Santander UK Group Holdings plc

Ratings

Foreign Currency

Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	a
Shareholder Support Rating	bbb+

Sovereign Risk

Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

Outlooks

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

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Santander UK Group Holdings at 'A'; Outlook Stable (November 2024)

Major UK Banks' Robust Fundamentals Mitigate Market Uncertainty, Lower Rates (November 2024)

UK Bank Motor Finance Lenders May Face Significant Risks from Court Ruling (November 2024)

Major UK Banks: Strong Profitability Will Continue to Provide Buffer Against Risks (February 2024)

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Key Rating Drivers

Low-Risk Business Model: Santander UK Group Holding plc's (SGH) Viability Rating (VR) is equalised with that of Santander UK plc (San UK), reflecting SGH's role as a holding company and low double leverage. The VRs reflect the group's low-risk business model, conservative risk profile, healthy asset quality, strong capitalisation and stable funding and liquidity profiles. They also reflect a less-diversified business model and revenue base compared to larger UK peers.

The recent UK Court of Appeal ruling in favour of customers regarding commissions that lenders pay to car dealerships for arranging loans raises considerable uncertainty and potentially significant implications. Notwithstanding this uncertainty, SGH has a strong loss-absorption capacity against any potential redress schemes to compensate customers.

San UK Uplift: San UK's Long-Term Issuer Default Rating (IDR) is one notch above the VR because of available resolution debt buffers raised and downstreamed by SGH.

Strong UK Retail Franchise: SGH's business profile benefits from the strong UK franchise in mortgage lending and retail deposits, which support a low-risk business model. SGH's business model diversification is narrower than most major UK banks peers – given its focus on mortgage lending (85% of loans) and reliance on net interest income (NII; over 90%).

Conservative Risk Profile: SGH's risk profile is underpinned by its conservative appetite for credit risk, as reflected in a high share of low-risk mortgage lending (91% owner occupied), at low loan-to-value ratios (stock average: 51%). Consumer lending (6%) includes a low exposure to unsecured consumer lending (3% of loans), secured auto finance (2%) and business banking. Corporate, commercial and business lending is diversified by sector.

Strong Asset Quality: We expect SGH's impaired-loans ratio (end-9M24: 1.5%) to remain strong and overall stable over the next two years. Asset quality will continue to be underpinned by low-risk mortgages. Loan-impairment charges (LICs; 1H24: 4bp of average gross loans) will remain low, given the largely secured loan book.

Strong Profitability; Undiversified: We expect SGH's operating profit/risk-weighted assets ratio (RWAs; 2.5% in 9M24) to remain at similar levels in 2025–2026, supported by structural hedge income, low LICs, falling deposit costs and tight cost control. Earnings are reliant on NII and cost efficiency is key to profitability as interests fall. We expect cost efficiency to improve over the medium term following recent years of transformation investments.

SGH has set aside a GBP295 million provision against potential redress costs against historical motor finance lending. Any further provisions requirements should be absorbable, given SGH's strong profitability and relatively low historical share of motor finance in its business.

Capital Ratios to Stay Strong: SGH's common equity Tier 1 (CET1) ratio remained strong at end-9M24 (15.4%), despite the provision and capital distributions, given strong profit generation. Capital is managed to about a 5% UK leverage ratio (end-9M24: 4.9%), given the low RWAs density of the loan book. We expect excess capital above management buffers to be gradually distributed, but for the CET1 to stay strong at about 15% over the next two years.

Strong Funding and Liquidity: SGH is largely deposit funded (end-1H24: 75% of funding) and the loans/deposits ratio increased to 110% by end-1H24, primarily as deposit reduction outpaced loan contraction. SGH has a strong retail deposit franchise in the UK. SGH's funding and liquidity stability is supported by proven wholesale-funding access, ordinary support from its parent and access to the Bank of England's liquidity facilities, if needed.

Rating Sensitivities

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

SGH's ratings could be downgraded if there was a severe weakening in our assessment of the UK operating environment, including in the housing market. Particularly, the VR could be downgraded if we expect the impaired loans ratio to increase above 3% without a clear path to reduction, the operating profit/RWAs ratio fell sustainably below 1.5%, and the CET1 ratio to below 13% on a sustained basis.

Negative rating pressure could arise from a prolonged period of uncertainty in relation to potential customer redress schemes for historical lending, particularly if this put pressure on SGH's business and risk profiles, on management's ability to execute its strategy, particularly through materially lower business volumes or business disruption, and, ultimately, on the group's profitability and capitalisation.

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

An upgrade of the VR is unlikely in the near term as SGH's relatively undiversified business model compared with that of higher-rated peers. An upgrade would therefore require a material strengthening in SGH's business profile and business model diversification, accompanied by solid financial metrics, or a significantly improved operating environment.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior unsecured: long term/short term	A/F1
Subordinated Tier 2	BBB+
Additional Tier 1	BBB-

Source: Fitch Ratings

The senior unsecured debt instruments of all entities are rated in line with their Long-Term IDRs.

San UK's DCR is at the same level as the bank's Long-Term IDR because derivative counterparties have no preferential status over other senior obligations in a resolution under UK legislation.

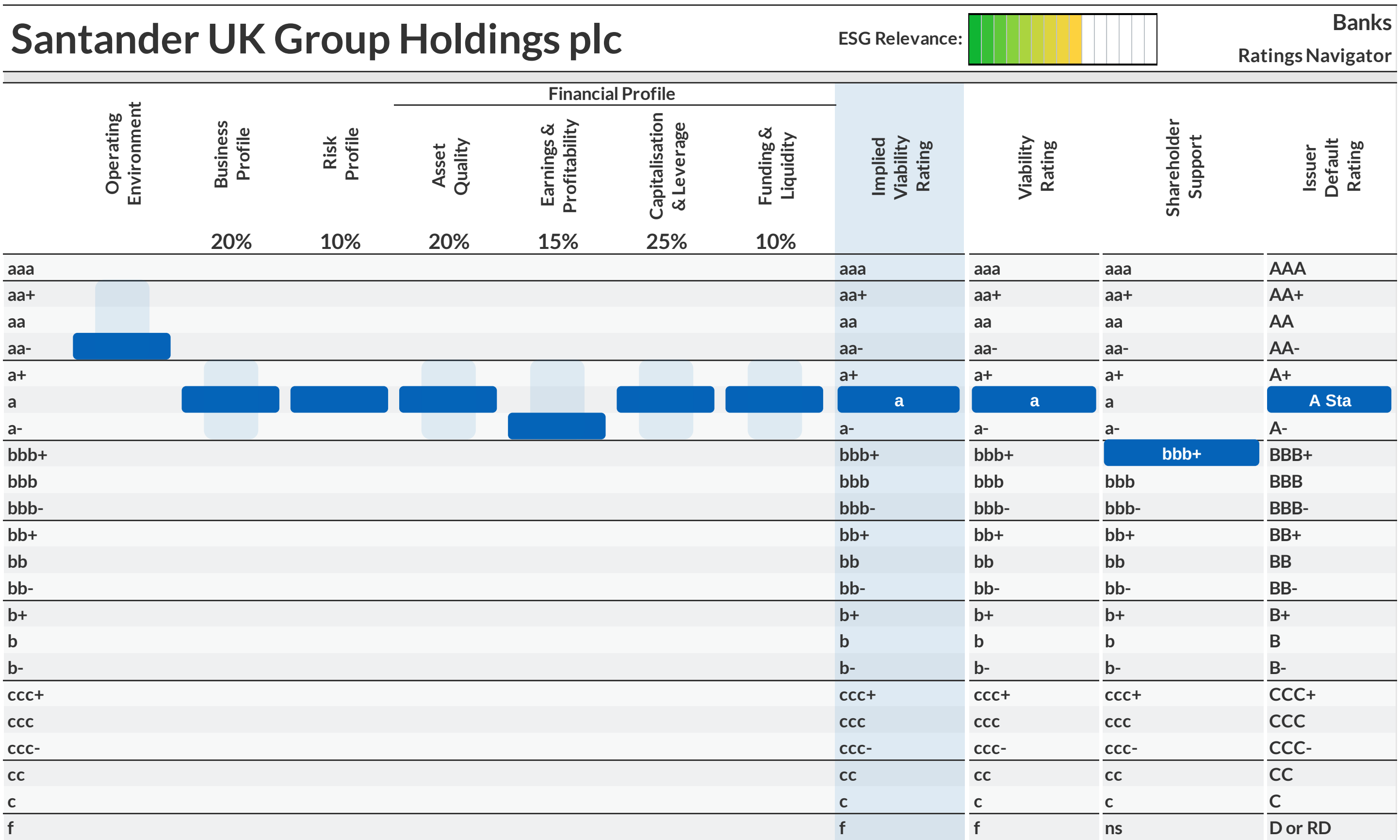
The ratings of all subordinated debt and hybrid securities issued by SGH and San UK are notched down from their VRs, reflecting our expectation of below-average recoveries.

SGH's subordinated Tier 2 instruments are notched down twice from the VR to reflect poor recovery prospects in case of failure. Additional Tier 1 capital securities are rated four notches below the group's VR to reflect above-average loss severity risk (two notches) and higher risk of non-performance as coupon payments are fully discretionary (two notches).

Legacy upper Tier 2 securities are rated three notches below San UK's VR (two for loss severity and one for non-performance). Legacy dated Lower Tier 2 instruments are notched down twice from the VR for loss severity.

Legacy Tier 1 securities issued by San UK are rated four notches below the bank's VR to reflect higher loss severity risk (two notches) and higher risk of non-performance due to discretionary coupon payments (two notches).

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

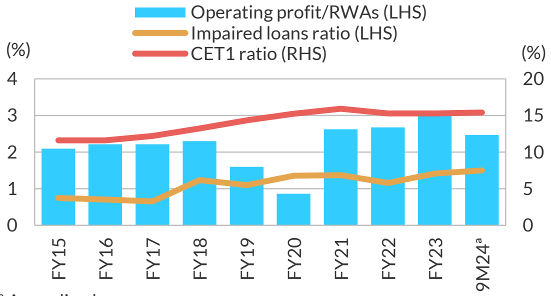
Business Profile

SGH is a leading UK-focused retail bank and consolidates the UK subsidiaries of international banking group Banco Santander, S.A. (Santander: A-/Stable). SGH has a strong franchise in retail mortgages, with around an 11% market share of balances outstanding and in current accounts. However, these segments are highly competitive, and the intermediary-driven nature of the UK mortgage market means that even large lenders have limited pricing power. SGH's commercial banking franchise is smaller, despite growth efforts.

Business diversification has decreased over the past decade following the transfer of certain operations to the parent's London branch, largely as a result of UK ringfencing requirements, and the sale of its auto-finance joint venture to other Santander entities in Europe. SGH increasingly leverages Santander's global capabilities and expects to benefit from synergies, such as mobile app development, through Santander's One Europe strategy, which involves collaboration between SGH and the group's other European banks.

SGH is focused on customer loyalty, improved efficiency and sustainable growth. These strategies have led to new product launches over the past year, including in deposits (current account and savings) and for corporate customers to increase international connectivity. The strategy has also led to balance-sheet deleveraging to sustain strong profitability, particularly given margin pressure on mortgage lending. SGH has also increased automation and streamlined processes, which should lower costs.

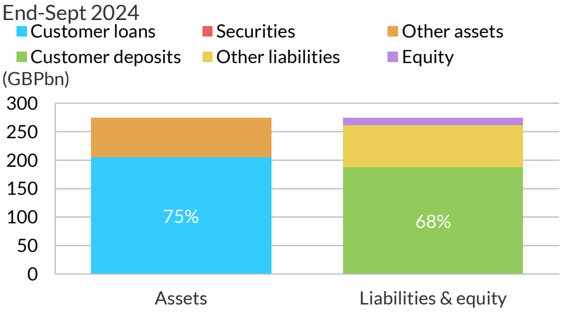
Performance Through the Cycle



ᵃ Annualised
Source: Fitch Ratings, Fitch Solutions, SGH

Balance Sheet

End-Sept 2024



Source: Fitch Ratings, Fitch Solutions, SGH

Risk Profile

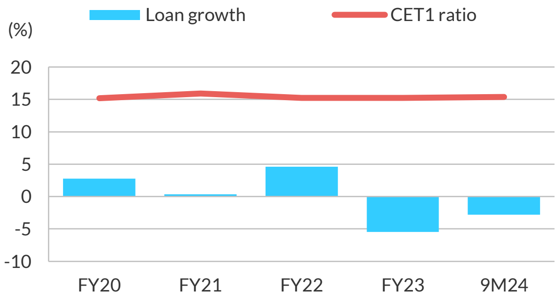
SGH's risk profile is conservative and broadly stable, with credit exposures largely comprised of low-risk mortgage lending with a lower appetite for riskier buy-to-let (BTL) mortgages (end-9M24: 9% of mortgage loans). SGH does have appetite to increase SME and corporate and commercial lending, but remains selective in its approach. Any growth in unsecured consumer loans would be from a low base. Strong risk controls benefit from the oversight and expertise of the Santander Group.

Average LTV ratios are broadly in line with that of other major UK mortgage lenders (new lending average: 65%). Geographically, 57% of mortgages are on properties in London and the South East of England, which reflects the higher property prices in that area of the country and is not out of line with peers. High mortgage rates are expected to put pressure on borrowers as they refinance onto higher rates. About 20% of SGH's mortgage portfolio was due to mature between 1H24 and 1H25, with a high majority having LTVs below 75%.

Loans contracted by 3% in 9M24, largely in mortgage lending (down about GBP5.5 billion), reflecting balance-sheet optimisation amid a slower housing market, higher funding costs and tight mortgage margins. We expect SGH's loan growth to pick up from early 2025 as interest rates fall and consumer sentiment improves in the mortgage market.

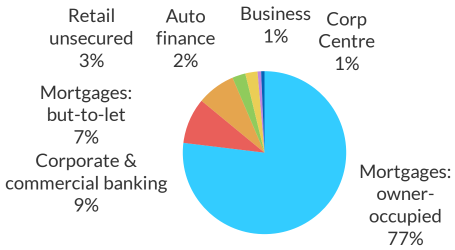
Market risk mainly relates to interest-rate risk, and is managed well. SGH has invested heavily to improve its anti-money laundering and risk controls in recent years. Residual value (RV) risk has increased in auto finance as used car prices are softening, after recent years of strong growth, and as competition in the electric vehicle (EV) segment has intensified and put pressure on prices. Risks are mitigated by conservative underwriting, including a buffer to absorb RV risk, and the only moderate share of EV loans in total auto finance (10%) at end-2023.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, SGH

Customer Loans at End-9M24



Source: Fitch Ratings, Fitch Solutions, SGH

Financial Profile

Asset Quality

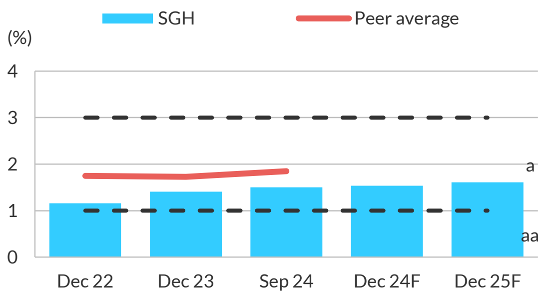
Fitch expects the four-year average impaired-loans ratio to remain below 2% over the next two years due to SGH's sound underwriting standards largely to low-risk mortgage loans. The low coverage of impaired loans with loan-loss allowances of about 30% reflects the collateralised nature of SGH's loan book. Overall, the loan book is at least 87% secured, including mortgages and auto loans.

By portfolio, Stage 3 loans primarily increased in credit card lending (3.4% at end-9M24; end-2023: 3.0%) and corporate and commercial lending (4.8%; up from 4.1%). Stage 2 loans fell to 9.7% of loans at end-9M24 (end-2023: 11.1%), reflecting the improving economic outlook and easing inflation. Most notable decreases in Stage 2 loans were in corporate and commercial loans.

We expect high interest rates to cause a further increase in arrears in mortgage lending, but this will be from a low level and healthy LTVs mean any LICs will be limited. We expect the non-performance to increase most in corporate, commercial and business loans and unsecured consumer finance. Commercial real estate loans (3% of loans) are well diversified and performing well (Stage 3 ratio: 2.2% at end-2023; stock LTV: 45%).

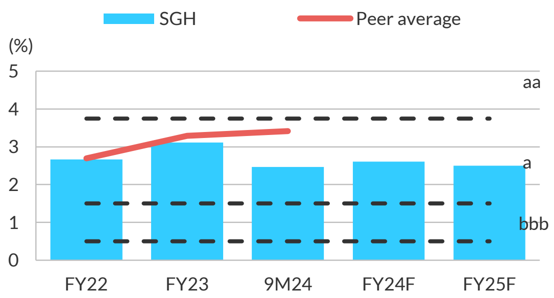
LICs/average gross loans of 6bp in 9M24 (2023: 9bp) was low, reflecting improving macroeconomic conditions and the recovering housing market outlook. We expect LICs to increase slightly towards about 10bp as asset quality deteriorates slightly further, but this should be easily absorbable. The average LICs/average gross loans ratio between 2017–2023 of 10bp compares well with that of large banks, reflecting the largely secured nature of loans.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Profitability should remain strong into 2026, despite a reducing net interest margin. We expect the operating profit/RWAs ratio to be stable at about 2.5% over the two-year rating horizon, reflecting high interest rates, structural hedge income, manageable LICs and improving cost efficiency. NII fell 10% in 9M24 (year-on-year) due to higher funding costs, whilst strong lending and structural hedge income was offset by weaker deposit margins.

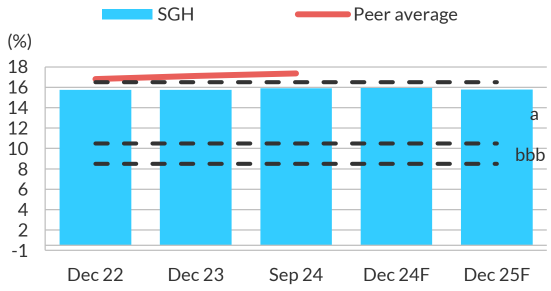
Risk of a material customer redress scheme in relation to historical motor finance lending has increased. We forecast SGH to generate about GBP2 billion annually in pre-impairment operating profit over 2024–2026, meaning SGH has a significant capacity to absorb potential redress costs relative to the size of its motor finance book. The GBP295 million in provisions set aside by SGH in 3Q24 results was equivalent to 8% of 9M24 operating income and eroded the CET1 ratio by less than 20bp. There is high uncertainty surrounding the scope, timing and methodology of any potential redress scheme that may result from the FCA's review into motor finance and from the implications of the Court of Appeal's ruling.

Revenues are undiversified, as non-interest income has decreased over recent years and is not material, with NII representing 91% of gross revenue in 9M24. Operating costs have been affected by inflation pressures, but should be supported by SGH's transformation and simplification programmes. The Fitch-calculated cost/income ratio deteriorated to 62% in 9M24 (1H23: 52%; 2023: 55%), although this was also the result of weaker income from lower NII. Cost efficiency should improve over the medium term as the benefits of the transformation programme are fully realised and staff reductions are reflected in the cost base.

Capitalisation and Leverage

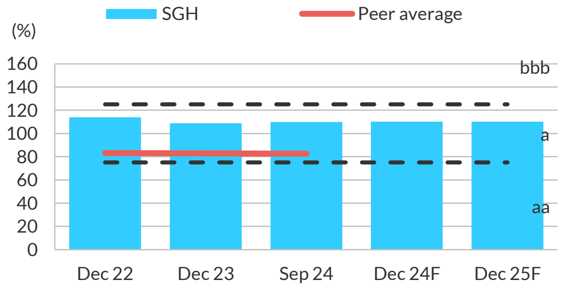
The still-strong 15.4% CET1 capital ratio at end-9M24 reflects the loan book contraction and the low RWA density, given SGH's large low-risk mortgage book. SGH is more constrained by its leverage exposures. SGH's UK leverage ratio of 4.9% was strong at end-9M24 and adequately above its 4.3% minimum requirements. The bank aims to operate at about a 5% UK leverage ratio. SGH is fully compliant with end-state minimum requirement for own funds and eligible liabilities (MREL) set by resolution authorities. SGH's MREL ratio (end-9M24: 36.0%) was comfortably higher than its requirement (29.5%). MREL mainly comprises CET1 and senior HoldCo instruments and, to a lesser extent, AT1 and Tier 2. Our capitalisation assessment also considers the potential for ordinary support from Santander, which can raise capital from its large pool of investors and downstream it to SGH.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Our funding and liquidity profile assessment for SGH reflects the solid and granular retail deposit base, proven access to wholesale funding markets, and robust contingency funding plans. Similar to Santander's banks in other international markets, SGH is expected by its owner to be self-sufficient in terms of funding, and has a well-developed debt issuance offering, with a range of capital and funding programmes, including residential mortgage-backed securities, covered bonds, unsecured senior and subordinated debt and structured notes.

SGH serves about 14 million active customers. Retail deposits, of which 82% are classified as 'stable' under the liquidity coverage ratio framework, are SGH's main source of funding. These are split between current accounts (33% of deposits at end-1H24), savings accounts (39%), business banking (5%; small and micro businesses) and other retail deposit accounts. Corporate deposits, including larger SMEs and deposits, represented 14% of total deposits at end-1H24.

The group accesses short-term funding through San UK's certificate of deposit and commercial paper programmes and wholesale deposits. SGH issues secured and unsecured debt in wholesale markets in order to diversify its funding sources and to build up MREL buffers. A large stock of prime residential mortgages allows San UK to be an active issuer in RMBS and covered bonds. Wholesale funding, excluding Term Funding Scheme with additional incentives for SMEs, represented 14% of total funding at end-1H24. The group had GBP13 billion of TFSME outstanding (5% of total funding) of which SGH plans to repay GBP9 billion by October 2025 and GBP4 billion between 2027–2031, which appears reasonable. Other term funding (average duration three years) includes GBP16.9 billion covered bonds, GBP9.9 billion senior holdco, and small amounts of opco senior, subordinated debt and RMBS.

Liquidity is prudently managed and supported by a large pool of high-quality liquid assets (GBP51 billion; 27% of end-9M24 customer deposits), resulting in a healthy consolidated liquidity coverage ratio of 157%. SGH also has access to the Bank of England's liquidity facilities, if required. The group also has good funding flexibility, including the ability to benefit from downstreamed parental funding when Banco Santander's funding costs are lower.

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 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. Peer average includes NatWest Group plc (VR: a), Lloyds Banking Group Plc (a+), Nationwide Building Society (a), Barclays plc (a) and HSBC Holdings plc (a+). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report. Financial year-end for Nationwide Building Society is 4 April. Latest average uses 1H24 data for Nationwide Building Society.

Financials

Financial Statements

	30 Sep 24		31 Dec 23	31 Dec 22	31 Dec 21
	9 months - 3rd quarter (USDm) Unaudited	9 months - 3rd quarter (GBPm) Unaudited	Year end (GBPm) Audited - unqualified	Year end (GBPm) Audited - unqualified	Year end (GBPm) Audited - unqualified
Summary income statement					
Net interest and dividend income	4,291	3,201	4,667	4,472	3,997
Net fees and commissions	n.a.	n.a.	296	324	280
Other operating income	412	307	213	217	194
Total operating income	4,703	3,508	5,176	5,013	4,471
Operating costs	2,911	2,171	2,821	2,791	2,919
Pre-impairment operating profit	1,792	1,337	2,355	2,222	1,552
Loan and other impairment charges	127	95	206	321	-233
Operating profit	1,665	1,242	2,149	1,901	1,785
Other non-operating items (net)	-395	-295	n.a.	-7	105
Tax	374	279	553	471	485
Net income	896	668	1,596	1,423	1,405
Other comprehensive income	n.a.	n.a.	329	-1,682	465
Fitch comprehensive income	896	668	1,925	-259	1,870
Summary balance sheet					
Assets					
Gross loans	276,900	206,542	212,514	224,795	214,910
- Of which impaired	4,156	3,100	3,000	2,600	2,940
Loan loss allowances	1,263	942	937	955	853
Net loans	275,638	205,600	211,577	223,840	214,057
Interbank	n.a.	n.a.	1,216	1,105	1,420
Derivatives	n.a.	n.a.	842	-215	1,720
Other securities and earning assets	39,951	29,800	21,593	14,214	19,385
Total earning assets	315,589	235,400	235,228	238,944	236,582
Cash and due from banks	45,448	33,900	40,523	46,635	50,494
Other assets	7,508	5,600	6,332	6,664	6,600
Total assets	368,545	274,900	282,083	292,243	293,676
Liabilities					
Customer deposits	251,908	187,900	195,149	197,313	192,914
Interbank and other short-term funding	23,864	17,800	16,059	41,250	50,671
Other long-term funding	65,692	49,000	51,224	33,683	28,373
Trading liabilities and derivatives	n.a.	n.a.	977	1,906	1,822
Total funding and derivatives	341,463	254,700	263,409	274,152	273,780
Other liabilities	7,240	5,400	3,160	3,036	3,174
Preference shares and hybrid capital	2,815	2,100	2,744	2,540	2,535
Total equity	17,026	12,700	12,770	12,515	14,187
Total liabilities and equity	368,545	274,900	282,083	292,243	293,676
Exchange rate		USD1 = GBP0.745907	USD1 = GBP0.789827	USD1 = GBP0.828638	USD1 = GBP0.74438

Source: Fitch Ratings, Fitch Solutions, Santander UK Group Holdings plc

Key Ratios

	30 Sep 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.5	3.1	2.7	2.6
Net interest income/average earning assets	1.9	2.1	2.0	1.8
Non-interest expense/gross revenue	61.9	54.5	55.7	65.3
Net income/average equity	6.7	11.3	9.5	9.0
Asset quality				
Impaired loans ratio	1.5	1.4	1.2	1.4
Growth in gross loans	-2.8	-5.5	4.6	0.4
Loan loss allowances/impaired loans	30.4	31.2	36.7	29.0
Loan impairment charges/average gross loans	0.1	0.1	0.1	-0.1
Capitalisation				
Common equity Tier 1 ratio	15.4	15.2	15.2	15.9
Tangible common equity/tangible assets	4.6	4.0	3.8	4.3
Basel leverage ratio	4.4	4.4	4.4	4.3
Net impaired loans/common equity Tier 1	20.9	19.6	15.2	19.2
Funding and liquidity				
Gross loans/customer deposits	109.9	108.9	113.9	111.4
Gross loans/customer deposits + covered bonds	100.5	101.1	105.8	104.1
Liquidity coverage ratio	157.0	162.4	162.8	166.0
Customer deposits/total non-equity funding	73.2	73.6	71.6	70.1
Net stable funding ratio	134.0	138.1	136.8	n.a.

Source: Fitch Ratings, Fitch Solutions, Santander UK Group Holdings plc

Support Assessment

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

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

The 'bbb+' Shareholder Support Ratings (SSR) of SGH and San UK are one notch below Santander's Long-Term IDR because we view Santander's ability to provide support as constrained by the UK entities' large relative size. In our view, Santander has a strong propensity to support both entities, given the strategic importance of the UK, as well as the high reputation risk Santander would face in the case of a default by its UK entities.

Santander Financial Service's (SFS) 'a' SSR is in line with SGH's IDR and reflects SGH's strong propensity to support SFS, given SFS's role in the group, and a strong ability to provide support, given SFS's small size. Fitch does not assign a VR to SFS as its business model and strong reliance on SGH prevent a meaningful standalone analysis of the entity. SFS's IDRs are based on support from SGH. We rate SFS's Long-Term IDR one notch above SGH's because we expect that the group's junior debt buffers will protect SFS's third-party senior creditors should the group fail.

Environmental, Social and Governance Considerations

FitchRatings **Santander UK Group Holdings plc**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Santander UK Group Holdings plc has 5 ESG potential rating drivers

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

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

Environmental (E) Relevance Scores

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

Social (S) Relevance Scores

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

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

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.

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.