FitchRatings

Banks
Universal Commercial Banks
Germany

Landesbank Baden-Wuerttemberg

Key Rating Drivers

Owners' Support Drives IDRs: Landesbank Baden-Wuerttemberg's (LBBW) Long-Term Issuer Default Rating (IDR) is driven by its 'a-' Shareholder Support Rating (SSR), which reflects a strong likelihood of support from the bank's owners, the regional members of Germany's savings banks group Sparkassen-Finanzgruppe (Sparkassen) (SFG; A+/Stable), the federal state of Baden-Wuerttemberg, and the City of Stuttgart.

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

Fitch believes the federal state of Baden Wuerttemberg will participate in support measures for the bank, but LBBW's SSR does not factor in support from the federal state as it is based on the lowest of the owners' ratings, i.e. that of SFG. We notch LBBW's SSR down twice from SFG's 'A+' to reflect regulatory restrictions on support, due to the requirement for state-aid examination under EU competition rules. The two-notch difference also reflects LBBW's strategic, but not key and integral, role for SFG.

High Sector Concentrations: LBBW's strong regional corporate-banking franchise benefits from Baden Wuerttemberg's large economy. However, this regional focus leads to concentrations on cyclical industries and, to some extent, on large borrowers, in particular in the commercial real estate (CRE) and automotive sectors. Stiff competition in most of LBBW's business lines limits the bank's pricing power and weighs on its profitability.

Low Impaired Loans: The bank's exposure to cyclical industries is higher than that of peers, and its asset quality is sensitive to rising interest rates and structural changes, particularly in its large CRE portfolio. We expect loan impairment charges (LICs) and impaired loans to rise in 2024 from their exceptionally low level at end-2022, but the four-year average impaired loans ratio should remain below 2% in the next two years, a level we view as commensurate with LBBW's Viability Rating (VR). Large buffers of precautionary loan loss allowances should also absorb a large portion of LICs.

Improved Profitability: LBBW's operating profits improved substantially in the past three years, but its average profitability remains weaker than that of higher rated international peers', burdened by high costs and low margins in German corporate banking. We expect operating profits/risk-weighted assets (RWAs) to peak in 2023 and slightly decline in 2024 as funding costs and LICs increase. We believe that LBBW's revenue will gradually improve in the long term as the bank executes its growth strategy, compensating for regulatory RWAs inflation.

Adequate Capitalisation: LBBW's fully loaded common equity Tier 1 (CET1) remained broadly stable at 14.1% at end-1H23 after the consolidation of Berlin Hyp AG (A-/Stable/bbb+). We view this level as adequate, but not strong, for the bank's business model, which exposes LBBW to potential cyclical performance swings. Stronger profit retention will be key in offsetting higher RWAs from the execution of the bank's growth strategy and the phasing-in of Basel III.

IPS Membership Underpins Funding: LBBW's predominantly wholesale funding benefits from its membership in SFG's Institutional Protection Scheme (IPS). The bank's liquidity is underpinned by a large portfolio of cash and liquid securities, and should remain sound despite the repayment of central bank tender funding (TLTRO) and increased competitions for deposits.

Ratings

Landesbank Baden-Wuerttemberg	
Long-Term IDR	A-
Short-Term IDR	F1
Derivative Counterparty Rating	A(dcr)
Viability Rating	bbb+
Shareholder Support Rating	a-

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

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

Applicable Criteria

Bank Rating Criteria (September 2023)

Related Research

German Landesbanken - Peer Review 2023 (July 2023)

Fitch Upgrades LBBW's Viability Rating to 'bbb+'; Affirms IDR at 'A-'/Stable (March 2023)

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Rating Sensitivities

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

A downgrade of SFG's IDRs, or an adverse change in the ownership structure or in SFG' strategic commitment to the bank, could lead to a downgrade of LBBW's IDRs and SSR.

The VR would likely be downgraded if we expect the bank's impaired loans ratio to rise to and remain above 3%; if the CET1 ratio falls below 13% on a sustained basis; or if operating profit declines durably below 0.7% of RWAs without clear recovery prospects.

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

An upgrade of the IDRs and SSR would require an upgrade of SFG's ratings. An upgrade of LBBW's VR is unlikely unless its franchise strengthens with more diversified revenue and significantly lower sector and single-name concentrations. An upgrade would also be contingent on a structural improvement of LBBW's profitability, with average operating profit above 2% of RWAs, without a material increase in risk appetite.

Other Debt and Issuer Ratings

Rating level	Rating
Deposits	A/F1
Senior preferred	A/F1
Senior non-preferred	A-
State guaranteed senior unsecured	AAA
Tier 2 subordinated	BBB-
State guaranteed subordinated	AAA

Source: Fitch Ratings

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

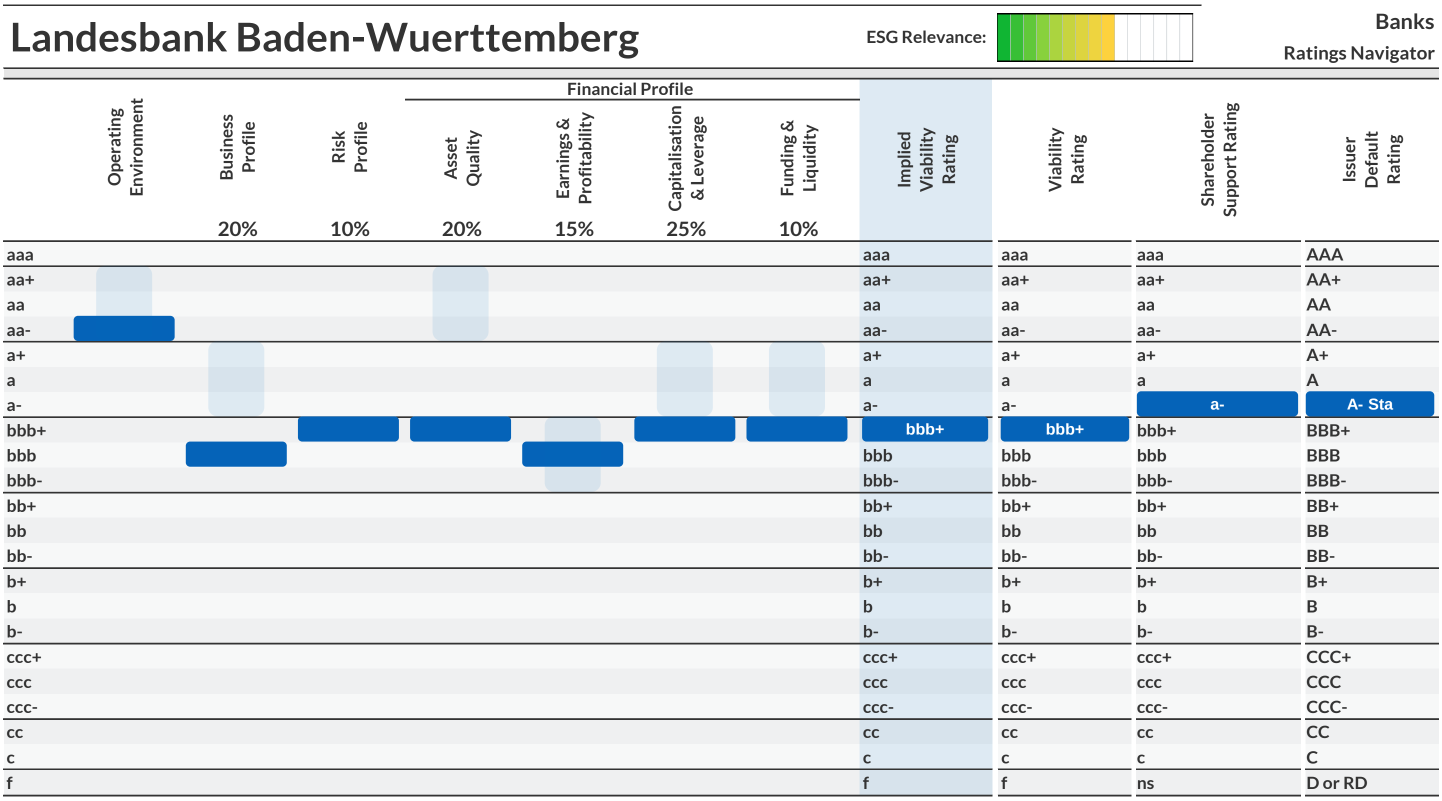
LBBW's long-term deposit rating, senior preferred debt rating and Derivative Counterparty Rating are rated one notch above the Long-Term IDR because of the protection provided by resolution buffers to these preferred creditors. LBBW's senior non-preferred debt rating is in line with its Long-Term IDR.

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

The 'AAA' ratings of LBBW's grandfathered state-guaranteed senior unsecured and Tier 2 subordinated notes reflect our view of the creditworthiness of the State of Baden Wuerttemberg, which is closely linked to that of Germany (AAA/Stable), and our expectation that Baden Wuerttemberg will honour its guarantee. Fitch believes that the protection provided by the grandfathered guarantee is similar between senior and subordinated debt instruments because the statutory guarantor's liability (Gewaehrtraegerhaftung) does not differentiate the seniority among liabilities. In our view, regulatory and EU state-aid frameworks do not constrain the level of support for grandfathered debt.

LBBW's subordinated debt is rated two notches below the VR to reflect loss severity that is in line with Fitch's baseline approach.

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 business profile score of ‘bbb’ is below the ‘a’ implied category score, due to the following adjustment reason: business model (negative)

The asset quality score of ‘bbb+’ is below the ‘aa’ implied category score, due to the following adjustment reason: concentrations (negative)

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)

The funding and liquidity score of ‘bbb+’ is below the ‘a’ implied category score, due to the following adjustment reason: deposit structure (negative)

Company Summary and Key Qualitative Factors

Business Profile

LBBW is a publicly-owned wholesale bank that focuses on corporate and asset-based finance in addition to its statutory roles. Its retail activities, which are primarily concentrated in Stuttgart and other locations in Baden Wuerttemberg, are small compared to those of universal banks of similar size although their profit contribution has increased substantially in 1H23 after years of very weak profitability due to higher interest rates. LBBW has also expanded its asset and wealth management in recent years as part of its nationwide growth strategy.

LBBW's strong regional corporate banking franchise benefits from Baden Wuerttemberg's large economy, which is similar in size to Belgium's. However, this regional focus leads to large concentrations on cyclical industries and, to some extent, on large borrowers, in particular in automotive, consumer and industrial goods. The bank's nationwide franchise is weaker. High competition in German corporate business limits LBBW's pricing power. Its modest international franchise is largely concentrated in western Europe, but the bank supports its corporate customers globally in key international financial centres. We view LBBW's selective reduction of its exposure to combustion engine-focused automotive suppliers, and expansion into sectors where it had been previously less active – such as pharmaceuticals and healthcare, technology, media, and telecom, electronics, and utilities – as credit positive as this increases diversification.

LBBW's client-driven capital market business is complementary to its corporate business, and represents a sizeable but volatile revenue source. LBBW's acquisition of certain capital markets lines from other Landesbanken over the past two years also strengthens its role as the main centre of competence and infrastructure provider for market activities within SFG. LBBW plans to increase and diversify its revenue by gaining market shares in debt capital markets and corporate finance, while leveraging on its know-how to service asset and wealth management customers. In particular, it expects to benefit from its strengthened positioning as a bank for sustainable credit and investments. However, this could be challenged by the competition in these segments from domestic and foreign peers.

LBBW closed the acquisition of the specialist CRE bank Berlin Hyp from SFG at end-1H22, becoming the largest German CRE lender. According to LBBW, Berlin Hyp will continue to operate as an independent subsidiary, but we expect integration and synergies to increase. LBBW also benefits from Berlin Hyp's presence in France and Benelux, which complements LBBW's foreign businesses in the UK and North America, and from Berlin Hyp's close cooperation with savings banks nationwide.

Risk Profile

LBBW's underwriting standards, risk monitoring and reporting are in line with domestic industry practice. Market risk is driven by interest rate and credit spread risk. Foreign exchange, commodity and equity risks are not material.

Like most German peers, LBBW has an open interest rates position. The impact of rising interest rates is positive on net interest income (+EUR323 million in the 200bp parallel-up scenario, with a one-year horizon and constant balance). However, the economic impact is negative for the bank. The economic value of equity loss in the 200bp parallel-up scenario is equivalent to 5.5% of Tier 1 capital, driven by the long duration of pension assets. On the opposite, in the 200bp parallel down scenario the bank's NII would decrease by EUR242 million and the economic value of the bank's equity would increase by 1.7%.

LBBW also books the large majority of its bonds portfolio at fair value through other comprehensive income, with adequate interest rate hedging, and unrealised losses in the bank's bonds portfolio at end-1H23 were not material. Trading volumes are commensurate to LBBW's size and business model.

Financial Profile

Asset Quality

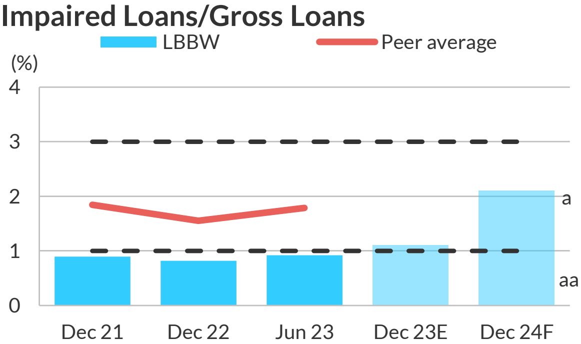
LBBW's impaired loans ratio of 0.9% at end-1H23 is among the lowest in Germany. It reflects a decade of a benign German economy, followed by extensive fiscal and legislative measures implemented by the German government to support companies and households affected by the pandemic and energy crises. These two factors drove the number of corporate insolvencies to a record low in 2021 and 2022, and maintained LBBW's Stage 3 loans volume close to its pre-pandemic level.

The volume of Stage 3 loans increased by 15% to EUR1.3 billion in 1H23, while annualised LICs remained low at 12bp of gross loans, reflecting its asset quality performance being better than that of German peers over the same period. New impaired loans were mainly driven by defaults in the CRE loan book.

We view LBBW's EUR72 billion CRE exposure (5.3x CET1), and in particular office and retail properties (38% and 11% of the CRE portfolio at end-1H23, respectively), as particularly vulnerable to refinancing and revaluation risk following the steep increase in interest rates. At the same time, working from home and online shopping are likely to increase vacancy rates – mainly in older offices and retail properties outside of prime locations, compounding the pressure on the loan-to-value (LTV) ratios and debt yields of these assets. Moreover, rising construction costs in combination with declining market valuations will likely lead to defaults in the relatively smaller CRE development finance portfolio. At end-1H23, 69% of LBBW's CRE portfolio still had a LTV ratio of below 60%, although commonly property revaluations lag price declines. The Stage 3 exposure ratio in the CRE portfolio was also low at around 0.5%. This provides some headroom against asset quality deterioration, but we expect significant credit losses in the next two years, which will be only partially absorbed by LBBW's precautionary provisions (Stage 1 and Stage 2 loan allowances accounted for 65bp of LBBW's gross loans at end-1H23).

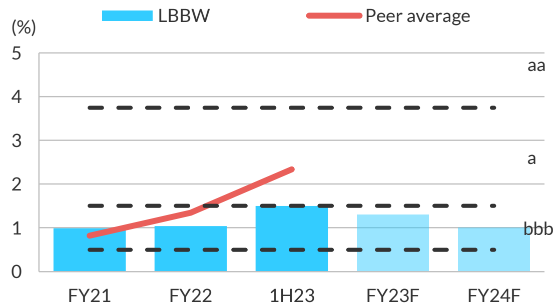
LBBW's large corporate loan book is reasonably diversified by sector. However, the bank's exposure to cyclical industries, in particular automotive and industrial goods, is higher than that of its peers. We also expect impaired loans to increase in the bank's corporate portfolio due to the weaker economy and deteriorating credit conditions. Fitch forecasts German GDP to decline by 0.2% yoy in 2023, and to only modestly recover (+0.4% yoy) in 2024. Manufacturing activity output and export have both declined yoy in 2023. This could result in lower growth in particular for Baden-Wuerttemberg, due to the high proportion of manufacturing in its economy with concentrations in export-oriented sectors.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

LBBW reported a pre-tax profit of EUR691 million in 1H23 (1H22: EUR476 million). The result was sustained by retail and corporate deposits repricing at a much slower rate than loans and bonds as well as by the inclusion of Berlin Hyp (EUR59 million in 1H23 according to local GAAP). This more than offset the reduced positive effect from TLTRO financing. We believe that LBBW's net interest margin has peaked in 2H23, and that deposit betas should catch up in 2024.

Unlike most peers, LICs in 1H23 remained close to their 1H22 level and were mainly driven by precautionary provisioning on the bank's CRE loans. We expect the bank to leverage on its strong 2023 revenue to increase precautionary provisions in 2023 in order to offset credit losses in 2024 and 2025.

LBBW revised its cost-income ratio (CIR) target from below 60% to about 65% (2022: 66%) due to higher expected inflation. The CIR target relies on revenue growth rather than cost-cutting. At the beginning of 2021, LBBW announced the reduction of 700 full time employees by 2024. This measure aims at cutting costs by EUR100 million compared with 2019. The reduction relies on natural fluctuation and is slow to implement (LBBW's staff numbers fell from 10,000 at end-2019 to 9,785 at end-1H22) and the benefits could be more than offset by higher inflation by

2024. At the same time, the consolidation of Berlin Hyp, investments for regulatory and digitalisation-driven projects, as well as higher contributions to the deposit protection scheme, will have inflated costs in 2023.

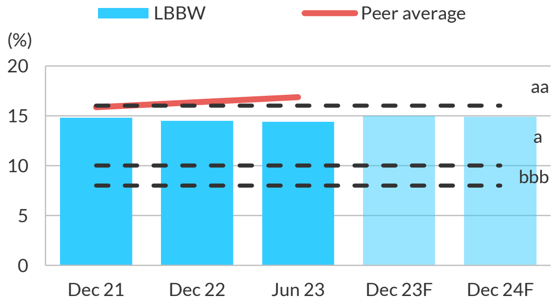
Capital and Leverage

LBBW's fully loaded CET1 ratio of 14.2% at end-1H23 has sufficient buffers over the regulatory requirement of 10.55% to absorb potential cyclical performance swings. We expect LBBW to manage its CET1 ratio above 13% in the coming two years. LBBW's total capital ratio of 19.9% at end-1H23 benefits from the bank's large Tier 2 debt buffer. We expect this buffer to decline gradually as we believe the bank will replace maturing Tier 2 with senior non-preferred debt.

LBBW's fully loaded Basel leverage ratio (end-1H23: 4.1%; end-2022: 4.6%) is below that of higher-rated peers. The ratio declined in 1H23 due to higher risk exposures, in particular as business with states and central banks grew.

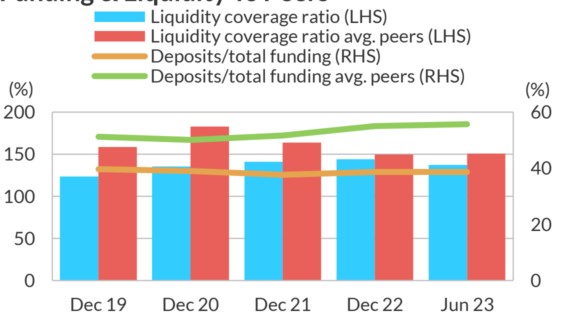
We expect profit retention and earnings to improve in the medium term, assuming LBBW will continue to distribute EUR200 million–EUR300 million per year. Stronger profit retention will be key to offsetting higher RWAs from the execution of the bank's growth strategy and the phasing in of the Basel output floor, starting in 2025.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Funding & Liquidity vs Peers



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

LBBW has high reliance on confidence-sensitive wholesale deposits and market funding. A large portion of LBBW's corporate deposits are non-operational and have a maturity of less than six months. However, this is mitigated by LBBW's membership in SFG's institutional support scheme (IPS), which has a record of protecting the members' creditors since its establishment in the 1970s. The IPS also ensures a stable, nationwide privileged access to the savings banks' excess liquidity. Interbank deposits from outside the group also include pass-through funding from development banks.

LBBW also has a well-established capital markets franchise across a diversified range of products. The bank significantly exceeds its minimum requirement for own funds and eligible liabilities of 25.58% of RWAs (including the combined buffer requirement), due to its large stock of legacy SNP debt. We expect resolution buffers to decline gradually as legacy SNP debt matures, but to remain comfortably above required levels. The proportion of short-term market funding is high relative to peers, but the majority is deposited at the central bank.

LBBW's and Berlin Hyp's mortgage and public covered pools (end-3Q23: EUR49 billion combined; 14% of total assets) also ensure a stable funding and liquidity source when market conditions worsen. The bank's net stable funding ratio slightly improved to 114% at end-1H23 (2022: 111%), but remains below the average of large European peers.

LBBW's high-quality liquid assets portfolio amounted to EUR105 billion at end-1H23 (29% of total assets), offering headroom to withstand potential outflows. The liquidity coverage ratio remained above 130% during 2H23 despite the TLTRO reduction to EUR9 billion at end-1H23 (end-2022: EUR20 billion).

Financials

	30 Jun 23		31 Dec 22	31 Dec 21	31 Dec 20
	1st half (USDm)	1st half (EURm)	12 months (EURm)	12 months (EURm)	12 months (EURm)
Summary income statement					
Net interest and dividend income	1,540	1,417	2,305	2,031	1,771
Net fees and commissions	331	305	628	598	538
Other operating income	304	280	446	372	381
Total operating income	2,175	2,002	3,379	3,001	2,690
Operating costs	1,323	1,218	2,169	1,928	1,861
Pre-impairment operating profit	852	784	1,210	1,073	829
Loan and other impairment charges	93	86	239	240	545
Operating profit	758	698	971	833	284
Other non-operating items (net)	-8	-7	902	-16	-32
Tax	221	203	363	399	80
Net income	530	488	1,510	418	172
Other comprehensive income	-1	-1	-6	180	-7
Fitch comprehensive income	529	487	1,504	598	165
Summary balance sheet					
Assets					
Gross loans	157,161	144,636	140,965	112,644	104,481
– Of which impaired	1,451	1,335	1,156	1,002	935
Loan loss allowances	1,660	1,528	1,364	1,288	1,077
Net loans	155,501	143,108	139,601	111,356	103,404
Interbank	102,050	93,917	74,397	39,640	58,274
Derivatives	19,612	18,049	19,562	19,073	25,369
Other securities and earning assets	92,434	85,067	73,704	70,678	70,678
Total earning assets	369,597	340,141	307,264	240,747	257,725
Cash and due from banks	18,706	17,215	10,569	36,871	13,650
Other assets	7,354	6,768	6,341	4,726	5,074
Total assets	395,657	364,124	324,174	282,344	276,449
Liabilities					
Customer deposits	137,501	126,542	110,416	93,646	92,101
Interbank and other short-term funding	102,157	94,015	85,094	89,569	79,346
Other long-term funding	104,885	96,526	81,312	56,110	55,737
Trading liabilities and derivatives	27,978	25,748	26,188	23,533	29,508
Total funding and derivatives	372,520	342,831	303,010	262,858	256,692
Other liabilities	5,174	4,762	4,831	4,378	4,815
Preference shares and hybrid capital	1,758	1,618	1,636	1,656	1,695
Total equity	16,204	14,913	14,697	13,452	13,247
Total liabilities and equity	395,657	364,124	324,174	282,344	276,449
Exchange rate		USD1 = EUR0.920302	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions

Summary Financials and Key Ratios

	30 Jun 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.5	1.0	1.0	0.4
Net interest income/average earning assets	0.9	0.9	0.8	0.7
Non-interest expense/gross revenue	61.1	64.7	65.1	69.3
Net income/average equity	6.7	10.9	3.1	1.3
Asset quality				
Impaired loans ratio	0.9	0.8	0.9	0.9
Growth in gross loans	2.6	25.1	7.8	1.7
Loan loss allowances/impaired loans	114.5	118.0	128.5	115.2
Loan impairment charges/average gross loans	0.1	0.2	0.2	0.5
Capitalisation				
Common equity Tier 1 ratio	14.4	14.5	14.8	15.1
Fully loaded common equity Tier 1 ratio	14.2	14.1	—	—
Tangible common equity/tangible assets	3.8	4.4	4.7	4.7
Basel leverage ratio	4.1	4.6	5.1	4.7
Net impaired loans/common equity Tier 1	-1.4	-1.5	-2.3	-1.1
Funding and liquidity				
Gross loans/customer deposits	114.3	127.7	120.3	113.4
Liquidity coverage ratio	137.2	144.2	141.1	135.4
Customer deposits/total non-equity funding	38.7	38.6	37.7	39.1
Net stable funding ratio	114.2	111.3	108.5	—

Source: Fitch Ratings, Fitch Solutions

Support Assessment

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

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

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

LBBW's Shareholder Support Rating (SSR) reflects our view of very high support propensity from its owners. Fitch uses SFG's Long-Term IDR as the anchor rating for determining LBBW's support-driven ratings. Fitch believes support would need to be forthcoming from both SFG and the State of Baden Wuerttemberg to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if LBBW fails. Fitch believes that Baden Wuerttemberg would participate in any support measures for the bank, but LBBW's SSR does not factor in support from the federal state as it is based on the lower of the two owners' ratings.

We notch LBBW's SSR down twice from SFG's 'A+' to reflect regulatory restrictions to support, due to the requirement for state-aid examination under EU competition rules. The two-notch difference also reflects LBBW's strategic, but not key and integral role, for its owners. The Short-Term IDR of 'F1'is the higher of two possible ratings that map to a 'A-'Long-Term IDR, because LBBW has privileged access to SFG's ample liquidity and funding, and propensity of support by its owners is more certain in the near term.

Environmental, Social and Governance Considerations

Overall ESG

5
4
3
2
1

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

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

Environmental (E)

General Issues	Score	Impact	Sector-Specific Issues	Reference	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

Social (S)

General Issues	Score	Impact	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	Score	Impact	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

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.

DISCLAIMER & DISCLOSURES