FitchRatings

Banks
Retail & Consumer Banks
Australia

Bendigo and Adelaide Bank Limited

Key Rating Drivers

Traditional Banking Focus: Bendigo and Adelaide Bank Limited's Issuer Default Ratings (IDRs) are driven by its Viability Rating (VR), which is in line with its implied VR. The ratings reflect the bank's relatively low risk profile due to its focus on residential mortgages. The consistent and transparent business model supports the financial profile and partly offsets its small franchise.

Improved Economic Growth: Fitch Ratings expects the ongoing global trade war to have a modest impact on Australia, and forecasts a gradual improvement in economic growth over the next two years. We forecast a moderate rise in unemployment in 2025, but we believe a sharp deterioration in asset quality is unlikely. Our operating environment assessment captures the susceptibility of highly leveraged households to abrupt interest-rate hikes, resulting in a score at the lower end of the 'aa' category.

Simple, Stable Business Model: BEN's business profile score reflects its focus on traditional banking activities, which should keep earnings stable through the cycle. The bank's modest market share of around 2% of overall system assets and loans constrains this score. BEN is a price-taker in its key segments, which is unlikely to change in the medium term.

Consistent Underwriting Standards: Underwriting standards are sound and have been steady over an extended period. This, along with its risk controls, should help to limit credit losses and supports the risk profile score of 'a-', which is one notch above the business profile score.

Asset Quality Pressures to Moderate: We expect BEN's stage 3 loan ratio to peak below 1.3% in 2025, before improving over the following two years due to interest-rate cuts, which should alleviate pressure on some borrowers. BEN's asset quality is comparable with that of domestic peers, and we expect this to remain the case – given the weighting to residential mortgages and similar business models across the group.

NIM Pressure to Challenge Earnings: We expect moderately weaker earnings in the financial year ending 30 June 2025 (FY25) due to net interest margin (NIM) compression and higher expenses. The NIM compression largely reflects BEN's strong loan growth and intense competition in 1HFY25. NIM will remain under pressure from interest-rate cuts, but NIM erosion should slow as we expect growth to decelerate over the next two years.

We expect the four-year average of the bank's core metric of operating profit/risk-weighted assets (RWA) to stay at around 1.8%, supporting the 'a-' earnings and profitability score.

Sound Capital Buffers: We expect the common equity Tier 1 (CET1) ratio to decrease modestly from the 11.2% reported at end-2024 as the bank deploys capital to expand its loan book. This ratio has been steady over the past year, as internal capital generation has matched RWA growth. BEN's CET1 ratio implies a capitalisation and leverage score in the 'a' category and is consistent with the 'a-' score.

Stable Deposit Funding Base: BEN's funding profile is likely to stay broadly steady through the next two years, preserving the loan/deposit ratio gains reported over the last two years. The bank's four-year average loan/customer deposits ratio was 116% at FYE24, which is the best among its domestic peer group. BEN has a moderate reliance on wholesale funding, which it manages well.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F2
Viability Rating	a-
Government Support Rating	bb
Sovereign Risk	
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 Bendigo and Adelaide Bank at 'A-'; Outlook Stable (May 2025)

Global Economic Outlook - Update (April 2025)

DM100 Banks Tracker (December 2024)

Asia-Pacific Developed Market Banks Outlook 2025 (November 2024)

Challenges Increasing for Smaller Banks in Australia and New Zealand (June 2024)

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Rating Sensitivities

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

The VR and Long-Term IDR may be downgraded if a combination of the following were to occur:

- The four-year average of the stage 3 loans/gross loans ratio increases to above 2.5% for a sustained period (FYE21-FYE24: 1.1%);
- The four-year average of the operating profit/RWA ratio declines below 1% on a sustained basis (FY21-FY24: 1.9%); and
- The CET1 ratio falls below 10% (11.2% at end-1HFY25) without a credible plan to raise it back above this level.

The Long-Term IDR and VR are also sensitive to an increase in BEN's risk profile, such as a loosening of underwriting standards or risk controls in the pursuit of growth, although that appears unlikely in the current environment.

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

An upgrade of the Long-Term IDRs and VR appears unlikely over the next two years, as it would require both a significant improvement in BEN's market position so that the business profile is consistent with a factor score of 'a-', as well as a significant and sustained improvement in its financial profile.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior unsecured: long term	A-
Senior unsecured: short term	F2
Subordinated: long term	BBB

Source: Fitch Ratings

Short-Term IDR

The Short-Term IDR of 'F2' is the lower of the two options available at a Long-Term IDR of 'A-', as the funding and liquidity score of 'a-' is not high enough to support the higher option; the threshold is a score of at least 'a'.

Senior Unsecured Instruments

The long-term senior unsecured debt ratings are aligned with the Long-Term IDR, consistent with Fitch's *Bank Rating Criteria*, as Australia does not have statutory senior debt bail-in and therefore there is only one class of senior debt.

Tier 2 Instruments

BEN's subordinated Tier 2 debt is rated two notches below its anchor rating, the VR, which is consistent with the base case in Fitch's *Bank Rating Criteria*. The two notches below the anchor rating are for loss severity, with non-performance risk captured adequately by the VR. None of the reasons for alternative notching from the anchor rating, as described in the criteria, are present.

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

Short-Term IDR

A downgrade of the Short-Term IDR appears unlikely in the near term, as it would require the Long-Term IDR to be downgraded by at least two notches to 'BBB' and the funding and liquidity score to be lowered by at least two notches to 'bbb'.

Senior Unsecured Instruments

The senior unsecured instrument ratings will be downgraded if BEN's IDRs are downgraded.

Tier 2 Instruments

The Tier 2 instrument ratings will be downgraded if BEN's VR is downgraded. The instrument ratings may also be downgraded if any of the reasons for higher notching outlined in Fitch's *Bank Rating Criteria* apply, although we view this as unlikely to occur.

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

Short-Term IDR

The Short-Term IDR would be upgraded if the Long-Term IDR is upgraded. The Short-Term IDR may also be upgraded without an upgrade of the Long-Term IDR if the funding and liquidity score were raised by one notch to 'a', although this is unlikely to occur over the next two years.

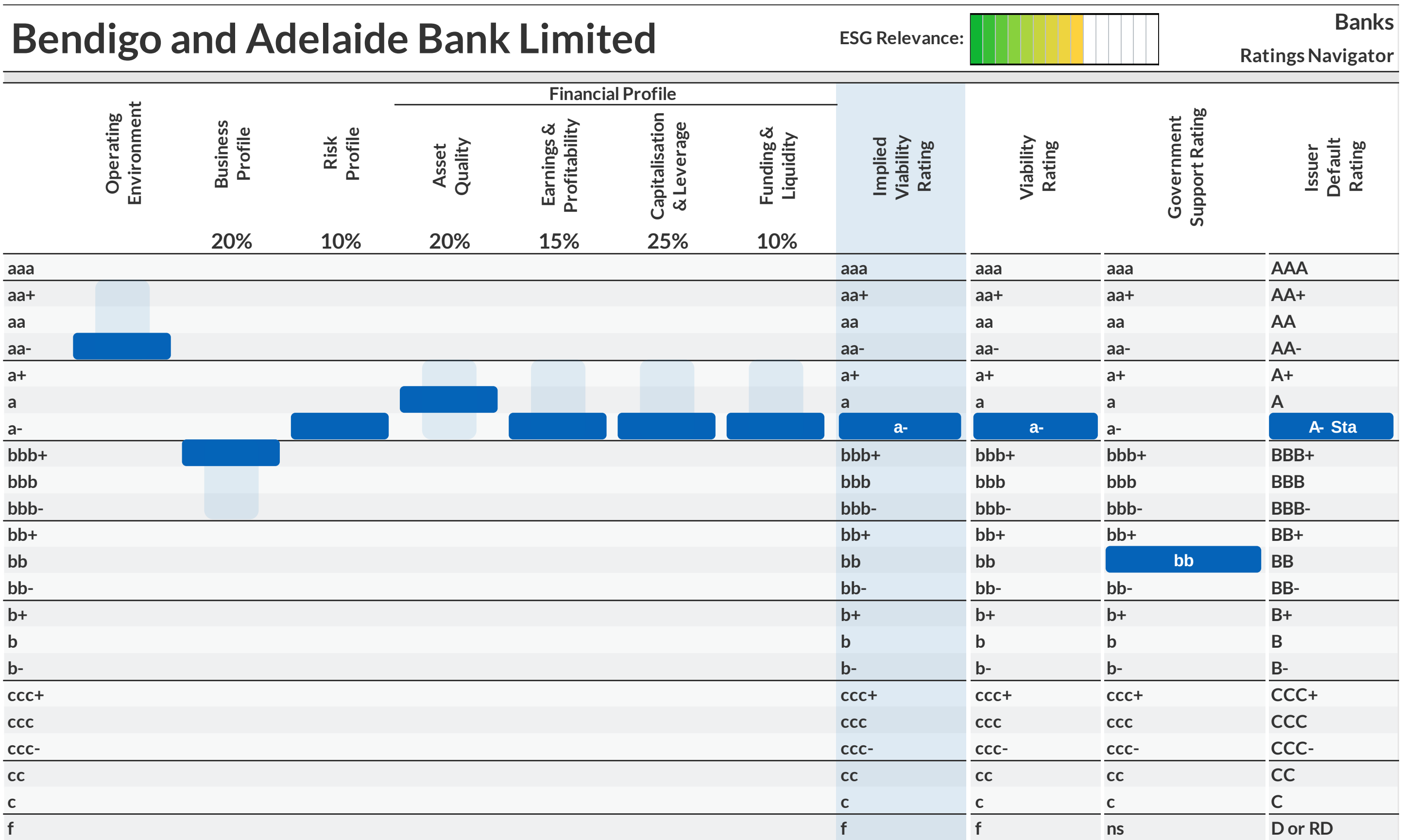
Senior Unsecured Instruments

The long-term senior unsecured instrument ratings will be upgraded if BEN's IDRs are upgraded.

Tier 2 Instruments

The Tier 2 instrument ratings will be upgraded if BEN's VR is upgraded. The instrument ratings may also be upgraded if any of the reasons for narrower notching outlined in Fitch's *Bank Rating Criteria* apply, although we view this as unlikely to occur.

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.

Company Summary and Key Qualitative Factors

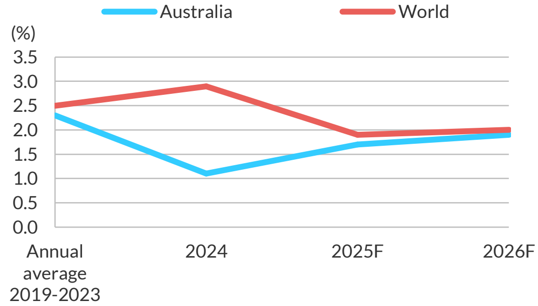
Operating Environment

Easing monetary policy should support a gradual improvement in operating conditions for Australian banks during 2025. Interest rates remain high compared with pre-Covid-19 pandemic levels and the benefits of a recent rate reduction have yet to be fully realised. We expect unemployment to rise further in 2025, peaking below 4.5%. These levels are unlikely to result in significant asset-quality deterioration, although some borrowers may experience pressure until a further rate decline.

We expect rate reductions to support borrowers and, ultimately, bank asset quality, particularly for mortgage holders, most of whom have variable-rate loans. The rise in house prices throughout 2024 provides an additional buffer against potential losses.

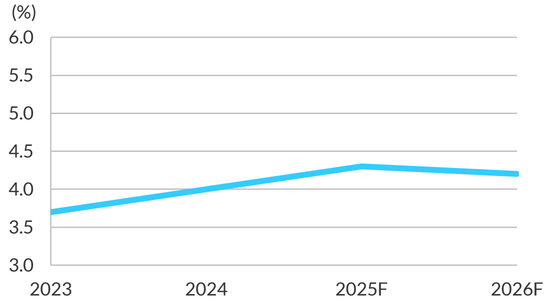
Higher interest rates have reduced borrowing capacity, leading to an improvement in the household debt-to-disposable income ratio in Australia. However, the ratio of 182% at end-2024 remains high compared with most other markets globally. We incorporate this factor into our operating environment assessment by placing the score at the lower end of the 'aa' category.

GDP Growth Forecast



Source: Fitch Ratings, Fitch Solutions

Unemployment Rate - Australia



Source: Fitch Ratings, Fitch Solutions

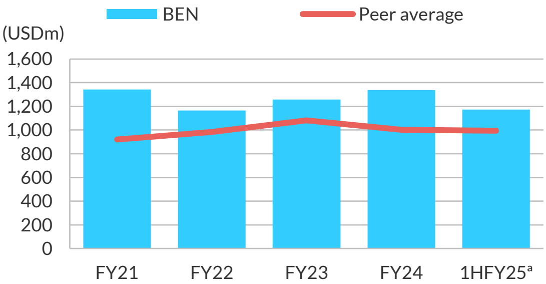
Business Profile

BEN is an Australian bank with operations across the country, with a stronger presence in the states of Victoria and New South Wales. Its relatively small scale means BEN has limited influence over pricing in its main markets and seeks to distinguish itself primarily through customer service.

Its operations are focused on conventional banking services, including underwriting of residential mortgages and business loans. Fitch expects BEN's business model, which depends heavily on net interest income, to have limited earnings volatility over time, due to its emphasis on lower-risk mortgage lending.

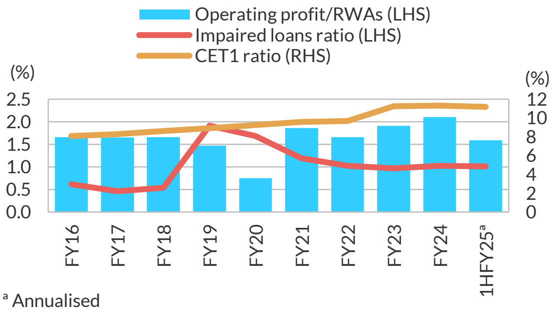
BEN's strategic goals are focused on enhancing digital capabilities, streamlining business processes and increasing operational efficiency, similar to most mid-sized Australian banks. The bank has exhibited solid execution and broadly met its stated objectives.

Total Operating Income



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, banks

Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, BEN

Risk Profile

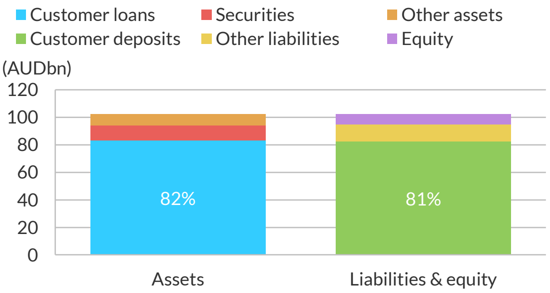
Credit risk continues to be BEN's largest risk, comprising 93% of RWA at end-2024, reflecting its relatively simple business model. The loan book comprised around 82% of total assets at end-2024, about 76% of which were residential mortgages. Consumer loans represented 2% of the loan book and agribusiness loans were at around 8%, both making up a smaller share of total loans in recent years. BEN's underwriting standards appear to be broadly consistent with those of domestic peers. This was driven partly by regulatory intervention over a number of years, including the implementation of minimum guidelines for prudent mortgage underwriting.

BEN’s risk-control framework appears to be adequate for its operations. The bank follows the “three lines of defence” model, as do most of its peers. Underwriting models, processes and application score cards are updated on a regular basis. Concentration risk limits are set according to the risk appetite and monitored regularly.

Residential mortgage growth, at an annualised 11% during 1HFY25, was well above the system level, but has resulted in a reduction in NIM alongside the intense competition. We expect loan growth to moderate over the next two years as BEN tries to limit NIM attrition.

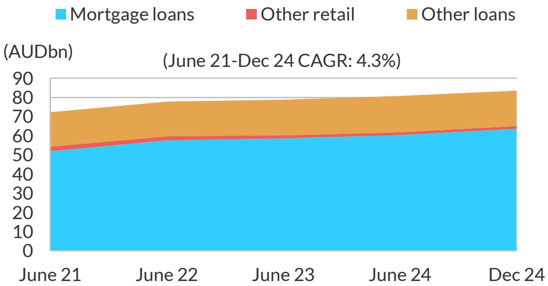
Non-financial risks, such as cyber and conduct risks, appear well managed, although they remain key risks because of the focus on digital investments and public scrutiny over business practices in the sector. Smaller banks such as BEN have had fewer issues than larger peers, due partly to their simple business models.

Balance Sheet
End-2024



Source: Fitch Ratings, Fitch Solutions, BEN

Loan Book Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, BEN

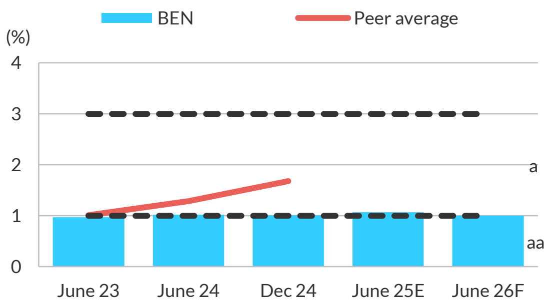
Financial Profile

Asset Quality

We expect the lagging impact of high interest rates as well as a modest weakening in the unemployment rate to result in increased stage 3 loans at BEN in 2HFY25. However, loan deterioration should be manageable and overall asset quality should continue to remain comparable with that of peers. From FY26, asset quality should improve as interest-rate cuts start to filter through.

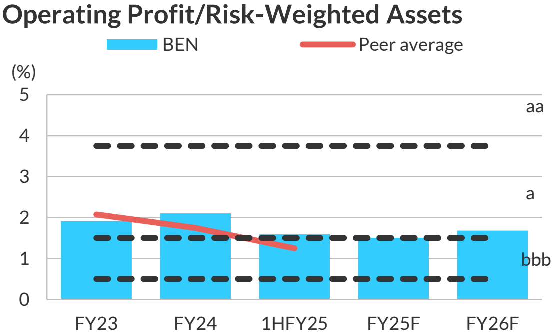
Provisioning levels are generally in line with peers but low relative to global peers. This risk is mitigated by the strong level of collateral held against lending exposures, which consists typically of real estate, namely residential property.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

BEN’s NIM is likely to contract more than peers during FY25, driven by strong growth and competition in the first half. We anticipate some additional margin pressure over the next two years as interest rates are cut. We expect management to place more focus on NIM preservation in the coming years as the growth rates from early 2025 are unlikely to be maintained.

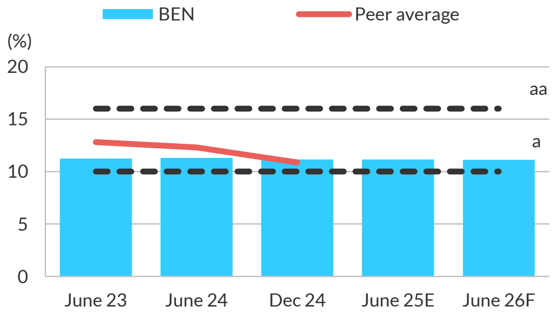
Expenses growth is likely to be elevated in FY25 due to inflationary pressures and increased investment spending relating to business simplification efforts and technology. The investments are likely to take several years to complete, although some cost benefits could start to materialise over the next two years. We estimate BEN's cost-to-income ratio to reduce to around 65% by FY26, from 68% at 1HFY25.

Capitalisation and Leverage

We expect the CET1 ratio to remain comfortably above 10% and maintain sound buffers over regulatory minimums for the next two years. The risk density should also remain broadly steady and we anticipate most of the RWA growth to be driven by mortgages.

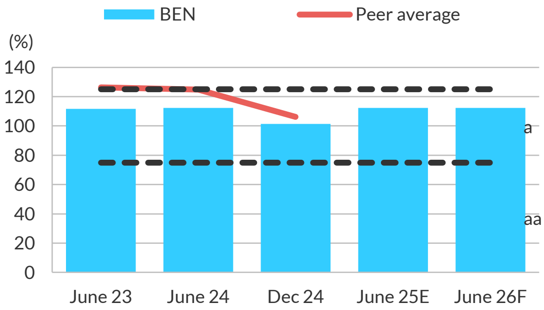
BEN's capital ratios are generally in line with those of the other Australian mid-sized banks but appear low relative to international banks with similar ratings. This is due to the Australian Prudential Regulation Authority's conservative approach to capital and RWA calculation compared with international standards, even after an increase in granularity under the final Basel III rules. This makes direct comparisons with peers in other jurisdictions difficult.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Fitch expects the BEN's loans/customer deposits ratio to be flat over the next two years, resulting in a four-year average of 112% by FYE26. We expect deposits to continue keeping pace with loan growth. Deposit funding is likely to remain the bank's main source of funding, although it could turn to wholesale sources if competition for deposits increases. BEN diversifies its wholesale funding across different maturities, products and investors, minimising risk.

The liquidity coverage ratio was 135% during the December 2024 quarter, while the net stable funding ratio was 118% at end-2024. Both ratios have come down over the last 12 months, partly due to refinancing of the Reserve Bank of Australia's term funding facility, which was provided during the Covid-19 pandemic. Nevertheless, these ratios are well above regulatory minimums and BEN's target ranges.

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 macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may differ significantly 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 M&A 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 boundaries for 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.

The peer average includes Bendigo and Adelaide Bank Limited (VR: a-), Norfina Limited (a-) and ING Bank (Australia) Limited (a-). The financial year-end is 30 June for Norfina and Bendigo and Adelaide Bank Limited, 31 August for Bank of Queensland and 31 December for ING Bank (Australia) Limited.

Financials

Summary Financials

	31 Dec 24		30 Jun 24	30 Jun 23	30 Jun 22	30 Jun 21
	6 months - interim	6 months - interim	Year end	Year end	Year end	Year end
	(USDm)	(AUDm)	(AUDm)	(AUDm)	(AUDm)	(AUDm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement						
Net interest and dividend income	510	820.5	1,637.6	1,642.0	1,421.7	1,422.9
Net fees and commissions	54	87.5	176.8	170.1	179.4	192.0
Other operating income	21	34.5	202.2	84.6	89.3	170.3
Total operating income	586	942.5	2,016.6	1,896.7	1,690.4	1,785.2
Operating costs	399	641.6	1,209.5	1,138.3	1,016.2	1,013.5
Pre-impairment operating profit	187	300.9	807.1	758.4	674.2	771.7
Loan and other impairment charges	-7	-10.5	9.9	33.6	-27.2	18.0
Operating profit	194	311.4	797.2	724.8	701.4	753.7
Other non-operating items (net)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax	59	94.6	252.2	227.8	213.3	229.7
Net income	135	216.8	545.0	497.0	488.1	524.0
Other comprehensive income	25	40.3	-21.5	-73.4	-15.1	31.1
Fitch comprehensive income	160	257.1	523.5	423.6	473.0	555.1
Summary balance sheet						
Assets						
Gross loans	51,993	83,630.1	80,853.6	78,812.6	77,894.2	72,261.6
- Of which impaired	526	845.7	821.6	763.6	791.8	858.6
Loan loss allowances	170	273.3	286.0	286.3	283.8	341.0
Net loans	51,823	83,356.8	80,567.6	78,526.3	77,610.4	71,920.6
Interbank	171	274.6	282.9	123.9	188.0	173.4
Derivatives	40	64.5	5.9	9.2	59.9	59.1
Other securities and earning assets	7,337	11,800.9	13,107.6	10,596.4	12,016.3	6,865.8
Total earning assets	59,370	95,496.8	93,964.0	89,255.8	89,874.6	79,018.9
Cash and due from banks	2,489	4,004.3	1,596.6	6,560.0	2,969.8	5,348.2
Other assets	1,659	2,668.6	2,627.3	2,663.9	2,399.3	2,210.1
Total assets	63,519	102,169.7	98,187.9	98,479.7	95,243.7	86,577.2
Liabilities						
Customer deposits	51,290	82,500.4	71,934.9	70,555.5	68,388.6	57,915.7
Interbank and other short-term funding	52	83.4	7,608.1	6,945.6	6,374.1	16,615.3
Other long-term funding	6,719	10,807.6	9,619.5	12,391.0	12,253.1	4,167.1
Trading liabilities and derivatives	4	6.5	13.3	17.4	34.8	45.3
Total funding and derivatives	58,065	93,397.9	89,175.8	89,909.5	87,050.6	78,743.4
Other liabilities	547	879.9	1,184.6	901.3	665.2	666.5
Preference shares and hybrid capital	497	798.8	793.5	818.2	816.0	813.8
Total equity	4,410	7,093.1	7,034.0	6,850.7	6,711.9	6,353.5
Total liabilities and equity	63,519	102,169.7	98,187.9	98,479.7	95,243.7	86,577.2
Exchange rate		USD1 = AUD1.608493	USD1 = AUD1.509662	USD1 = AUD1.508296	USD1 = AUD1.451589	USD1 = AUD1.330141

Source: Fitch Ratings, Fitch Solutions, BEN

Key Ratios

	31 Dec 24	30 Jun 24	30 Jun 23	30 Jun 22	30 Jun 21
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	1.6	2.1	1.9	1.7	1.9
Net interest income/average earning assets	1.7	1.9	1.9	1.7	1.9
Non-interest expense/gross revenue	68.1	60.0	60.0	60.1	56.8
Net income/average equity	6.1	7.9	7.4	7.4	8.7
Asset quality					
Impaired loans ratio	1.0	1.0	1.0	1.0	1.2
Growth in gross loans	3.4	2.6	1.2	7.8	10.6
Loan loss allowances/impaired loans	32.3	34.8	37.5	35.8	39.7
Loan impairment charges/average gross loans	0.0	0.0	0.1	0.0	0.0
Capitalisation					
Common equity Tier 1 ratio	11.2	11.3	11.3	9.7	9.6
Fully loaded common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital ratio	n.a.	n.a.	n.a.	n.a.	11.8
Tangible common equity/tangible assets	5.1	5.3	5.1	5.2	5.6
Basel leverage ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Net impaired loans/common equity Tier 1	13.2	12.5	11.2	12.4	13.4
Net impaired loans/Fitch Core Capital	n.a.	n.a.	n.a.	n.a.	10.9
Funding and liquidity					
Gross loans/customer deposits	101.4	112.4	111.7	113.9	124.8
Gross loans/customer deposits + covered bonds	n.a.	109.3	109.8	n.a.	n.a.
Liquidity coverage ratio	135.0	138.0	131.0	134.3	136.9
Customer deposits/total non-equity funding	87.6	80.0	77.8	77.9	72.8
Net stable funding ratio	118.0	116.4	121.5	129.2	133.4

Source: Fitch Ratings, Fitch Solutions, BEN

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	a
Government Support Rating	bb
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

Fitch believes there is a moderate probability of government support for BEN because of its low systemic importance. This means the government is less likely to provide support, compared with the major banks, to prevent a default on BEN's senior obligations. Nonetheless, we think the sovereign has a strong ability to support the system in general, as reflected in Australia's 'AAA'/Stable rating.

The authorities have historically shown a propensity to support senior creditors of banks. This was demonstrated during the global financial crisis of 2008 through the implementation of a government guarantee for senior bondholders, and reinforced by the regulatory approach to loss-absorbing capital, which does not have a senior bail-in instrument.

Environmental, Social and Governance Considerations

FitchRatings **Bendigo and Adelaide Bank Limited**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Bendigo and Adelaide Bank Limited has 5 ESG potential rating drivers

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

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

Environmental (E) Relevance Scores

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

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

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

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

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

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

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

CREDIT-RELEVANT ESG SCALE

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

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

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

SOLICITATION & PARTICIPATION STATUS

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

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