FitchRatings

Banks
Wholesale Commercial Banks
Netherlands

# NIBC Bank N.V.

## Ratings

| Foreign Currency | |
|---|---|
| Long-Term IDR | BBB+ |
| Short-Term IDR | F2 |
| Viability Rating | bbb+ |
| Government Support Rating | ns |

| Sovereign Risk (Netherlands) | |
|---|---|
| Long-Term Foreign-Currency IDR | AAA |
| Long-Term Local-Currency IDR | AAA |
| Country Ceiling | AAA |

| Outlooks | |
|---|---|
| Long-Term Foreign-Currency IDR | Stable |
| Sovereign Long-Term Foreign-Currency IDR | Stable |
| Sovereign Long-Term Local-Currency IDR | Stable |

## Highest ESG Relevance Scores

| | |
|---|---|
| Environmental | 2 |
| Social | 3 |
| Governance | 3 |

## Applicable Criteria

Bank Rating Criteria (March 2025)

## Related Research

Global Economic Outlook – Update (April 2025)

Benelux Banking M&A Driven by Diversification and Fee Income (March 2025)

Netherlands Mortgage Index Monitor 1H25: (March 2025)

Fitch Affirms the Netherlands at 'AAA'; Outlook Stable (January 2025)

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## Key Rating Drivers

**Niche Business, Acceptable Risk Profile:** NIBC Bank N.V.'s ratings reflect its niche franchise and business model and acceptable risk profile. Risk concentrations in corporate sectors have been materially reduced but remain significant. The ratings also reflect the bank's satisfactory profitability, adequate capital buffers, and stable funding, although this remains more confidence- and price-sensitive than at peers.

**Retail Activities Dominate:** NIBC remains a niche bank compared with larger and more diversified peers. This is despite its steady expansion in residential mortgage lending, which accounted for close to three quarters of total loans at end-2024. Its retail business contributes the largest share of its operating income. Non-mortgage lending mostly relates to commercial real estate (CRE) and digital infrastructure, in which it has considerable expertise.

**Moderate Risk Profile:** NIBC's predominant exposure to well-performing residential mortgage lending activities cushions likely performance swings in its remaining cyclical corporate credit exposure, mostly granular CRE loans. Fitch Ratings believes NIBC's opportunistic appetite for developing its business is adequately controlled. Market and operational risks appear well-contained.

**Satisfactory Asset Quality; Concentration Risks:** NIBC's share of impaired assets is modest but it has heightened risk concentrations through its CRE and digital infrastructure exposure, together representing slightly more than 20% of loans at end-2024. These exposures could be more vulnerable to an economic downturn. We expect the impaired loans ratio will weaken in the near term, but believe the shift in the bank's loan portfolio over the past few years will help maintain it below 2% in 2025 (end-2024: 1.1%).

**Adequate Profitability:** NIBC's earnings stability has improved following its de-risking process, which, combined with good cost discipline and moderate loan impairment charges, has resulted in adequate profitability in recent years. It has limited revenue diversification due to its focus on profitable sectors. We expect the bank will generate operating profit of about 2% of risk-weighted assets (RWAs) over 2025 and 2026.

**Satisfactory Capital Ratios:** We expect NIBC's risk-weighted capital ratios to continue to compare well with peers' in the medium term. RWA inflation from the move to the standardised approach for certain asset classes will result in a near-term decline in the fully loaded common equity Tier 1 (CET1) ratio (end-2024: 22.4%). However, the ratio will be maintained with an adequate buffer above the bank's 13% tolerance level.

**Stable Funding and Liquidity:** NIBC's funding and liquidity have remained stable. However, the bank's loans/deposits ratio of above 140% is high, and indicates its reliance on price-sensitive online retail savings (about 61% of non-equity funding) and wholesale funding through the issuance of senior unsecured and covered bonds. The bank's conservative liquidity management ensures that upcoming maturities are well covered with high-quality liquid assets.

## Rating Sensitivities

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

A downgrade could result from a significant increase in risk appetite, which could be reflected in sustained growth in corporate exposures that significantly outpaces growth in retail loans, or from weaker capitalisation, as reflected in the CET1 ratio falling – and being maintained – below the bank's medium-term tolerance level of 13%.

A downgrade could also result from the combination of the operating profit/RWAs ratio being sustained significantly below 2%, the impaired loans ratio durably rising to above 2%, and the CET1 ratio durably falling below 15%. A sharp slowdown in revenue growth in retail businesses or unexpectedly large deposit outflows that pressure liquidity would also be ratings negative.

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

Fitch believes there is limited positive rating potential. An upgrade would require a considerably stronger business profile, reflected in growth in operating income to a level more in line with larger peers, and significant market share gains, resulting in leading positions and increased revenue diversification. An upgrade would also require the operating profit/RWAs ratio to be sustained close to 3%, while adopting a conservative risk appetite.

A less price- and confidence-sensitive funding and liquidity profile and materially lower risk concentrations relative to higher-rated banks could also be ratings positive.

## Other Debt and Issuer Ratings

| Rating Level | Rating |
|---|---|
| Senior preferred debt: long term/short term | A-/F2 |
| Senior non-preferred: long term | BBB+ |
| Tier 2 subordinated: long term | BBB- |
| Additional Tier 1 and legacy hybrid Tier 1 securities: long term | BB |

Source: Fitch Ratings

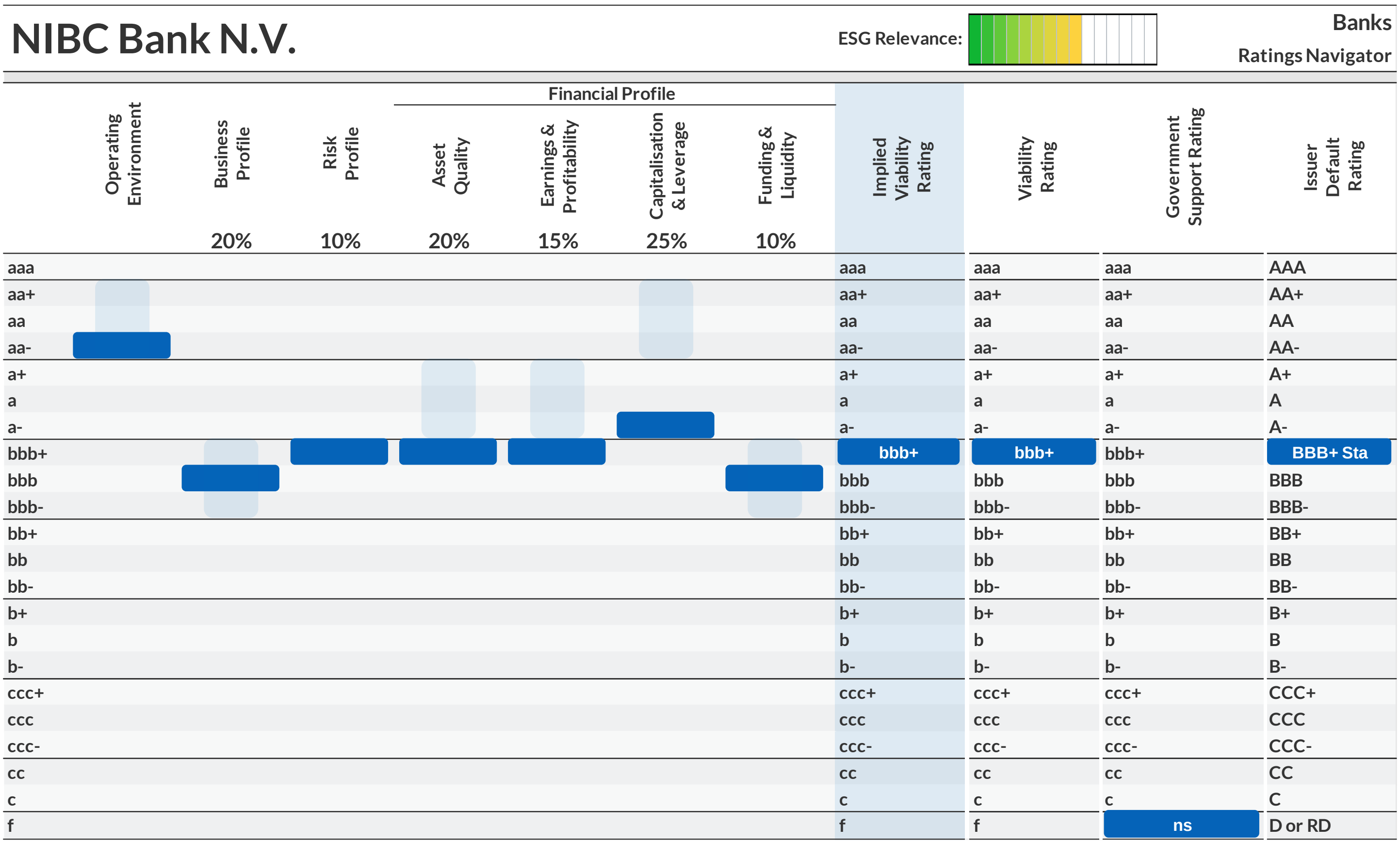
NIBC's long-term senior preferred debt is rated one notch above its Long-Term IDR. This reflects the protection that could accrue to senior preferred debt from the bank's senior non-preferred and junior debt buffer, which was close to 23% of RWAs at end-2024, and we expect it to remain sustainably above 10%. For the same reasons, we equalise NIBC's long-term senior non-preferred debt with the bank's Long-Term IDR.

NIBC's 'F2' short-term senior preferred debt rating is the lower of two possible short-term ratings mapping to an 'A-' long-term rating, reflecting our 'bbb' assessment of the bank's funding and liquidity score.

The Tier 2 subordinated notes (XS2959410577) are rated two notches below NIBC's VR. The notes are notched down twice for loss severity as we expect poor recovery prospects in the event of failure. We do not apply additional notching for non-performance risk, as the notes do not have any going-concern loss-absorption, such as coupon omission or deferral features.

NIBC's additional Tier 1 (AT1; XS2847665390) and legacy hybrid Tier 1 securities (XS0249580357) are rated four notches below the bank's VR, reflecting loss severity and our view of the poor recovery prospects of these securities (two notches) and incremental non-performance risk (two notches). Our assessment is based on the bank operating with a CET1 ratio (end-2024: 22.4%) comfortably above its maximum distributable amount restriction point, which we expect to continue.

## 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 asset quality score of 'bbb+' has been assigned below the 'a' category implied score due to the following adjustment reason: concentrations (negative).

The earnings & profitability score of 'bbb+' has been assigned below the 'a' category implied score due to the following adjustment reason: revenue diversification (negative).

The capitalisation & leverage score of 'a-' has been assigned below the 'aa' category implied score due to the following adjustment reason: risk profile and business model (negative), historical and future metrics (negative).

## Company Summary and Key Qualitative Factors

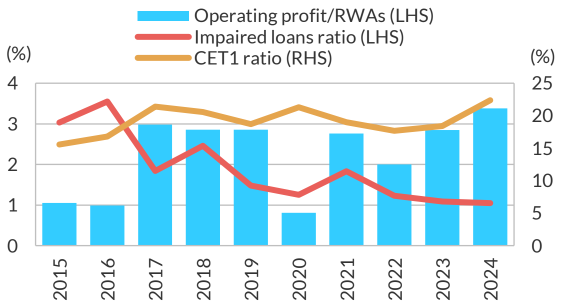
### Business Profile

NIBC has a small retail banking franchise compared to many Dutch peers. The franchise focuses on owner-occupied mortgages but the product line includes niches such as buy-to-let mortgage loans. Its 'originate-to-manage' offering has grown strongly, selling some of its residential mortgage loan production to institutional investors and receiving a recurring fee for servicing the loans. The bank also offers online savings in the Netherlands, Germany and Belgium, but it does not provide current accounts or payment services.

Historically a corporate-focused bank, NIBC has an established franchise with entrepreneurs, which is underpinned by strong sector expertise and nimble operations. We believe the bank's strength lies in its operational agility and tailored solutions, providing it with adequate pricing power in its niche markets. Following the sale of its shipping portfolio in June 2024, its corporate book is now focused on asset-based financing in CRE and digital infrastructure, in which it has a record of profitable activity.

The bank's medium-term financial targets include a minimum CET1 ratio target of 13%, a low level relative to that of many larger peers, but significantly below NIBC's end-2024 ratio of about 22%. The other targets include a return on target CET1 capital of at least 15%, a close-to-best-in-class cost/income ratio of 40%–45%, and a dividend pay-out ratio of at least 50%. We believe the targets are largely achievable, although the cost/income ratio target will be challenging, due to the run-off and sale of a few higher margin non-core businesses.

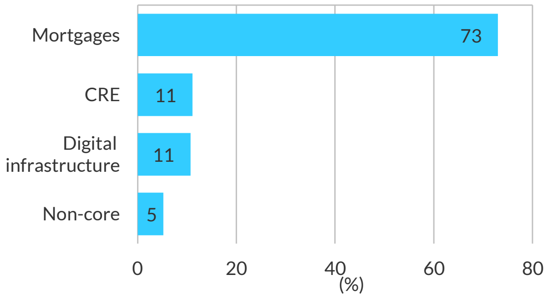
#### Performance Through the Cycle




Source: Fitch Ratings, Fitch Solutions, NIBC

#### Loan Split by Segment

End-2024




Source: Fitch Ratings, Fitch Solutions, NIBC

### Risk Profile

The bank's underwriting is generally in line with market standards. Its residential mortgage lending, which accounts for a large and growing share of the bank's total loans (end-2024: about 73%; end-2016: 46%), follows Dutch mortgage regulations. Corporate loans are granular, with a maximum ticket size of about EUR50 million. CRE lending remains a core product for NIBC, which mainly lends to smaller residential real estate investors and developers in the Netherlands. Loans are well diversified by asset type, with the largest portions in residential (end-2024: 43%) and office (16%) assets. The average loan-to-value (LTV) in the book was moderate at 56%, similar to peers', which should provide a significant buffer to withstand pressure on valuations. Digital infrastructure loans are mostly focused on financing large projects for infrastructure funds and institutional investors, mainly through participation in syndicated loans. Financed assets at end-2024 were mainly fibre (64%) and data centres (33%).

NIBC seeks to fully exit its exposure to non-core activities. It has significantly wound these down, with exposure dropping to around EUR1 billion at end-2024; equivalent to about 4% of total assets (end-2021: EUR5.4 billion and 24%, respectively), and we expect further steady reduction in these assets over the next year.

We view NIBC as having moderate exposure to market risk. Its sensitivity to interest rate increases (6% of net interest income from a 200bp parallel shift in the yield curve) was manageable at end-2024. NIBC's assets can re-price fairly quickly given mostly floating-rate lending to corporate borrowers, while longer-duration home loans are originated for the balance sheets of third-party investors. However, movements in interest rates could pass through quicker to the bank's online retail deposits than for high street banks' savings and deposit accounts given their online deposits' higher price sensitivity. NIBC's banking book credit spread risk exposure is low as liquidity buffer investments have strong credit ratings and short durations.

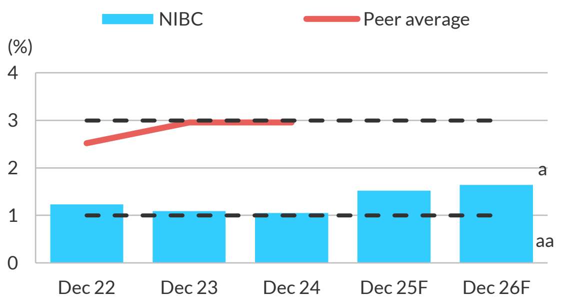
# Financial Profile

## Asset Quality

NIBC's large, high-quality residential mortgage portfolio in the Netherlands will continue to underpin its asset quality. The bank's residential mortgage loan portfolio of close to EUR14 billion has performed strongly, and we expect it to continue to do so as unemployment will likely remain low. The portfolio had a satisfactory average LTV of 55% at end-2024. NIBC's impairments are concentrated in non-core activities, and resolving these assets will also help the bank maintain an impaired loans ratio of below 2% over 2025–2026, despite lingering economic uncertainty and slower economic growth.

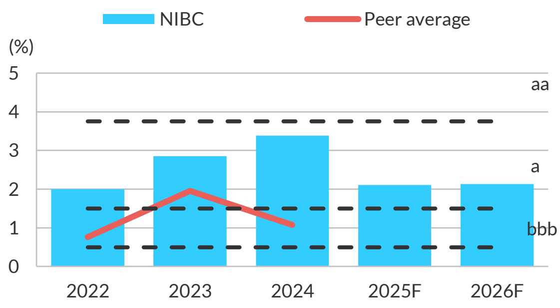
NIBC has substantially reduced its exposure to cyclical sectors and non-core assets, but it still has some concentration in CRE and digital infrastructure where it aims to deliver adequate risk-adjusted returns. CRE loans accounted for about 11% of total gross loans and 135% of CET1 capital at end-2024, and we view this as the main source of vulnerability for NIBC's asset quality. However, we expect potential near-term inflows of impaired loans in the segment to be contained and adequately provisioned for.

### Impaired Loans/Gross Loans




Source: Fitch Ratings, Fitch Solutions, banks

### Operating Profit/Risk-Weighted Assets




Source: Fitch Ratings, Fitch Solutions, banks

## Earnings and Profitability

NIBC's revenue is mainly sourced from its lending activity, with net interest income typically comprising more than 80% of revenue. This is complemented by fee income from expansion of loan origination activities to third-party investors, which we view as a stable source of recurring income, though the contribution is likely to remain low at about 10% of total revenue.

The bank's earnings generation capability has weakened from its continued retreat from high-margin, non-core business, although this has been compensated for by a lower cost of risk. The operating profit/RWAs ratio rose to a high 3.4% in 2024 (2023: 2.9%), but this was primarily driven by a sharp 22% reduction in RWAs, mostly associated with portfolio disposals. A large portion of the RWA contraction will reverse in 2025, mainly due to the switch to the standardised approach for certain corporate portfolios, and we expect the ratio to be maintained close to 2% over the next few quarters.

Costs were well controlled, despite the inflationary environment, as reflected in a cost/income ratio of 47% (based on Fitch's calculation) that was considerably below the peer average of about 65%. Loan impairment charges were low, at 5bp of average gross loans, and we expect them to be maintained below 20bp a year, based on our expectation of a slight deterioration in the bank's asset quality due to the still-uncertain macroeconomic environment.

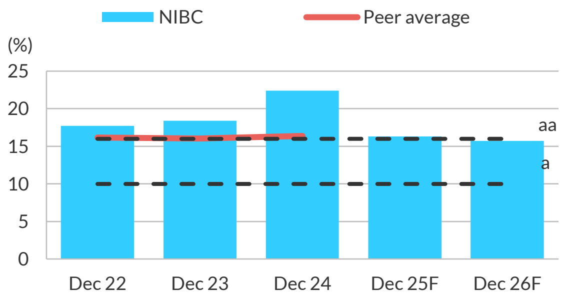
## Capitalisation and Leverage

Capitalisation is a relative rating strength for NIBC as we believe its buffer above its capital requirements, coupled with its good pre-impairment profitability, is sufficient to absorb potential asset quality shocks from the more cyclical segments of its corporate loan portfolio. The bank's CET1 ratio rose to 22.4% by end-2024 (end-2023: 18.4%), mostly due to a significant reduction in RWAs from business disposals.

The application of the standardised approach, instead of AIRB, for certain corporate asset classes will lead to a significant increase in RWAs from the start of 2025. However, we expect the CET1 ratio in the next 12–18 months to be maintained with an adequate buffer above the bank's medium-term tolerance level of 13%. Its tolerance level is below that of some similar-sized peers, but well above its minimum requirements, and should be adequate to cushion growth and a high dividend pay-out.

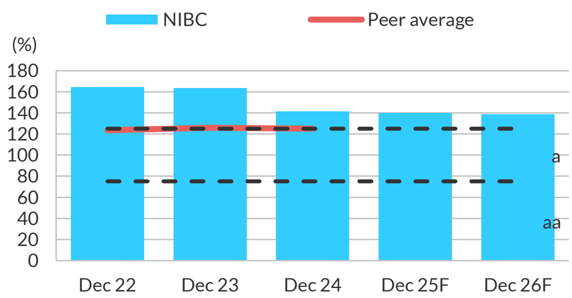
NIBC's minimum requirement for own funds and eligible liabilities (MREL) was 11.4% of the total risk exposure amount at end-2024. This was equivalent to the bank's total capital requirement excluding buffer requirements. NIBC would not be put into resolution in the event of failure but would instead be wound up under normal national insolvency proceedings, according to the Dutch National Bank. NIBC can comfortably meet MREL solely with CET1 capital.

### CET1 Ratio




Source: Fitch Ratings, Fitch Solutions, banks

### Gross Loans/Customer Deposits




Source: Fitch Ratings, Fitch Solutions, banks

## Funding and Liquidity

NIBC has a stable funding and liquidity profile, which we view as resilient. The bank's largest source of funds is retail savings collected online in the Netherlands, Germany and Belgium. Although sensitive to pricing, these savings have been granular (more than 90% at end-2024 were covered under deposit guarantee schemes) and stable over several years, which we expect to continue. Wholesale funding mostly comprises senior unsecured and covered bonds, and maturities are well spread out.

Liquid assets of about EUR4.8 billion at end-2024 (21% of total assets) were boosted by proceeds from the sale of the shipping business and mainly consisted of central bank deposits. We expect the liquidity buffer to fall due to a dividend payment, but it will still comfortably cover the EUR1.5 billion of 2025 maturities. The bank's liquidity coverage and net stable funding ratios compared well to those of peers.

## About Fitch Forecasts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics in accordance with its *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.

Peer average includes Aareal Bank AG (VR: bbb), Landesbank Baden-Wuerttemberg (bbb+), Close Brothers Group PLC (bbb+/Rating Watch Negative), Investec Bank plc (bbb+), ABN AMRO Bank N.V. (a), Triodos Bank N.V. (bbb), de Volksbank N.V. (a-). Financial year (FY) end for all banks is 31 December unless otherwise stated. FY end for Close Brothers Group PLC is 31 July. FY end for Investec Bank plc is 31 March. Latest average uses 31 January data for Close Brothers Group PLC.

# Financials

## Financial Statements

| | 31 Dec 24 | | 31 Dec 23 | 31 Dec 22 | 31 Dec 21 |
|---|---|---|---|---|---|
| | 12 months | 12 months | 12 months | 12 months | 12 months |
| | (USDm) | (EURm) | (EURm) | (EURm) | (EURm) |
| | Audited – unqualified | Audited – unqualified | Audited – unqualified | Audited – unqualified | Audited – unqualified |
| **Summary income statement** | | | | | |
| Net interest and dividend income | 408 | 393 | 419 | 383 | 361 |
| Net fees and commissions | 39 | 38 | 41 | 47 | 46 |
| Other operating income | 27 | 26 | 33 | 12 | 83 |
| Total operating income | 475 | 457 | 493 | 442 | 490 |
| Operating costs | 223 | 215 | 220 | 230 | 217 |
| Pre-impairment operating profit | 252 | 242 | 273 | 212 | 273 |
| Loan and other impairment charges | 9 | 9 | 20 | 28 | 36 |
| Operating profit | 242 | 233 | 253 | 184 | 237 |
| Other non-operating items (net) | -10 | -10 | 9 | -6 | -11 |
| Tax | 68 | 65 | 67 | 30 | 36 |
| Net income | 164 | 158 | 195 | 148 | 190 |
| Other comprehensive income | -25 | -24 | -81 | 37 | -39 |
| Fitch comprehensive income | 139 | 134 | 114 | 185 | 151 |
| | | | | | |
| **Summary balance sheet** | | | | | |
| **Assets** | | | | | |
| Gross loans | 18,619 | 17,915 | 19,411 | 18,484 | 18,678 |
| – Of which impaired | 195 | 188 | 212 | 228 | 342 |
| Loan loss allowances | 97 | 93 | 153 | 197 | 201 |
| Net loans | 18,522 | 17,822 | 19,258 | 18,287 | 18,477 |
| Interbank | 89 | 86 | 108 | 309 | 205 |
| Derivatives | 86 | 83 | 156 | 162 | 334 |
| Other securities and earning assets | 1,376 | 1,324 | 1,056 | 1,271 | 1,184 |
| Total earning assets | 20,074 | 19,315 | 20,578 | 20,029 | 20,200 |
| Cash and due from banks | 3,740 | 3,599 | 2,424 | 2,619 | 2,392 |
| Other assets | 36 | 35 | 48 | 44 | 66 |
| Total assets | 23,851 | 22,949 | 23,050 | 22,692 | 22,658 |
| | | | | | |
| **Liabilities** | | | | | |
| Customer deposits | 13,145 | 12,648 | 11,859 | 11,227 | 11,333 |
| Interbank and other short-term funding | 67 | 64 | 59 | 744 | 702 |
| Other long-term funding | 8,454 | 8,134 | 8,945 | 8,362 | 8,330 |
| Trading liabilities and derivatives | 108 | 104 | 129 | 232 | 154 |
| Total funding and derivatives | 21,773 | 20,950 | 20,992 | 20,565 | 20,519 |
| Other liabilities | 89 | 86 | 73 | 82 | 111 |
| Preference shares and hybrid capital | 247 | 238 | 200 | 200 | 200 |
| Total equity | 1,741 | 1,675 | 1,785 | 1,845 | 1,828 |
| Total liabilities and equity | 23,851 | 22,949 | 23,050 | 22,692 | 22,658 |
| Exchange rate | | USD1 = EUR0.962186 | USD1 = EUR0.912742 | USD1 = EUR0.937559 | USD1 = EUR0.884173 |

Source: Fitch Ratings, Fitch Solutions, NIBC

## Key Ratios

| | 31 Dec 24 | 31 Dec 23 | 31 Dec 22 | 31 Dec 21 |
|---|---|---|---|---|
| (%) | | | | |
| **Profitability** | | | | |
| Operating profit/risk-weighted assets | 3.4 | 2.9 | 2.0 | 2.8 |
| Net interest income/average earning assets | 2.0 | 2.1 | 1.9 | 1.9 |
| Non-interest expense/gross revenue | 47.3 | 44.9 | 52.0 | 44.4 |
| Net income/average equity | 9.0 | 10.7 | 8.1 | 10.5 |
| | | | | |
| **Asset quality** | | | | |
| Impaired loans ratio | 1.1 | 1.1 | 1.2 | 1.8 |
| Growth in gross loans | -7.7 | 5.0 | -1.0 | 10.6 |
| Loan loss allowances/impaired loans | 49.5 | 72.2 | 86.4 | 58.8 |
| Loan impairment charges/average gross loans | 0.1 | 0.1 | 0.2 | 0.2 |
| | | | | |
| **Capitalisation** | | | | |
| Common equity Tier 1 ratio | 22.4 | 18.4 | 17.7 | 19.0 |
| Tangible common equity/tangible assets | 7.3 | 7.7 | 8.1 | 8.1 |
| Basel leverage ratio | 7.4 | 7.7 | 7.6 | 8.4 |
| Net impaired loans/common equity Tier 1 | 6.1 | 3.6 | 1.9 | 8.7 |
| | | | | |
| **Funding and liquidity** | | | | |
| Gross loans/customer deposits | 141.6 | 163.7 | 164.6 | 164.8 |
| Gross loans/customer deposits + covered bonds | 104.3 | 118.5 | 121.3 | 121.7 |
| Liquidity coverage ratio | 322.0 | 240.0 | 206.0 | 184.0 |
| Customer deposits/total non-equity funding | 60.0 | 56.3 | 54.7 | 55.1 |
| Net stable funding ratio | 144.0 | 133.0 | 135.0 | 129.0 |

Source: Fitch Ratings, Fitch Solutions, NIBC

## 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 | Negative |
| 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 of 'no support' (ns) reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign, if NIBC becomes non-viable. This reflects the bank's lack of systemic importance in the Netherlands, as well as the implementation of the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism. These provide a framework for resolving banks that is likely to require senior creditors to absorb losses, if necessary, instead or ahead of, a bank receiving sovereign support.

## Environmental, Social and Governance Considerations

FitchRatings **NIBC Bank N.V.**

Banks
Ratings Navigator

### Credit-Relevant ESG Derivation

NIBC Bank N.V. has 5 ESG potential rating drivers

- NIBC Bank N.V. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

| | | | ESG Relevance to Credit Rating |
|---|---|---|---|
| key driver | 0 | issues | 5 |
| driver | 0 | issues | 4 |
| potential driver | 5 | issues | 3 |
| not a rating driver | 4 | issues | 2 |
| | 5 | issues | 1 |

### Environmental (E) Relevance Scores

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

### 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 |

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

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

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

**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

### Governance (G) Relevance Scores

| General Issues | G Score | Sector-Specific Issues | Reference | G Relevance |
|---|---|---|---|---|
| Management Strategy | 3 | Operational implementation of strategy | Business Profile (incl. Management & governance) | 5 |
| Governance Structure | 3 | Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions | Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage | 4 |
| Group Structure | 3 | Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership | Business Profile (incl. Management & governance) | 3 |
| Financial Transparency | 3 | Quality and frequency of financial reporting and auditing processes | Business Profile (incl. Management & governance) | 2 |
| | | | | 1 |

**CREDIT-RELEVANT ESG SCALE**

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

| | |
|---|---|
| 5 | Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator. |
| 4 | Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator. |
| 3 | Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator. |
| 2 | Irrelevant to the entity rating but relevant to the sector. |
| 1 | Irrelevant to the entity rating and irrelevant to the sector. |

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.