

UniCredit Bank GmbH

Key Rating Drivers

Less Diversified, Highly Profitable Bank: UniCredit Bank GmbH's (HVB) Issuer Default Ratings (IDRs) and Viability Rating (VR) reflect its strong franchise among German corporate customers, but also lower business diversification than higher rated peers', as well as better than domestic average profitability and capitalisation. The ratings also reflect a disciplined risk profile, adequate asset quality metrics and stable funding. HVB's IDRs are now at the same level as its parent's UniCredit S.p.A. (UC; A-/Stable).

Resilient Business Profile: HVB is a profitable, corporate-centric bank, which contributes notably to UC's business profile due to its key role in the group's business with multinational corporates. Integration has increased as most client-driven market and hedging activities have been centralised at the parent, and we also expect a higher level of business integration, digitalisation and streamlining under the group's 2025–2027 strategic plan.

Disciplined Risk Profile: HVB has a disciplined risk profile despite some concentration risks in its loan portfolio. Its solid integration into the parent's risk framework, conservative underwriting standards and well-managed market and interest-rate risks underpin its risk profile. Operational complexity and market risks will reduce once the centralisation of market and hedging activities at the parent is completed.

Adequate Asset Quality: Asset quality has slightly weakened, reflecting Germany's weak economic growth. Its corporate banking business results in high single-borrower concentrations, similar to that of other German commercial banks. However, we expect asset quality to remain broadly stable and for the impaired loans ratio to remain below 3%, given HVB's conservative underwriting and tight monitoring.

Above Average Profitability: Recent profit generation was strong and above domestic and most European peers'. The bank benefitted from high trading income, alongside ongoing cost reductions and low loan impairment charges (LICs). We forecast HVB's operating profit/risk-weighted assets (RWAs) to remain robust and close to 4% until end-2027, driven by tight cost control and lower than historical average LICs. Trading revenue will decrease following the completion of the trading centralisation project at UC in 2026, but related cost and funding savings will mitigate the overall impact on profitability.

Solid Capitalisation: HVB's common equity Tier 1 (CET1) ratio (end-1H25: 22.4%) is well above that of both German and European peers and provides a very comfortable buffer over regulatory requirements. Our assessment factors in the potential channelling of some capital to the parent, even though we expect UC to continue managing capital at HVB conservatively and at levels above the group's.

Established Funding Profile: HVB has well-established deposit franchises in retail and commercial banking, and customer deposits account for about 50% of total funding, including derivatives. The bank's issuance of covered bonds with long average debt maturities lower its reliance on market funding. HVB's liquidity profile is sound.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F2
Derivative Counterparty Rating	A(dcr)
Viability Rating	
	a-
Shareholder Support Rating	
	bbb

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

- Global Economic Outlook (September 2025)
- Fitch Affirms UniCredit Bank GmbH to 'A-'; Outlook Stable (October 2025)
- Fitch Upgrades UniCredit to 'A-'; Outlook Stable (September 2025)

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Rating Sensitivities

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

We could downgrade HVB's ratings if UC's ratings are downgraded by more than one notch, as we are unlikely to rate HVB more than one notch above its parent as HVB's business and risk profiles are linked to UC's. The ratings could be downgraded if capital fungibility within the UC group increases, resulting in a CET1 ratio consistently below 12%. HVB's ratings could also be downgraded if its operating profit durably declines below 1.5% of RWAs and the impaired loans ratio rises consistently above 3%, resulting in pressure on the bank's strong capitalisation.

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

The ratings could be upgraded if HVB maintains its strong performance through the cycle and improves its business diversification, in line with the strategic plan of the group. However, a potential uplift would be limited to one notch above its parent's ratings given the business and risk profile linkages between the two entities. An upgrade would require an operating profit above 4% of RWAs with significantly stronger contributions from fee income, the maintenance of a conservative risk profile, an impaired loans ratio well below 3% and significant capital buffers above regulatory requirements.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits	A/F1
Senior preferred debt	A/F1
Senior non-preferred debt	A-
Subordinated Tier 2 deb	BBB

Source: Fitch Ratings

HVB's Short-Term IDR is the lower of the two ratings that map to an 'A-' Long-Term IDR. This reflects its funding and liquidity score of 'a-', which is not sufficient to achieve a higher rating.

HVB's DCR, long-term senior preferred debt and long-term deposit ratings are one notch above the bank's Long-Term IDR to reflect the protection that could accrue to these creditors from the build-up of junior resolution debt and equity buffers. This is because we expect HVB to meet its resolution buffer requirement with senior non-preferred and more junior instruments only and the bank to maintain a buffer of senior non-preferred and junior debt of at least 10% of RWAs. For the same reason, HVB's senior non-preferred debt rating is aligned with its Long-Term IDR.

The short-term senior preferred and deposit ratings are the lower of two ratings mapping to an 'A' long-term rating because HVB's funding and liquidity score is not sufficient to achieve a higher short-term rating. The subordinated Tier 2 debt rating is notched down twice from the VR to reflect higher loss severity.

Ratings Navigator

	Operating Environment	Business Profile 20%	Risk Profile 10%	Financial Profile				Implied Viability Rating	Viability Rating	Shareholder Support Rating	LT Issuer Default Rating
				Asset Quality 20%	Earnings & Profitability 15%	Capitalisation & Leverage 25%	Funding & Liquidity 10%				
aaa								aaa	aaa	aaa	AAA
aa+								aa+	aa+	aa+	AA+
aa								aa	aa	aa	AA
aa-								aa-	aa-	aa-	AA-
a+								a+	a+	a+	A+
a								a	a	a	A
a-								a-	a-	a-	A- Sta
bbb+								bbb+	bbb+	bbb+	BBB+
bbb								bbb	bbb	bbb	BBB
bbb-								bbb-	bbb-	bbb-	BBB-
bb+								bb+	bb+	bb+	BB+
bb								bb	bb	bb	BB
bb-								bb-	bb-	bb-	BB-
b+								b+	b+	b+	B+
b								b	b	b	B
b-								b-	b-	b-	B-
ccc+								ccc+	ccc+	ccc+	CCC+
ccc								ccc	ccc	ccc	CCC
ccc-								ccc-	ccc-	ccc-	CCC-
cc								cc	cc	cc	CC
c								c	c	c	C
f								f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

Factor Outlook

Stable Evolving Positive Negative

VR - Adjustments to Key Rating Drivers

The capitalisation and leverage score of 'a' is below the 'aa' implied category score due to the following adjustment reason: internal capital generation and growth (negative).

Company Summary and Key Qualitative Factors

Business Profile

Leading Corporate Banking Franchise in Wealthy Areas, Limited Retail Presence

HVB is one of Germany's largest banks and its investment banking and market activities link HVB's business profile with its parent. HVB contributed 20.6% to UniCredit group's pre-tax profit in 9M25.

It is a leading arranger of bonds, loans and Schuldscheine – German promissory notes – for large German corporates and has a well-entrenched SME franchise in its core regions of Bavaria and northern Germany. HVB's unprecedented profit generation in recent years, its cost efficiency and process optimisation all support its business profile.

HVB's SME banking franchises and operations are more independent from its parent than its large corporate business, which is integrated in UniCredit and benefits from the group's international network and leading market positions in Italy, Austria and Central and Eastern Europe. The corporate segment generated almost 70% of HVB's operating profit in 1H25.

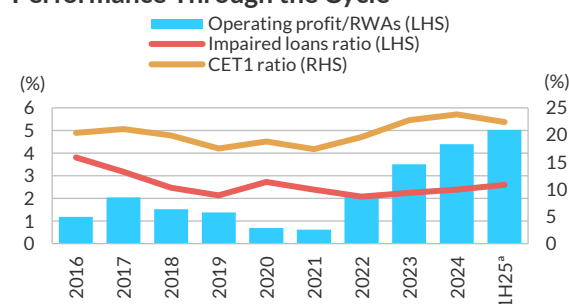
We believe that contagion risk from the parent in case of a material risk profile deterioration has materially decreased as a result of the latter's upgrade (see: [Fitch Upgrades UniCredit to 'A-'; Outlook Stable](#)). This is also an important factor for HVB's confidence-sensitive market transaction business.

Our assessment also considers that HVB's franchise is weaker than some national peers. The bank operates nationwide primarily in the large and mid-corporate business but its market share in retail is comparably small and concentrated in the wealthy regions of Bavaria and northern Germany, which constrains the bank's critical mass. The retail segment is increasingly sourced via digital channels and is key to HVB's deposit funding, which helps to maintain a moderate reliance on mostly secured wholesale funding. HVB has high long-term growth ambitions in retail and private banking. However, there is fierce competition among German and European banks in this segment and increasing the number of affluent clients is a major challenge for HVB.

New Strategic Focus Will Increase Integration Further

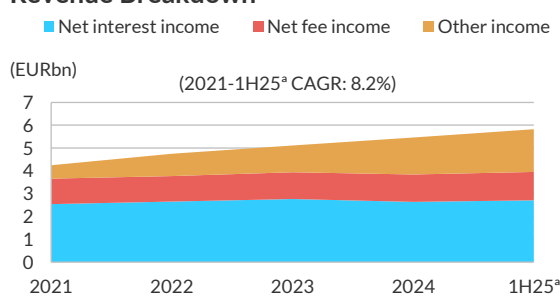
Under its parent's strategic plan, HVB will concentrate on profitable organic growth and broadening revenue sources, which will primarily target higher fee generation. The bank will aim to benefit from further group synergies. We expect the continued strong execution of HVB's management team on 2025–2027 targets. The completion of the transfer of the group's trading activities to UniCredit in 2026 means that trading income will be sustainably lower, and will create related cost savings, although HVB will be compensated for maintaining client relationships in-house. We expect the share of contributions from the retail and wealth management segment to rise gradually, adding to better profit diversification.

Performance Through the Cycle



^a Annualised
Source: Fitch Ratings, Fitch Solutions, HVB

Revenue Breakdown



CAGR: compound annual growth rate^a Annualised
Source: Fitch Ratings, Fitch Solutions, HVB

Risk Profile

Disciplined Risk Profile, But Some Concentration Risks

HVB's risk profile reflects the bank's corporate-centric business model, including investment banking and capital market activities, which make it more vulnerable to economic swings. Corporate customers dominate its loan book (around 60% of total customer loans at end-1H25). Total credit and counterparty risks represent about 72% of RWAs at end-1H25. HVB has comparably large exposure to vulnerable sectors such commercial real estate, automotives, construction and building materials (as defined by group-wide clusters) despite a good level of industry diversification in its corporate loan book. It also has some selected single large exposure risks.

HVB's risk strategy, controls and limits are derived from UniCredit's conservative risk appetite framework. Underwriting standards favour capital-efficient and profitable exposures in preferred industries and customer segments. Security investment guidelines are consistent with HVB's business profile and broadly in line with those of German peers. The complexity of HVB's products is also in line with other commercial banks and reflects a strong capacity to provide tailor-made investment solutions, which are an integral part of the bank's offerings in corporates and retail banking.

The bank's client selectivity and legacy deleveraging and a weak economic environment have contributed to moderate loan growth. We expect stronger loan growth in line with the group's strategy from 2026, helped by higher expected economic growth in Germany. The internal rating structure of HVB's loan book was broadly stable in 6M25.

Interest rate risk in HVB's banking book is largely hedged. In a scenario of a 200bp upward interest rates parallel shift, the economic value of the bank's equity would be reduced by EUR1.6 billion, or 9.4% (without taking account of the hedge effect as required from a regulatory perspective), which is broadly in line with German peers. The group adopts a robust, centralised governance and monitoring of interest rate risks. HVB's trading migration will result in lower traded market risk exposure at HVB and lower operational complexity.

HVB caps its upstream exposure to UniCredit at well below the limit of 100% of regulatory total capital set by the German regulator to mitigate contagion risk. Exposure to operational and litigation risks is moderate, although the bank is involved in various legacy legal proceeding on claims for withholding tax credits (cum-ex dividend transactions).

Financial Profile

Asset Quality

Resilient Asset Quality; Broad Stability Expected

HVB's impaired loans ratio of 2.6% at end-1H25 rose about 30bp year on year. It is slightly higher than some of its German peers' and largely reflects the bank's strong corporate focus. HVB's impaired loans increased by EUR257 million to EUR3.3 billion in 1H25 (end-2023: EUR2.8 billion) due to a number of individual corporate defaults. Its smaller retail segment, which primarily consists of mortgage retail loans, has stronger asset quality because default rates in the private residential loan segment remained low through the cycle.

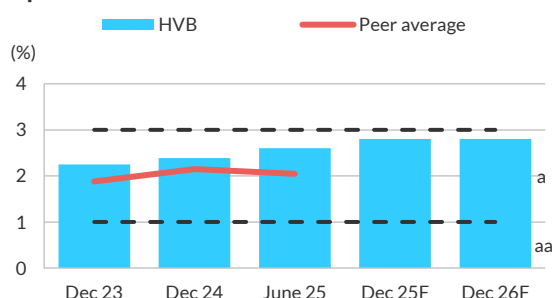
HVB's impaired loans ratio has remained in a fairly narrow range since end-2022 despite Germany's weak economic environment. Its asset quality has also absorbed external shocks – such as the war in Ukraine, high energy price inflation and sharp interest rate hikes – well. We believe that the degree of corporate and sector resilience reflects HVB's solid underwriting standards, loan recoveries and good monitoring across its portfolios.

We forecast the bank to maintain similar impaired loans ratios levels by end-2027, given some expected pick-up in growth in line with Germany's fiscal expansion. The four-year average is expected to remain below 3%. HVB applies conservative management overlays (end-1H25: EUR121million) for geopolitical risks and commercial real estate risks. HVB's level of Stage 2 loans, after being heightened for some time, has fallen back to similar levels at peers at about 7% of gross carrying amounts. We expect active use of such post-model provision adjustments to mitigate loan loss vulnerability.

HVB has high sector concentrations to real estate, automobiles and construction and building materials that combined comprise about three times its CET1 capital, which makes the bank vulnerable to large defaults.

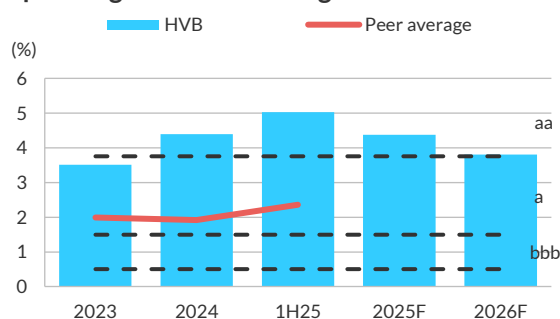
About half of HVB's EUR33 billion real estate exposure at end-1H25 is dedicated to commercial real estate, which we expect to slowly recover as lower interest rate start to stimulate investor demand again. A high share of fixed contracts with long maturities and moderate loan-to-value ratios (LTVs), typically below 60%, mitigate real estate loan book risks.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, HVB

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Cost Efficiency and Trading Income Drive Above-Average Profitability

HVB's 1H25 result remains one of the highest among German and European peers. HVB's operating profit increased by 12% yoy in 1H25, to EUR1.7 billion. Profitability is driven by a combination of revenue increases with a strong contribution of trading income (accounting for about 26% of operating income in 1H25), strict cost discipline, including further branch closures and staff reduction, and moderate risk costs. We expect that HVB will generate an operating profit/RWAs ratio of above 3.5% over the next two years.

We believe that strong cost discipline will remain a structural driver of HVB's profitability, and the group will remain a cost leader among German banks with similar operating models. We also expect HVB's risk-conscious pricing to prevail, which has helped to improve the bank risk-adjusted return on RWAs in recent years.

Capitalisation and Leverage

Strong Capital Metrics Allow for Business Growth

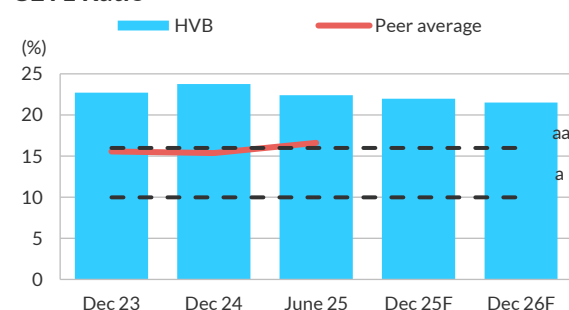
HVB's CET1 ratio (end-1H25: 22.4%; end-2024: 23.8%) is well above that of both German and European peers and provides a very comfortable buffers over regulatory requirements. RWAs rose for the first time in 1H25 after the bank's balance sheet reduction in the prior 12 months, primarily due to higher operational risk RWAs, triggered by

the first-time application of Basel III endgame. HVB's strategy focuses on capital efficiency in its new business, and it has increased it by using securitisations and a more efficient deployment of collateral. We expect HVB's CET1 ratio to remain above peers', but we expect no further material RWA declines given the bank's growth strategy.

UniCredit allocates a substantial part of the group's capital to HVB. Therefore, our assessment of HVB's capitalisation and leverage factors in a long-term risk of channelling capital from HVB to UniCredit, reflecting the parent's single-point-of-entry resolution strategy. Due to HVB's resolution buffer requirements we believe that, should it happen, this would result in a substitution of HVB's excess CET1 with senior non-preferred, and more junior, debt instruments issued to the parent.

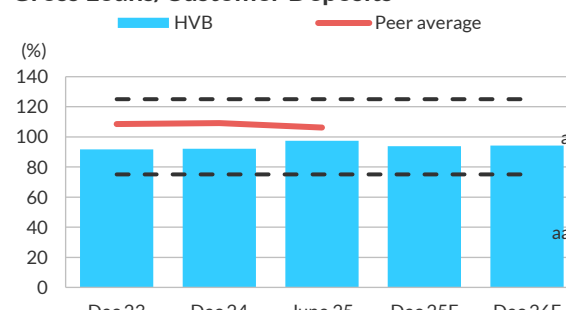
The upstreaming risk has reduced as the parent's profitability has improved in recent years. We believe that even after a potential upstreaming of capital, HVB's CET1 capital would remain sound, comfortably meeting regulatory requirement and supporting targeted growth initiatives. This is an important factor given its markets business, which can be confidence-sensitive, and because HVB needs to retain its ability to commit capital for large transactions and mitigate the fairly high single-name concentrations inherent in its loan book.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, HVB

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, HVB

Funding and Liquidity

Well-Diversified Funding Sources, Sound Liquidity

HVB's diversified funding underpins its role as UniCredit's self-sufficient liquidity centre for Germany. This means that HVB manages its funding and liquidity profile on its own, but in accordance with the group-wide framework to optimise market access and funding costs.

Customer deposits are HVB's dominant funding source but are moderately sensitive to the interest rate cycle. The bank's loans/deposits ratio was generally stable year on year, at around 98% at end-1H25. This masked some more volatile flows between shorter periods as customers adapted to different level of interest rates. Deposits declined by about 6% in 1H25, in line with falling interest rates.

HVB has material reliance on market funding, but nearly 75% of its outstanding wholesale funding at end-1H25 is represented by long-dated covered bonds mainly backed by mortgage loans. Debt market issuance volumes in 2025 followed normalised patterns and HVB raised longer-term funding with a volume of EUR3.3 billion in 1H25 (1H24: EUR1.5 billion). Covered bonds remained HVB most important funding instrument; in 1H25 a volume of EUR2.4 billion (1H24: EUR0.8 billion) was funded externally on the capital market.

HVB comfortably meets its 2025 internal minimum requirements for own funds and eligible liabilities (MREL) (including the combined buffer requirement at end-1H25) through SNP and more junior debt underwritten by the parent. HVB's MREL requirement must be met entirely with SNP or more junior debt, because instruments eligible for group internal MREL are required to be more junior than (or pari passu with) notes placed outside of the group.

HVB's sound liquidity is underpinned by a large stock of high-quality liquid assets. These totalled EUR60 billion at end-1H25, equivalent to about 20% of total assets. Additional liquidity can be generated by further covered bond issuance given over-collateralisation of the mortgage bonds cover pool of about 28% end-1H25.

Additional Notes on Charts

The forecasts in this report 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 macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

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

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch’s core financial metrics for banks operating in the environments that Fitch scores in the ‘aa’ category. Light-blue columns represent Fitch’s forecasts. Peer average includes Landesbank Baden-Wuerttemberg (VR: bbb+), Bayerische Landesbank (bbb+), Deutsche Bank AG (a-), ABN AMRO Bank N.V. (a).

Financials

Financial Statements

	31 Dec 22 12 months (EURm)	31 Dec 23 12 months (EURm)	31 Dec 24 12 months (EURm)	30 Jun 25 1st half (EURm)	31 Dec 25F 12 months (EURm)	31 Dec 26F 12 months (EURm)
Summary income statement						
Net interest and dividend income	2,654	2,767	2,639	1,353	2,666	2,686
Net fees and commissions	1,120	1,165	1,206	620	1,242	1,304
Other operating income	971	1,180	1,620	937	1,502	1,102
Total operating income	4,745	5,112	5,465	2,910	5,411	5,092
Operating costs	2,678	2,497	2,291	1,102	2,176	2,200
Pre-impairment operating profit	2,067	2,615	3,174	1,808	3,234	2,893
Loan and other impairment charges	299	167	270	76	169	169
Operating profit	1,768	2,448	2,904	1,732	3,065	2,723
Other non-operating items (net)	0	-309	-114	-4	-	-
Tax	467	404	870	567	-	-
Net income	1,301	1,735	1,920	1,161	2,145	1,906
Other comprehensive income	962	-271	-168	149	-	-
Fitch comprehensive income	2,263	1,464	1,752	1,310	-	-
Summary balance sheet						
Assets						
Gross loans	130,915	126,187	126,718	126,369	129,252	131,191
- Of which impaired	2,725	2,835	3,028	3,285	3,619	3,673
Loan loss allowances	1,818	1,819	1,686	1,670	-	-
Net loans	129,097	124,368	125,032	124,699	-	-
Interbank	10,103	6,279	10,593	7,558	-	-
Derivatives	61,524	46,324	53,206	49,721	-	-
Other securities and earning assets	75,741	78,830	90,657	100,380	-	-
Total earning assets	276,465	255,801	279,488	282,358	-	-
Cash and due from banks	36,833	23,293	6,905	9,460	-	-
Other assets	4,708	4,198	3,837	3,837	-	-
Total assets	318,006	283,292	290,230	295,655	292,595	294,365
Liabilities						
Customer deposits	145,723	137,513	137,704	129,632	137,704	139,081
Interbank and other short-term funding	52,266	31,412	34,933	50,172	-	-
Other long-term funding	31,140	44,964	37,377	37,438	-	-
Trading liabilities and derivatives	63,848	44,877	55,577	54,549	-	-
Total funding and derivatives	292,977	258,766	265,591	271,791	-	-
Other liabilities	5,290	4,586	4,746	4,579	-	-
Preference shares and hybrid capital	1,700	1,700	1,700	1,700	-	-
Total equity	18,039	18,240	18,193	17,585	-	-
Total liabilities and equity	318,006	283,292	290,230	295,655	292,595	294,365
Exchange rate	USD1= EUR0.9376	USD1= EUR0.9127	USD1= EUR0.9622	USD1= EUR0.8532	-	-

Source: Fitch Ratings, Fitch Solutions, HVB

Key Ratios

	31 Dec 22	31 Dec 23	31 Dec 24	30 Jun 25	31 Dec 25F	31 Dec 26F
(%; annualised as appropriate)						
Profitability						
Operating profit/risk-weighted assets	2.2	3.5	4.4	5.0	4.4	3.8
Net interest income/average earning assets	1.0	1.0	1.0	1.0	1.0	1.0
Non-interest expense/gross revenue	56.4	48.9	41.9	37.9	40.2	43.2
Net income/average equity	7.6	9.6	10.7	13.1	-	-
Asset quality						
Impaired loans ratio	2.1	2.3	2.4	2.6	2.8	2.8
Growth in gross loans	3.5	-3.6	0.4	-0.3	2.0	1.5
Loan loss allowances/impaired loans	66.7	64.2	55.7	50.8	51.3	55.1
Loan impairment charges/average gross loans	0.1	0.1	-0.1	0.0	0.1	0.1
Capitalisation						
Common equity Tier 1 ratio	19.6	22.7	23.8	22.4	22.4	22.0
Tangible common equity/tangible assets	5.7	6.4	6.1	5.8	-	-
Basel leverage ratio	5.4	5.7	5.7	5.5	-	-
Net impaired loans/common equity Tier 1	5.7	6.4	8.5	10.4	-	-
Funding and liquidity						
Gross loans/customer deposits	89.8	91.8	92.0	97.5	93.9	95.7
Gross loans/customer deposits + covered bonds	77.7	77.8	78.6	81.6	-	-
Liquidity coverage ratio	-	148.0	140.0	140.0	-	-
Customer deposits/total non-equity funding	60.3	62.1	63.9	57.9	-	-
Net stable funding ratio	-	118.5	113.1	-	-	-
Source: Fitch Ratings, Fitch Solutions, HVB						

Support Assessment

Shareholder Support

Shareholder	UniCredit S.p.A.
Shareholder LT Issuer Default Rating	● A-/Stable
Total adjustment (notches)	-2
Shareholder Support Rating	bbb
Shareholder ability to support	
Shareholder regulation	● Equalised
Relative size	● 2+ notches
Country risks	● Equalised
Shareholder propensity to support	
Role in group	● Equalised
Reputational risk	● Equalised
Integration	● Equalised
Support record	● 1 notch
Subsidiary performance and prospects	● Equalised
Legal commitments	● 2+ notches

The colours below indicate the influence of each support factor in our assessment.

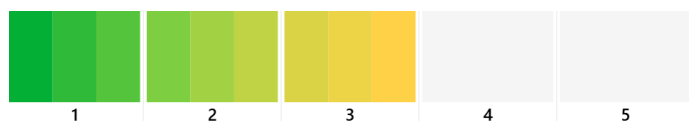
Influence: Light blue = lower; Dark blue = moderate; Red = higher

Source: Fitch Ratings

High Support Propensity Constrained by HVB's Size

HVB's Shareholder Support Rating (SSR) is two notches below UC's Long-Term IDR because the parent's ability to provide support is constrained by HVB's large size. Under the group's preferred resolution strategy (single-point-of entry), the solvency support that HVB would likely require is high relative to the capital available in the rest of the group.

Environmental, Social and Governance Considerations



Environmental Relevance Scores

General issues	Score	Sector-specific issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
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



Social Relevance Scores

General issues	Score	Sector-specific issues	Reference
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
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
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1	n.a.	n.a.
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



Governance Relevance Scores

General issues	Score	Sector-specific issues	Reference
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)
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
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)



ESG Scoring	Credit-Relevant ESG Scale
ESG relevance scores range from '1' to '5' based on a 15-level colour 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 general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.	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 the 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 the 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 the Navigator. 2 Irrelevant to the entity rating but relevant to the sector. 1 Irrelevant to the entity rating and irrelevant to the sector.

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

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