FitchRatings

Genossenschaftliche FinanzGruppe

Key Rating Drivers

Leading German Retail, Commercial Group: Genossenschaftliche FinanzGruppe's (GFG) ratings reflect the group's leading and highly diversified business profile, strong risk-adjusted capitalisation, low leverage, sound asset quality despite pressures, and record of stable profitability, as well as its outstanding funding profile by international standards. GFG's Viability Rating (VR) is one notch above the implied VR, reflecting the high importance of its strong business profile for the rating.

Mutual Support Mechanism: GFG is a cooperative banking network and not a legal entity. Its cohesion is ensured by an institutional protection scheme (IPS) managed by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR). GFG's Issuer Default Ratings (IDRs) are group ratings that apply to each member bank, including its central institution DZ BANK AG Deutsche Zentral-Genossenschaftsbank and its subsidiaries.

Diversified Business Model: A domestically focused, stable universal banking business model has delivered stable profits for GFG over several economic cycles. The model is based on local banks' strong domestic retail and small SME banking franchises, interlinked and supported by DZ BANK group's product providers. These include leaders in insurance, asset management and real estate, as well as DZ BANK's capital-market business. There is strong strategic alignment among DZ BANK and the local banks, with intensified cooperation and cross-selling across GFG.

Conservative Risk Appetite: GFG's risk profile largely reflects the group's cooperative nature, with a contained risk appetite. This is underpinned by granular credit exposures based on sound underwriting standards at primary banks, conservative securities portfolios, and the benefit of liquidity pooling and transmission through DZ BANK. However, local banks on average have notably higher interest-rate risk in their banking books.

Moderate Asset-Quality Deterioration: Asset quality remained resilient in 2024, despite a moderate rise in the volume of the non-performing loan portfolio. This mainly reflects Germany's weak economic performance and real-estate developer defaults in the housing sector. Fitch Ratings estimates a further moderate increase of the impaired loans ratio to around 2.5% in 2025, before an economic recovery is likely to stabilise GFG's loan quality.

Resilient Underlying Profitability: We expect GFG's earnings performance to have been resilient in 2024, with a solid contribution from DZ BANK, and an operating profit/risk-weighted assets (RWAs) ratio of around 1.5% (2023: 1.8%). The slightly lower expected 2024 result is mainly due to increased loan impairment charges and cost inflation. We expect profits to drop slightly again in 2025, but to remain above the group's long-term average.

Strong Capitalisation: The local banks and DZ BANK are both well capitalised, with strong buffers over their respective regulatory requirements. GFG's leverage ratio is high by international standards. We expect GFG's common equity Tier 1 (CET1) ratio to remain above 15% in the medium term, supported by high profit retention and slower loan growth than in previous years.

Stable Funding, Strong Liquidity: GFG's funding profile is stable and superior to most peers', reflecting the local banks' granular retail deposits and DZ BANK's deep market access and wholesale funding capacity, including covered bond issuance. GFG has strong liquidity underpinned by an effective pooling mechanism of local banks' excess savings at its central institution. We expect GFG to defend its leading deposit market share in 2025.

Ratings

Foreign Currency	
Long-Term IDR	AA-
Short-Term IDR	F1+
Viability Rating	aa-
Government Support Rating	ns

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

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

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms German Cooperative Banks and DZ BANK at 'AA-'; Outlook Stable (March 2025)

Global Economic Outlook (March 2025)

Western European Banks Outlook 2025 (December 2024)

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Rating Sensitivities

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

We could downgrade the ratings of GFG and its members if GFG's impaired loans ratio rises above 3% on a sustained basis, its average operating profit declines to below 1% of RWAs, or its regulatory CET1 ratio falls durably below 13%. A downward revision of our operating environment score for GFG (aa-/stable) would also put pressure on its ratings.

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

A ratings upgrade of GFG and its members is unlikely given the already-high ratings. In addition to a domestic environment that would allow higher lending margins, an upgrade would also require greater cost efficiency, which is likely to necessitate further streamlining of the group's structure, especially at the local banks, beyond the current merger activity, as well as better asset quality and higher capitalisation.

Other Debt and Issuer Ratings

Rating Level	Rating
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	
Deposit ratings[a]	AA/F1+
Long-term senior preferred debt[a,b]	AA
Short-term senior preferred debt	F1+
Long-term senior non-preferred debt[a]	AA-
Tier 2 subordinated debt	A
Additional Tier 1 notes	BBB+
Deutsche Apotheker- und Aerztebank eG	
Deposit ratings	AA-/F1+
Muenchener Hypothekenbank eG	
Deposit ratings	AA/F1+
Local cooperative banks	
Deposit ratings	AA-/F1+

[a] Also applies to DZ BANK's subsidiary DZ HYP AG.
[b] Also applies to DZ BANK's subsidiary DZ PRIVATBANK S.A.
Source: Fitch Ratings

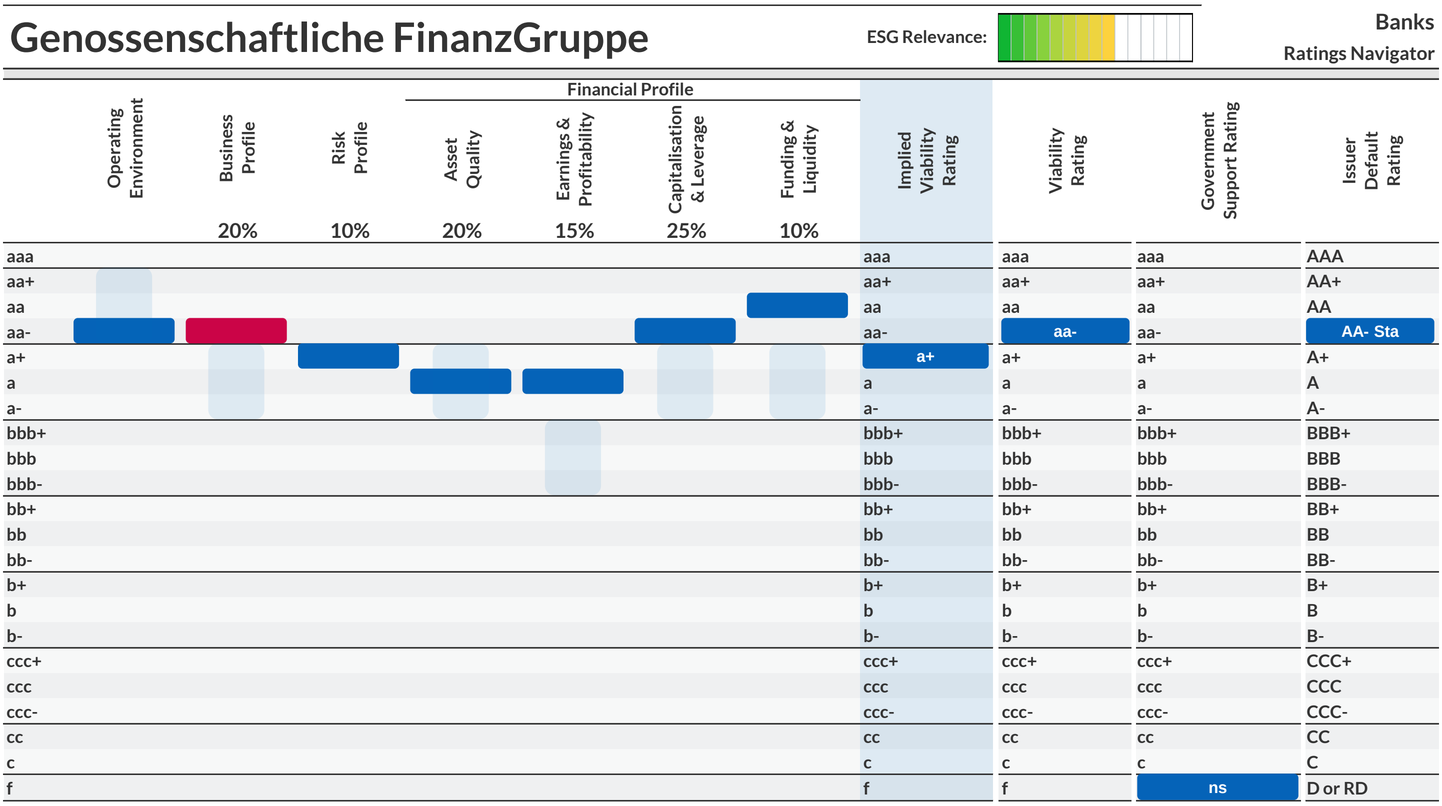
The Short-Term IDRs of GFG and its members map to their Long-Term IDR of 'AA-'.

The long-term deposit ratings and long-term senior preferred debt ratings of DZ BANK and its banking subsidiaries, the long-term deposit rating of Muenchener Hypothekenbank, and DZ BANK's Derivative Counterparty Rating are one notch above their respective Long-Term IDRs because of the protection provided by resolution buffers to preferred creditors. In our view, resolution would only occur in the extremely unlikely event that GFG's mutual support scheme fails to protect group members' viability.

The deposit ratings of Deutsche Apotheker- und Aerztebank and of the local cooperative banks are aligned with GFG's IDRs due to the absence of sustainable significant resolution debt buffers at these entities. Each local bank is regulated individually as a less significant institution. Consequently, the German regulator's preferred resolution strategy for these banks consists of standard insolvency procedures, as opposed to the preferred bail-in resolution strategy for the DZ BANK group and Muenchener Hypothekenbank, each of which is directly under the authority of the European Single Resolution Board (SRB) and follows a single-point-of-entry approach. Therefore, the mainly deposit-funded local banks have no incentive to build up resolution buffers. This is also the case for Deutsche Apotheker- und Aerztebank, which is directly under the authority of the SRB but is not required to maintain resolution buffers in excess of its capital requirements.

The ratings of the subordinated Tier 2 and additional Tier 1 notes issued by DZ BANK and its subsidiaries are two and four notches below GFG's VR, respectively, which is the standard notching for these types of instruments under Fitch's criteria. We use the VR of GFG as the anchor rating as we believe that GFG, by protecting the viability of DZ BANK and its subsidiaries, increases the likelihood that all due payments on these notes will continue to be met.

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 ‘aa-’ is above the ‘a’ implied category score due to the following adjustment reason: business model (positive).

The earnings and profitability score of ‘a’ is above the ‘bbb’ implied category score due to the following adjustment reason: earnings stability (positive).

The capitalisation and leverage score of ‘aa-’ is above the ‘a’ implied category score due to the following adjustment reason: leverage and risk-weight calculation (positive).

The funding and liquidity score of ‘aa’ is above the ‘a’ implied category score due to the following adjustment reason: deposit structure (positive).

Company Summary and Key Qualitative Factors

Business Profile

Decentralised Structure

GFG is a large German financial network including banking, insurance and asset-management activities with an estimated total operating income of above EUR35 billion in 2024. GFG is one of Europe's largest cooperative banking groups. Its domestic market shares are close to 20% in most deposit and loan segments, second only to the savings banks (Sparkassen-Finanzgruppe (Sparkassen); SFG). GFG is particularly strong in retail and small business banking, where it has steadily increased its market shares in most core products over the past decade.

The network comprised around 670 local cooperative banks at end-2024. The banks have a nationwide retail and small SME banking franchise that is based on a deep knowledge of their respective local economic environments. Moreover, around 60% of the group's 30 million clients are also the local banks' owners. This relationship ensures strong loyalty among the client base and enhances the long-term stability of GFG's business model, underpinning its business profile.

GFG also includes the primary banks' central institution and commercial bank, DZ BANK, which consolidates various banking product providers, including mortgage lender DZ HYP, asset-management company Union Investment, and insurer R+V Insurance. DZ BANK accounts for around 40% of GFG's aggregated assets at end-2024.

DZ BANK offers a variety of wholesale and capital market products, including investment certificates and interest-rate hedging products. In its transaction business, DZ BANK also provides a trading and custody platform for cryptocurrencies, which is being rolled out in a pilot phase to a limited number of primary banks. This underpins the group's commitment to digital banking payment solutions and services.

GFG's local banks collectively own DZ BANK, control its supervisory board, and define its strategic operations in cooperation with DZ BANK's management. The ECB's formal direct supervision applies to the domestic systemically important DZ BANK group, Deutsche Apotheker- und Aerztebank and Muenchener Hypothekenbank. The Bundesbank and Federal Financial Supervisory Authority supervise each local bank. Each local bank must individually fulfil regulatory requirements, such as the Supervisory Review and Evaluation Process and liquidity coverage ratios, although the mutual support scheme and DZ BANK's central liquidity pooling ensure intragroup fungibility of capital and funding.

Cohesion Underpins GFG's Business Profile

The local banks operate more autonomously than in most European cooperative banking groups, but they share a close relationship with DZ BANK based on intensive cooperation and cross-selling opportunities. This strengthens GFG's cohesion, which we believe is very strong. Cohesion is also underpinned by the group's IPS, which has an impeccable record of protecting creditors and ensuring the viability of member institutions.

BVR's IPS had to support a small number of individual primary banks in 2024. We believe that these cases are not related and do not indicate structural deficiencies in the scheme's risk practice, although we expect further refinements to risk-surveillance processes. The cost to the IPS of the support measure was small relative to the capacity of the scheme.

Risk Profile

Conservative Risk Profile

GFG's overall risk appetite is conservative and keeps the group's risk profile at reasonable levels, as demonstrated by a low impaired loans ratio through the cycle, both at the level of the primary banks and at DZ BANK group. The local banks' typically low risk appetite with close regional and customer proximity adequately mitigates GFG's credit risk, with mitigation also aided by the banks' diversified and granular exposures. A strong focus on owner-occupied housing loans, which account for over one-third of GFG's total loans, is a further important risk-mitigating factor.

We also consider DZ BANK's risk profile as adequate for a commercial bank of its size, despite some sector concentration risks and exposure to more vulnerable asset classes including commercial real estate (CRE). The group has only minimal exposure to the slowly recovering US office property sector. Both of GFG's CRE lenders (DZ HYP and Muenchener Hypothekenbank) remained profitable in 2024 without a need for materially higher loan impairment charges.

Decentralised Risk Management with Adequate Risk Controls

Each local bank defines its risk appetite independently, and underwriting decisions are not subject to GFG-wide centralised approvals or limits. However, BVR's monitoring system indirectly influences individual banks' risk-taking, because contributions to GFG's mutual support fund, BVR-Sicherungseinrichtung, are strictly risk-oriented, as they depend on BVR-Sicherungseinrichtung's assessment of each bank's risk profile.

High Structural Interest Rate Risk in the Banking Books Is a Weakness

The banking books of GFG's local banks are exposed to mostly unhedged structural interest-rate risk due to their asset/liability duration mismatches and high share of fixed-rate lending, and this is a rating weakness. We believe that primary banks need to focus on interest-rate risk in their banking books and to continue to reduce volatility under BVR's monitoring.

Financial Profile

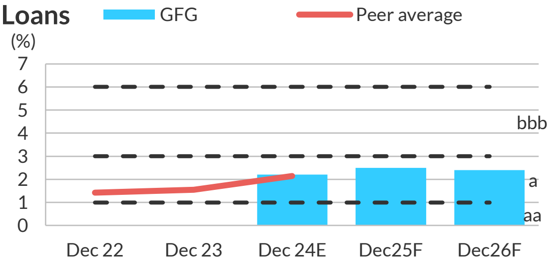
Asset Quality

GFG's loan quality benefits from a strong focus on granular retail housing, small SMEs and professionals, high collateralisation levels in secured lending, and low single-name and sector concentrations. The group's asset quality deteriorated moderately in 2024, reflecting the recession in Germany, with a rising number of corporate insolvencies across various sectors of the economy, including SMEs and consumer finance. We expect impaired loans to rise moderately in 2025 before stabilising in 2026 on likely moderate economic recovery.

The impact from recent market stress in CRE has been moderate for the group. GFG's exposure to CRE is mostly concentrated at DZ BANK's subsidiary DZ HYP and at Muenchener Hypothekenbank, two of Germany's larger CRE lenders with a combined loan volume of around EUR100 billion. Both lenders maintained a solid asset quality in their portfolios with impaired loan ratios below 2%. However, some local banks suffered from rising defaults of real estate development companies.

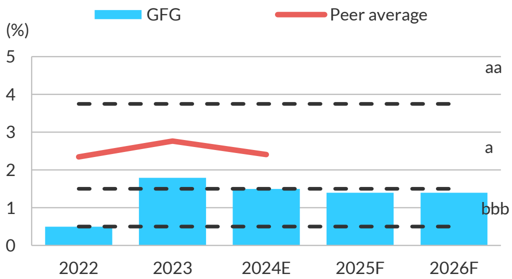
DZ BANK managed the overall asset quality in its corporate loan book well, with an impaired loans ratio of around 2% (end-2023: 1.7%), which is in line with German peers. This reflects DZ BANK group's conservative underwriting standards and good risk diversification. However, DZ BANK's asset-quality metrics were negatively affected by a larger individual default in the German agricultural sector, driving the slight increase of its impaired loans ratio.

Impaired Loans/Gross Loans



Note: Values for 2022 and 2023 not available.
Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

GFG, similar to the savings banks, has a stable earnings profile through the cycle. The very high diversification of its business model with strong contributions from insurance and asset management and a moderate risk profile have underpinned its longstanding reliable record of profitability.

We estimate that GFG's operating profit/RWAs ratio remained strong at 1.5% in 2024 (2023: 1.8%), supported by a solid operating performance of both the primary banks and DZ BANK group in a weak domestic economic environment. We forecast a further moderation of profitability in 2025 as interest rates are likely to decline and loan growth volumes to remain below their long-term level due to Germany's continued economic weakness. However, a steeper yield curve due to expected fiscal loosening of government policy is mitigating pressure on net interest income. Higher loan impairment charges and cost inflation are also likely to weigh on profitability in 2025.

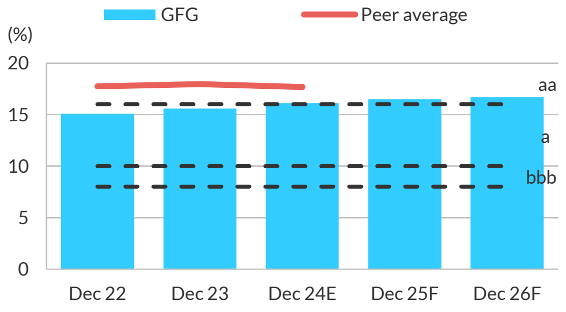
Additionally, we expect the contribution of DZ BANK group to be lower in 2025, in line with management's profit guidance of EUR2.5 billion to EUR3.0 billion. However, we expect GFG's result to again exceed the group's long-term average, with an operating profit above EUR10 billion.

Capitalisation and Leverage

GFG's capitalisation and leverage metrics are strong by international standards. Our assessment of the group's capitalisation considers local banks' use of the standardised approach to measure credit risk for all asset classes. We believe this approach considerably overstates the riskiness of GFG's balance sheet compared with similar European peers that mostly use the internal ratings-based approach. GFG's equity mainly consists of retained earnings accumulated during the group's long and steady record of strong organic capital generation, with a payout ratio typically below 10% of GFG's net income.

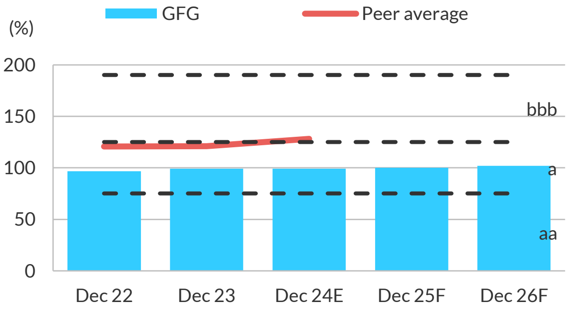
We estimate that GFG's CET1 ratio increased to above 16% at end-2024 as moderate loan growth at the local cooperative banks (2.6%) and profit retention further supported capital generation, despite rising RWAs. At DZ BANK, capital ratios also improved in 2024, with a preliminary CET1 ratio of 15.8%, a level the bank plans to exceed in 2025 based on its profit forecast. DZ BANK, unlike some German and European peers, will refrain from share buybacks to bolster its return on capital, which will support GFG's capital accumulation and loss-absorbing capacity.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

GFG's strong funding and liquidity profile reflect its robust franchise, operating in one of Europe's largest deposit markets.

The local banks are mainly funded by granular retail deposits, which demonstrated above-average stickiness through various interest-rate cycles given a loyal customer base. GFG has a good ability to fend off aggressive competitors, as competition for cheap retail deposits in Germany is high. However, we expect less pressure on relocation of deposits as short-term rates have declined from their peak in 1H24. We also expect the notable shift towards time deposits to have ended on declining interest rates, which will increase low-cost sight deposit funding.

GFG meets most of its external wholesale funding needs with covered bonds. Its members (mainly its mortgage lenders DZ HYP and Muenchener Hypothekenbank) are collectively, and by a wide margin, the largest issuers of German covered bonds, with nominal EUR70 billion outstanding mortgage covered bonds at end-3Q24. A material share of this aggregated volume is placed within GFG.

DZ BANK pools the local banks' excess deposits in its capacity as GFG's central institution, and some of its subsidiaries (especially its housing lender Bausparkasse Schwaebisch Hall) are large deposit-takers. Therefore, its wholesale funding needs are limited relative to its size, even though it is a regular issuer of unsecured debt. DZ BANK places a significant share of its senior unsecured debt at GFG's local banks. Most of its external unsecured issuance is small private placements, often as reverse enquiries, to a diversified pool of international investors. This limits the bank's exposure to funding market volatility.

The local banks and DZ BANK have large liquidity portfolios, held in cash or invested in adequately diversified investment-grade bonds. In addition, local banks also run held-to-collect investment portfolios.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent 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.

The peer average includes Sparkassen-Finanzgruppe (Sparkassen) (VR: a+), Desjardins Group (aa-), Groupe BPCE (a), Credit Mutuel Alliance Federale (a+), Svenska Handelsbanken AB (aa), Skandinaviska Enskilda Banken AB (publ) (aa-), Cooperatieve Rabobank U.A. (a+). Unless otherwise stated, financial year end is 31 December for all banks in this report. Latest average uses FY24 data for Desjardins Group, Groupe BPCE, Svenska Handelsbanken AB, Skandinaviska Enskilda Banken AB (publ), Cooperatieve Rabobank U.A., 1H24 data for Credit Mutuel Alliance Federale, and end-2023 data for SFG.

Financials

Financial Statements

	31 Dec 23		31 Dec 22	31 Dec 21	31 Dec 20
	12 months (USDm)	12 months (EURm)	12 months (EURm)	12 months (EURm)	12 months (EURm)
Summary income statement					
Net interest and dividend income	26,412	24,107	20,546	18,232	18,272
Net fees and commissions	9,673	8,829	8,646	8,675	7,439
Other operating income	3,964	3,618	-4,858	1,610	1,709
Total operating income	40,049	36,554	24,334	28,517	27,420
Operating costs	22,317	20,370	19,079	18,577	18,036
Pre-impairment operating profit	17,731	16,184	5,255	9,940	9,384
Loan and other impairment charges	1,982	1,809	1,363	-337	2,327
Operating profit	15,749	14,375	3,892	10,277	7,057
Other non-operating items (net)	–	–	–	245	159
Tax	3,911	3,570	1,790	3,017	2,189
Net income	11,838	10,805	2,102	7,505	5,027
Summary balance sheet					
Assets					
Gross loans	1,121,458	1,023,602	999,937	944,028	890,576
Loan loss allowances	12,785	11,669	9,860	9,170	9,830
Net loans	1,108,674	1,011,933	990,077	934,858	880,746
Interbank	41,657	38,022	45,097	15,794	19,651
Derivatives	16,739	15,278	18,880	19,695	29,443
Other securities and earning assets	412,881	376,854	376,881	411,846	399,375
Total earning assets	1,579,950	1,442,087	1,430,935	1,382,193	1,329,215
Cash and due from banks	131,206	119,757	117,964	156,973	120,961
Other assets	38,714	35,336	32,205	27,285	25,715
Total assets	1,749,870	1,597,180	1,581,104	1,566,451	1,475,891
Liabilities					
Customer deposits	1,131,974	1,033,200	1,032,861	984,926	937,876
Interbank and other short-term funding	168,035	153,373	180,418	207,032	170,802
Other long-term funding	119,463	109,039	82,859	77,280	75,071
Trading liabilities and derivatives	25,477	23,254	28,191	21,932	32,589
Total funding and derivatives	1,444,949	1,318,866	1,324,329	1,291,170	1,216,338
Other liabilities	147,974	135,062	129,190	145,720	137,725
Preference shares and hybrid capital	264	241	233	176	246
Total equity	156,683	143,011	127,352	129,385	121,582
Total liabilities and equity	1,749,870	1,597,180	1,581,104	1,566,451	1,475,891
Exchange rate		USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, Genossenschaftliche FinanzGruppe

Key Ratios

	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.8	0.5	1.4	1.0
Net interest income/average earning assets	1.7	1.5	1.3	1.4
Non-interest expense/gross revenue	55.1	78.7	65.1	65.8
Net income/average equity	8.0	1.6	6.0	4.2
Asset quality				
Impaired loans ratio	–	–	–	–
Growth in gross loans	2.4	5.9	6.0	5.5
Loan loss allowances/impaired loans	–	–	–	–
Loan impairment charges/average gross loans	0.2	0.1	-0.1	0.3
Capitalisation				
Common equity Tier 1 ratio	15.6	15.1	15.1	15.3
Tangible common equity/tangible assets	8.9	8.0	8.2	8.2
Basel leverage ratio	8.0	7.4	8.0	8.0
Funding and liquidity				
Gross loans/customer deposits	99.1	96.8	95.9	95.0
Gross loans/customer deposits + covered bonds	93.8	92.2	91.2	90.5
Liquidity coverage ratio	185.9	158.5	160.1	177.6
Customer deposits/total non-equity funding	79.4	79.5	77.4	78.9

Source: Fitch Ratings, Fitch Solutions, Genossenschaftliche FinanzGruppe

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	Neutral
Sovereign financial flexibility (for rating level)	Positive
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

GFG's Government Support Rating of 'no support' (ns) reflects our view that although external extraordinary sovereign support is possible, it cannot be relied upon. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that requires senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings **Genossenschaftliche FinanzGruppe**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Genossenschaftliche FinanzGruppe has 5 ESG potential rating drivers

- Genossenschaftliche FinanzGruppe 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', 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.

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