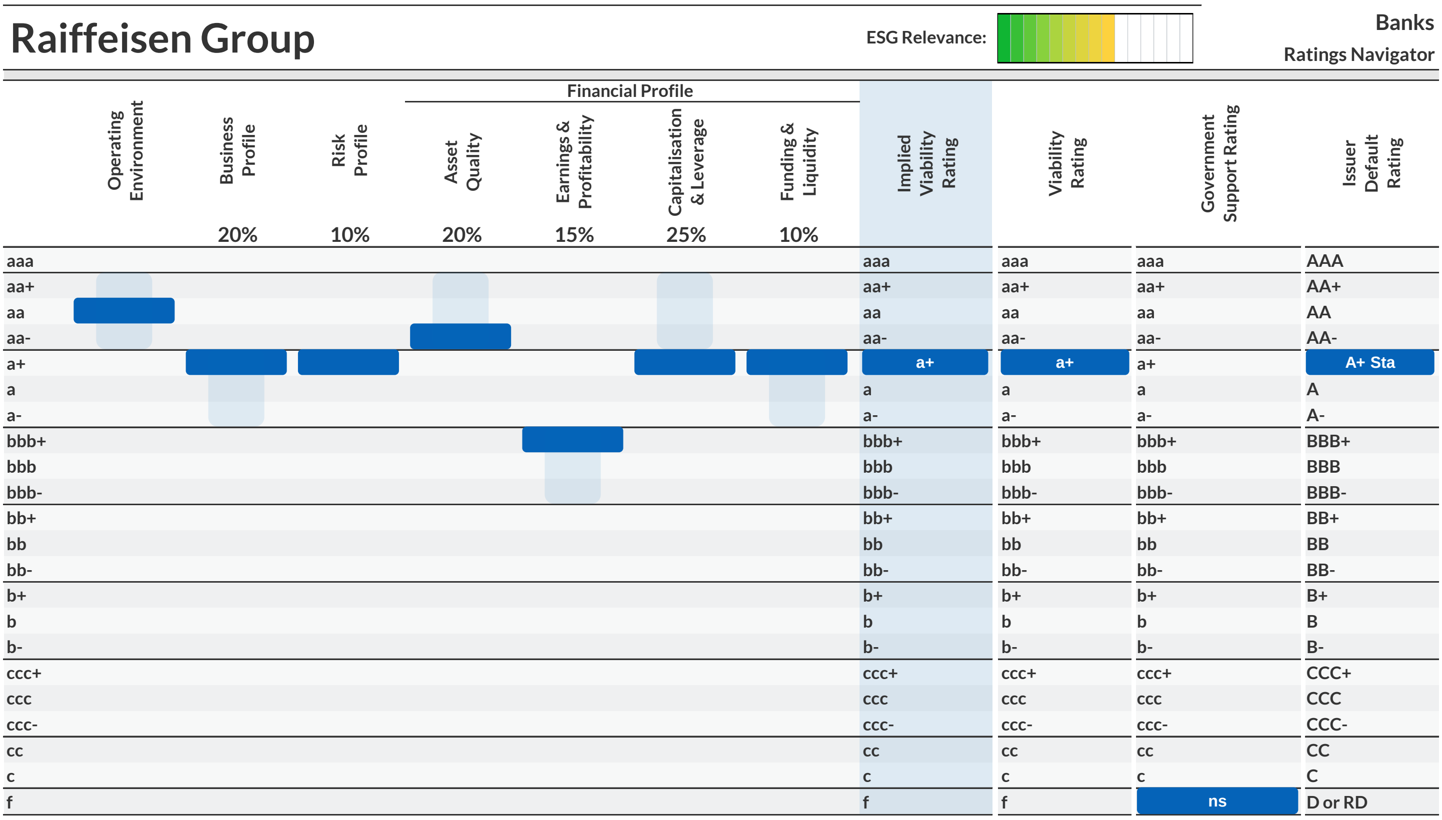
RS is the sole issuer of capital-market instruments of the co-operative banking group.

Senior Preferred Debt: The senior preferred bonds are rated one notch above RS's Long-Term IDR because Fitch expects creditors to be protected by RG's buffer of 'bail-in bonds' and additional Tier 1 (AT1) instruments. As Switzerland's third-largest banking group, RG is required to maintain a buffer of gone-concern capital, excluding senior preferred debt, which will protect senior preferred creditors in a resolution.

The 'F1+' rating of RS's certificates of deposits (CD) issuance programme reflects the protection provided to preferred creditors by an increase of resolution buffers by 2026.

Senior Non-Preferred Debt: RS's 'bail-in bonds' are rated in line with the Long-Term IDR. Fitch views these bonds as senior non-preferred liabilities of the issuer, which, under their terms, rank behind senior obligations.

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 capitalisation and leverage score of 'a+' has been assigned below the 'aa' category implied score due to the following adjustment reason: Capital flexibility and ordinary support (negative).

Company Summary and Key Qualitative Factors

Business Profile

Retail-Focused Swiss Cooperative Banking Group

RG is Switzerland's third-largest banking group and has a purely domestic focus. It includes 220 local cooperative banks (Raiffeisen Banken), which do not compete with each other. The local banks operate exclusively in their own regions, which often extend just over a few municipalities. As a consequence, the portfolio mix slightly differs from bank to bank, but overall the group's main business is real-estate mortgage financing funded through retail deposits. At end-1H22, RG had 17.6% and 14.1% market shares in domestic mortgage loans and deposits, respectively. It also managed around CHF40 billion of assets from retail clients and has a cooperation agreement with the domestic insurance company La Mobiliere.

RG has 806 branches – the country's largest branch network. It has a strong penetration in Switzerland's rural regions, where local banks benefit from strong ties to local communities. Moreover, RG's franchise benefits from a high proportion of the local banks' retail clients also being their owners. This is because borrowers are required to acquire shares of their local cooperative bank to become members. This underpins deposit stability, client retention and cross-selling. RG also provides standardised financing solutions and payments to its 218,000 business clients, which account for about one-third of Switzerland's SMEs.

Cross Guarantee Scheme Underpins Group Cohesiveness

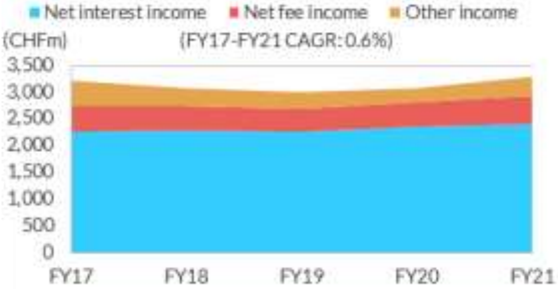
RG is a highly integrated cooperative banking group. A cross-guarantee scheme between Raiffeisen Schweiz and the local banks, backed by the Swiss Code of Obligations, ensures the group's cohesiveness. It requires the local banks to pay in capital up to the amount of their equity and hidden reserves to support Raiffeisen Schweiz, if needed. In return, Raiffeisen Schweiz guarantees all the local banks' liabilities. RG also operates a solidarity fund with a CHF339 million paid-in endowment to cover its members' operational losses, which is sufficient to recapitalise local banks in idiosyncratic stress scenarios.

The local banks are legally independent entities with their own management. They jointly own 100% of Raiffeisen Schweiz, which also has a cooperative legal status and accounts for about a quarter of the group's assets. RG's statutes and business policies have been strengthened over the past four years following the replacement of most of the group's senior management. They aim to ensure the effectiveness of the group's governance, mutual support and organisation by governing Raiffeisen Schweiz's powers, duties and interactions with the local banks.

In its capacity as RG's central institution, RS routinely assesses the risk profiles of the local banks and can impose remedial actions on troubled members based on early-warning indicators (mainly breaches of capital, liquidity, profitability or asset quality ratios). This is rating positive as it increases cohesion, discipline and responsiveness.

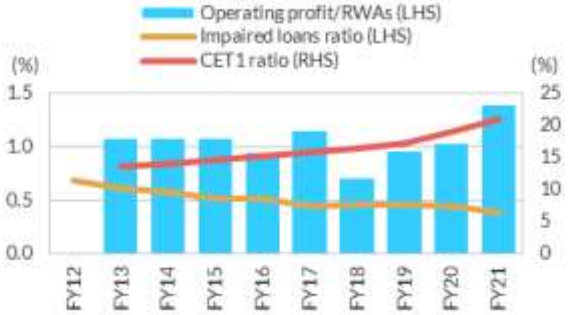
RS's involvement with retail clients is currently being curtailed for it to focus fully on its central institution functions. Thus, four out of its six branches (all located in larger Swiss cities) were converted into independent local banks in the past 18 months.

Revenue Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, RG

Performance Through the Cycle

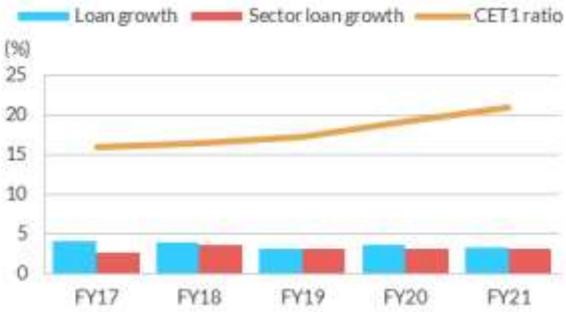


Source: Fitch Ratings, RG

Risk Profile

The local banks do not have their own IT systems, and their data is stored centrally at Raiffeisen Schweiz. This way the central institution can maintain an overview of the risk and manage concentration limits at group level. Limits also apply to interest-rate risk in the banking book (IRRBB), both at group level and for the local banks. IRRBB has increased in the past years due to mortgage loan growth, a higher share of fixed-rate lending, and longer maturities, and is above domestic rated peers but within regulatory limits. RS supports the local banks' IRRBB management and is their hedging counterparty.

Loan Growth



Source: Fitch Ratings, RG

Financial Profile

Asset Quality

RG's impaired loans ratio has remained stable at below 1% over the past 12 years, with LICs averaging below 5bp of gross loans. Impaired loans coverage with specific allowance (end-2021: 30%) is adequate but on a lower side compared to peers, reflecting the group's focus on residential property financing. Total loans coverage was strengthened significantly in 2021, when RG booked CHF493.2 million of expected credit losses on unimpaired loans for the first time, deducting them from retained earnings.

Persistent negative interest rates have added to the build-up of imbalances in the Swiss housing market over the past decade. However, Fitch believes that large household wealth levels (amounting to over 400% of GDP, by far the highest among advanced European countries) will cushion the impact of a potential downturn of the housing market on the banking sector despite the household sector's high level of gross debt. We forecast only a slight increase in impaired loans ratio next year as, despite its slowing pace, GDP is still expected to expand and interest rates to remain very low. Moreover we believe the downside risks to RG's asset quality are limited by the fixed nature of the bulk of its mortgage loans.

RG's loan-to-value and debt-service-to-income limits are broadly in line with Swiss peers' and effectively monitored by FINMA, the Swiss regulator. Mortgage loans have grown at a faster rate than the market average for much of the past decade. However, portfolio metrics do not suggest any evident deterioration of the group's credit standards, and loan growth has been broadly in line with the rest of the sector since 2019.

Credit standards are set by RS and rolled out to the local banks. RS also defines the maximal proportion of unsecured lending for each local bank. In general, a local bank's unsecured lending is limited to less than a fifth of its equity. Some banks are granted higher limits if unsecured SME financing is strategic to their business models and they have the necessary competencies and processes.

Impaired Loans/Gross Loans

Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets

Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

RG relies on NII for about three-quarters of its revenue, which is less diversified than that of domestic peers and more exposed to a low-interest-rate environment. Strong growth in mortgage lending, cheap refinancing and increased passing on of negative interest rates to depositors have sustained the group's NII over the past seven years, offsetting the falling margins in the competitive Swiss mortgage lending business.

Despite our forecast of further interest rate increases by the Swiss National Bank in 2023, we expect the group's margins to remain under pressure, driven by high competition in its lending segments. We expect profitability, as depicted above, to moderate next year due to the forecasted increase in impaired loans, persistent asset margin pressure and an increase in RWAs.

RG aims to increase its net fee and commission income substantially by increasing its share of wallet of its clients' assets under management (AUM), with a focus on standardised investment and pension products. We believe RG has room to grow these businesses by exploiting the local banks' client relationships given that its retail AUM to deposits ratio is substantially lower than that of peers.

RG's cost/income ratio is high by international standards and broadly in line with that of Swiss peers. We expect investments in digitalisation and new technologies to lead to higher operating costs in the medium term. These investments will be only partially offset by efficiency gains as the group remains committed to its large branch network.

Capital and Leverage

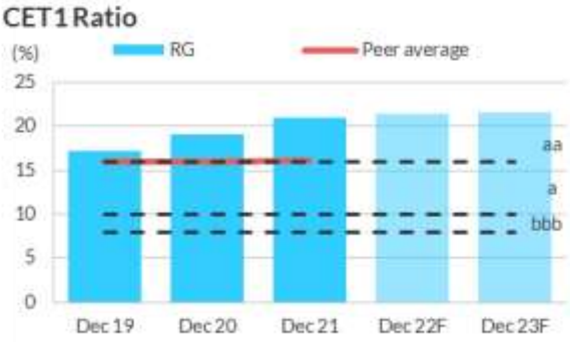
RG's modest profitability is mitigated by its very high earnings retention. The group has paid out, on average, only 8% of its profits in the past five years, and retained earnings accounted for almost 80% of RG's capital at end-2021.

Going-concern capital, consisting of the group's consolidated CET1 and additional tier 1 (AT1) instruments issued by RS, accounted for 20.8% of the group's risk-weighted assets (RWAs) at end-1H22. This was well above RG's going-concern minimum regulatory requirement of 13.76%. Part of the surplus CET1 capital is being used to fulfil the gone-concern capital requirements, applicable for D-SIBs in Switzerland from 2026 and currently in phase-in.

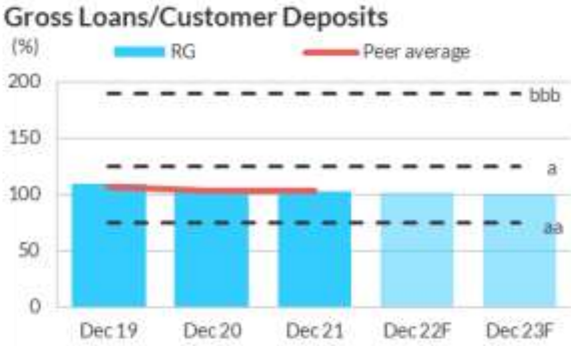
The re-introduction of countercyclical capital buffer in September 2022 (calculated as 2.5% of RWAs secured against residential properties in Switzerland) will increase RG's capital requirements, which the group can comfortably accommodate.

RG's RWA density has decreased substantially following the transition to internal ratings-based model approach for calculating credit RWAs completed in 2022. Its density (end-1H22: 31%) is now more in line with other mortgage lenders.

RG's going-concern leverage ratio of 6.4% at end-1H22 is strong compared with Swiss and international peers and is comfortably above the going-concern leverage ratio requirement of 4.6%. Gone-concern minimum leverage requirement is currently in phase-in and the group is already in compliance with the final rules.



Source: Fitch Ratings, Fitch Solutions



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

Client deposits accounted for just over three quarters of RG's total funding at end-2021. They are predominantly from retail clients and have proved resilient to reputational issues in the past. Client deposits are complemented with central mortgage institution loans, which, at 10% of total funding, are RG's second-largest funding source.

The local banks are obliged to place their excess liquidity with RS, which is the only entity that issues debt and collects interbank deposits. RS has issued CHF1.2 billion AT1 capital and CHF1 billion of 'bail-in' bonds to complement its surplus CET1 capital in fulfilling the gone-concern requirements. RS also offers to its clients structured products issued through two entities (CHF3.6 billion at end-2021).

The group's debt maturity profile is well spread over the next 12 years, with about CHF0.5 billion–CHF0.65 billion redemptions in each of the next four years. RS set up a certificate of deposit programme to increase its funding diversification and fully exploit the SNB deposit allowance, having issued CHF3.2 billion of money market instruments since January 2021.

RS also holds the vast majority of the group's liquidity reserves of CHF58.5 billion at end-1Q22. In the event of liquidity stress, RG can also benefit from emergency liquidity lines from the SNB.

About Fitch Forecasts

The forecasts in the charts in Financial Profile 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 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 Zuercher Kantonalbank (VR: a+), UBS AG (a+), Swedbank AB (aa-), Credit Suisse (Schweiz) AG (bbb+), Sparkassen-Finanzgruppe (Sparkassen) (a+), Sparkassen-Finanzgruppe Hessen-Thueringen (a+), Credit Mutuel Alliance Federale (a+).

Financials

Financial Statements

	30 Jun 22		31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
	6 months - interim (USDm) Unaudited	6 months - interim (CHFm) Unaudited	Year end (CHFm) Audited - unqualified	Year end (CHFm) Audited - unqualified	Year end (CHFm) Audited - unqualified	Year end (CHFm) Audited - unqualified
Summary income statement						
Net interest and dividend income	1,272	1,220.4	2,401.9	2,349.6	2,267.1	2,290.7
Net fees and commissions	313	299.9	536.1	451.1	416.0	450.8
Other operating income	168	160.9	433.2	312.1	381.4	399.7
Total operating income	1,753	1,681.2	3,371.2	3,112.8	3,064.5	3,141.2
Operating costs	1,113	1,068.1	2,115.1	2,092.8	2,121.9	2,379.4
Pre-impairment operating profit	639	613.1	1,256.1	1,020.0	942.6	761.8
Loan and other impairment charges	-10	-9.7	-12.2	52.5	13.0	62.7
Operating profit	649	622.8	1,268.3	967.5	929.6	699.1
Other non-operating items (net)	20	19.0	7.7	3.7	6.7	-46.2
Tax	88	84.6	183.0	119.3	111.9	156.0
Net income	581	557.2	1,093.0	851.9	824.4	496.9
Other comprehensive income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fitch comprehensive income	581	557.2	1,093.0	851.9	824.4	496.9
Summary balance sheet						
Assets						
Gross loans	219,657	210,716.8	207,080.6	200,619.8	193,685.9	187,952.2
- Of which impaired	n.a.	n.a.	802.9	900.0	883.8	863.9
Loan loss allowances	n.a.	n.a.	725.3	261.3	235.5	258.7
Net loans	219,657	210,716.8	206,355.3	200,358.5	193,450.4	187,693.5
Interbank	10,646	10,212.3	3,245.5	4,036.8	7,676.6	2,224.7
Derivatives	4,323	4,147.2	1,356.4	1,645.3	1,898.0	1,336.7
Other securities and earning assets	13,504	12,954.8	11,846.5	12,556.5	11,353.6	10,755.4
Total earning assets	248,130	238,031.1	222,803.7	218,597.1	214,378.6	202,010.3
Cash and due from banks	60,988	58,505.9	57,275.0	36,661.2	29,643.3	19,188.6
Other assets	5,164	4,953.4	4,410.5	4,395.0	4,323.2	4,134.1
Total assets	314,282	301,490.4	284,489.2	259,653.3	248,345.1	225,333.0
Liabilities						
Customer deposits	216,720	207,899.9	201,729.0	190,424.6	176,179.5	165,701.4
Interbank and other short-term funding	32,733	31,401.1	23,363.0	14,739.5	18,606.9	9,388.4
Other long-term funding	36,898	35,396.6	35,360.8	31,044.6	30,712.9	28,781.4
Trading liabilities and derivatives	4,168	3,998.4	1,772.3	2,246.4	2,515.8	1,997.5
Total funding and derivatives	290,520	278,696.0	262,225.1	238,455.1	228,015.1	205,868.7
Other liabilities	3,016	2,892.8	1,916.8	1,932.6	1,945.2	2,011.1
Preference shares and hybrid capital	n.a.	n.a.	1,214.4	892.1	968.4	973.4
Total equity	20,746	19,901.6	19,132.9	18,373.5	17,416.4	16,479.8
Total liabilities and equity	314,282	301,490.4	284,489.2	259,653.3	248,345.1	225,333.0
Exchange rate		USD1 = CHF0.9593	USD1 = CHF0.9202	USD1 = CHF0.88985	USD1 = CHF0.97165	USD1 = CHF0.9811

Source: Fitch Ratings, Fitch Solutions, RG

Key Ratios

	30 Jun 22	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	1.4	1.4	1.0	1.0	0.7
Net interest income/average earning assets	1.1	1.1	1.1	1.1	1.1
Non-interest expense/gross revenue	64.6	64.1	67.9	70.7	77.6
Net income/average equity	5.8	5.9	4.8	4.9	3.1
Asset quality					
Impaired loans ratio	n.a.	0.4	0.5	0.5	0.5
Growth in gross loans	1.8	3.2	3.6	3.1	4.0
Loan loss allowances/impaired loans	n.a.	90.3	29.0	26.7	30.0
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.0	0.0
Capitalisation					
Common equity Tier 1 ratio	20.8	21.0	19.1	17.2	16.5
Fully loaded common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Tangible common equity/tangible assets	6.6	6.7	7.1	7.0	7.3
Basel leverage ratio	6.7	7.0	7.1	7.1	7.6
Net impaired loans/common equity Tier 1	n.a.	0.4	3.6	3.8	3.7
Net impaired loans/Fitch Core Capital	n.a.	n.a.	n.a.	n.a.	n.a.
Funding and liquidity					
Gross loans/customer deposits	101.4	102.7	105.4	109.9	113.4
Liquidity coverage ratio	173.0	185.4	159.4	136.5	123.2
Customer deposits/total non-equity funding	75.6	77.1	80.3	77.7	80.9
Net stable funding ratio	142.3	144.9	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, RG

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

The Government Support Rating (GSR) of ‘ns’ reflects our view that senior creditors cannot rely on receiving full extraordinary sovereign support in the event that RG becomes non-viable. This is because Swiss legislation and regulation to address the ‘too-big-to-fail’ problem for large Swiss banks is in place, and would require senior creditors to bear losses ahead of any potential extraordinary sovereign support. The country’s large banking system relative to GDP has provided strong incentives to implement legislation in this respect. We are therefore of the view that resolution legislation in Switzerland is sufficiently progressed to resolve even a large Swiss group, and resolution legislation becomes the overriding factor and all other factors are therefore scored as ‘low importance’.

Environmental, Social and Governance Considerations

FitchRatings **Raiffeisen Group**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Raiffeisen Group has 5 ESG potential rating drivers

- Raiffeisen Group 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.

			Overall ESG Scale
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)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
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 scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with 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) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
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)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
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'. 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

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.