FitchRatings

Banks
Universal Commercial Banks
New Zealand

ANZ Bank New Zealand Limited

Key Rating Drivers

Support Prospects: ANZ Bank New Zealand Limited's (ANZNZ) Shareholder Support Rating (SSR), Issuer Default Ratings (IDRs) and senior unsecured debt rating reflect Fitch Ratings' assessment of a very high likelihood of support from the bank's Australia-based owner, Australia and New Zealand Banking Group Limited (ANZ, A+/Stable/a+), if required. We align ANZNZ's Long- and Short-Term IDRs and Outlook with those assigned to ANZ as a result.

Integral Subsidiary: ANZNZ's SSR reflects that it is a key and integral part of ANZ, offering products and services in the group's core market, New Zealand. A sale is very hard to conceive and would noticeably alter the overall shape of ANZ, while any default of ANZNZ would constitute a huge reputational risk for ANZ, damaging its franchise. Fitch expects the Australian and New Zealand banking regulators to allow support to flow as required.

Stable Operating Environment: Fitch expects the operating environment to be broadly stable for New Zealand banks over the next two years despite our forecast for a mild recession in 2023. This underpins the stable outlook on our operating environment score of 'a', which is below the 'aa' category score implied by Fitch's criteria to reflect the high household debt in New Zealand.

Market Position Underpins VR: ANZNZ's VR, which is in line with its implied VR, is supported by its large domestic market position. This allows for a simple business model, which underpins the financial profile. The 'a+' business profile score is above the implied 'bbb' category score to capture the strong market position. ANZNZ is New Zealand's largest bank, with market share of more than 25% for most products.

Robust Risk Management: Credit risk, stemming primarily from the loan portfolio, remains ANZNZ's main risk and we believe this is managed well. Market and non-financial risks also appear well managed, benefitting from both regulatory oversight and access to expertise and policies from the parent.

Manageable Asset-Quality Deterioration: We expect ANZNZ's stage 3 loan/gross loan ratio to increase to just above 1% by the end of the financial year to 30 September 2024 (FYE24), from 0.5% at FYE22, as high inflation and rapid interest-rate hikes put pressure on some borrowers' repayment capability. Provisioning levels will probably fall as impaired loan balances rise, but high levels of collateral coverage in the loan portfolio should limit losses.

Profitability to Weaken: Slower loan growth and higher impairment charges should offset a rise in the net interest margin in FY23, resulting in a fall in the operating profit/risk-weighted asset (RWA) ratio. The ratio will also be affected by an increase in RWAs because of implementation of the new capital framework in New Zealand, which will have a one-off impact in FY23 and will not be repeated in FY24. We expect the operating profit/RWA ratio to be about 2.5% in both FY23 and FY24.

Regulatory Capital Ratios to Fall: The implementation of the increased scalar and subsequent increase in risk density is likely to result in a decline in ANZNZ's common equity Tier 1 (CET1) ratio in FY23. We expect the ratio to then increase in FY24 to about 12.4% as the bank works towards the final implementation date for the new framework in mid-2028. The framework is more conservative than global rules, and we take this into consideration when assigning the factor score at 'a', above the implied 'bbb' category.

Stable Funding: We expect slower deposit growth to be offset by a reduction in loan growth in FY23, resulting in a stable loan/customer deposit ratio for ANZNZ. The ratio was 113% at FYE22. Liquidity is well managed, with the bank reporting regulatory liquidity ratios well in excess of minimum requirements.

Ratings

Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1

Local Currency

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

Sovereign Risk

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

Outlooks

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

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Fitch Affirms ANZ Bank New Zealand at 'A+'; Outlook Stable (April 2023)

Fitch Affirms Australia and New Zealand Banking Group at 'A+'; Outlook Stable (March 2023)

APAC Developed Market Banks Outlook 2023 (November 2022)

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Rating Sensitivities

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

IDRs and SSR

Any downgrade of ANZ's IDRs is likely to result in a downgrade of the SSR and IDRs assigned to ANZNZ; see Fitch Affirms Australia and New Zealand Banking Group at 'A+'; Outlook Stable, published on 21 March 2023, for the key drivers and sensitivities of ANZ's ratings.

The IDRs and the SSR may also be downgraded should we change our view on ANZNZ's importance to ANZ. This could be reflected in the partial or full sale of ANZNZ or a decision to significantly scale back operations within New Zealand. Weakening co-operation between authorities in Australia and New Zealand may indicate a reduced ability for ANZ to provide support in a timely fashion and put pressure on the ratings. However, neither of these scenarios is likely in our view.

VR

The VR could be downgraded if deterioration in the economic environment results in a combination of:

- The four-year average of the stage 3 loan/gross loan ratio increasing above 1.5% (FYE22: 0.6%) for a sustained period;
- The four-year average of the operating profit/RWA ratio falling consistently below 2.0% (FYE22: 2.5%);
- The CET1 capital ratio declining below 10.5% without a credible plan to return to above this level (FYE22: 12.4%).

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

IDRs and SSR

An upgrade or revision of the Outlook on ANZ's IDRs would be reflected in ANZNZ's SSR and IDRs or the Outlook, as long as there is no change to ANZ's propensity to support ANZNZ.

VR

An upgrade of the operating environment score for New Zealand banks to 'a+', possibly to reflect reduced risks on household leverage within the system, would most likely be a prerequisite for an upgrade of ANZNZ's VR. An upgrade of the VR would also require that ANZNZ maintain its strong business profile in combination with a sustained improvement in its asset quality, capital and funding metrics.

Other Debt and Issuer Ratings

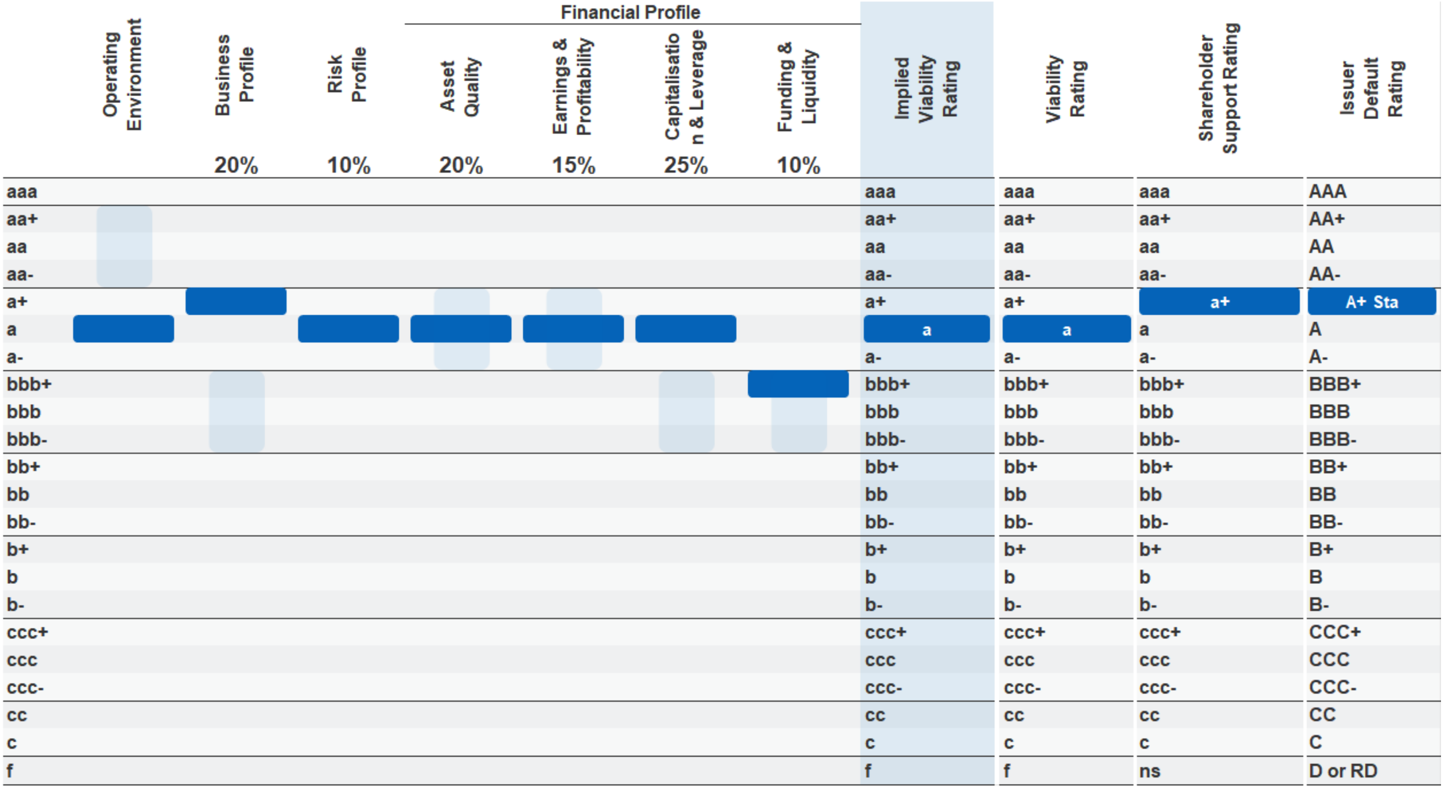
Rating level	Rating
Senior unsecured: Long term	A+
Senior unsecured: Short term	F1

Source: Fitch Ratings

ANZNZ's senior unsecured debt is rated in line with its IDRs, as per Fitch's *Bank Rating Criteria*.

ANZNZ's senior debt ratings will move in line with ANZNZ's IDRs.

Ratings Navigator



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

VR - Adjustments to Key Rating Drivers

The operating environment score of 'a' has been assigned below the 'aa' category implied score for the following adjustment reason: level and growth of credit (negative).

The business profile score of 'a+' has been assigned above the 'bbb' category implied score for the following adjustment reason: market position (positive).

The capitalisation and leverage score of 'a' has been assigned above the 'bbb' category implied score for the following adjustment reason: leverage and risk-weight calculation (positive).

Company Summary and Key Qualitative Factors

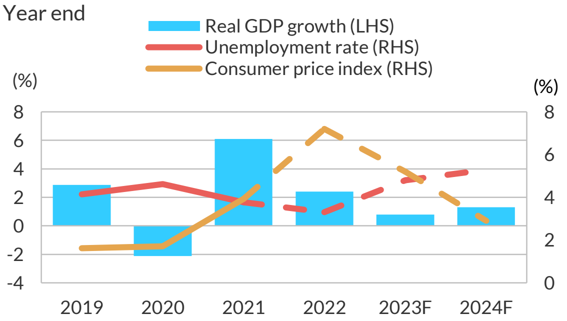
Operating Environment

We expect the economic environment in New Zealand to become increasingly challenging for banks during 2023. The Reserve Bank of New Zealand (RBNZ) has continued its path of rapid interest rate increases to tackle high inflation. We expect the rate increases to result in a slowdown in economic growth and mild recession while also increasing unemployment. However, we expect unemployment to remain lower than historical levels. This means asset quality should not deteriorate sharply across the system, although pockets of borrowers are likely to be under pressure from the higher interest rates. The RBNZ's macroprudential limits should limit losses for banks should the downturn accelerate and unemployment increase.

House prices fell in 2022 and we expect higher interest rates to weigh on mortgage demand and house prices in 2023. The house price correction follows a sharp increase in 2020 and 2021. Weaker household sentiment is likely to add pressure to consumption within the economy, particularly in light of household leverage that is high relative to that of other countries, which is factored into our operating environment assessment for banks.

New Zealand Economy

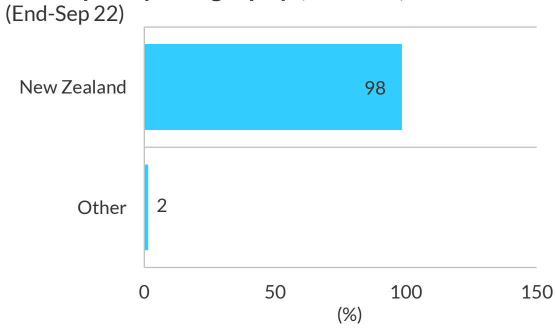
Year end



Source: Fitch Ratings, Fitch Solutions

Loan Split by Geography (ANZNZ)

(End-Sep 22)



Source: Fitch Ratings, ANZNZ

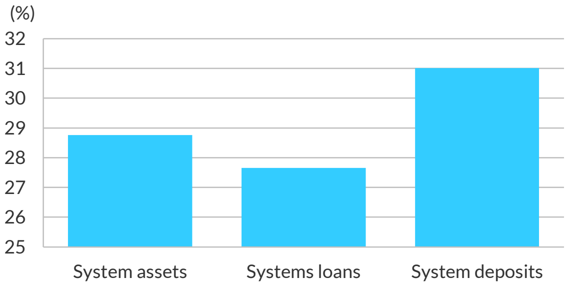
Business Profile

We expect ANZNZ to maintain its strong competitive position into the medium term, affording it considerable economies of scale and underpinning the financial profile and VR of the bank. ANZNZ remains New Zealand's largest bank with over 25% market share in most products. Ongoing investment in digitalisation of the bank as well as a simplification programme that is being implemented by the parent, ANZ, should support this position into the medium term and leave ANZNZ well placed to address the threat from competitors.

The market position has enabled the bank to operate a simple, traditional banking model, limiting complexity and reliance on volatile businesses such as trading, which has resulted in relatively stable earnings. ANZ's ownership appears to offer modest benefits to ANZNZ's domestic franchise (lending and deposits), although it provides greater assistance to the subsidiary's wholesale funding franchise. ANZNZ only operates in New Zealand, which is unlikely to change, with any overseas operations likely to be undertaken by its parent.

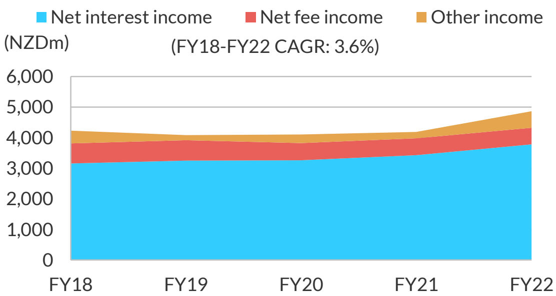
Market Share

End-2022



Source: Fitch Ratings, Reserve Bank of New Zealand

Revenue Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, ANZNZ

Risk Profile

Credit risk remains ANZNZ's largest risk, making up 83% (including supervisory adjustments and output floor) of RWAs at FYE22. This largely resides in the loan portfolio (73% of total assets at FYE22), with securities exposures almost entirely made up of high-quality assets, mainly government securities, held for prudential liquidity purposes.

Residential mortgages made up nearly 70% of gross loans and have steadily grown as a proportion of gross loans over the past decade, in part reflecting the strong growth in the New Zealand housing market. Risks from these exposures appear well managed, although we expect some borrowers to fall into arrears during 2023 due to rapid interest rate increases. Underwriting criteria has benefitted from regulatory changes in both Australia and New Zealand, including restrictions on loan-to-value ratios (LVRs), which should limit the incidence of negative equity and ultimately residential mortgage losses for New Zealand banks, including ANZNZ.

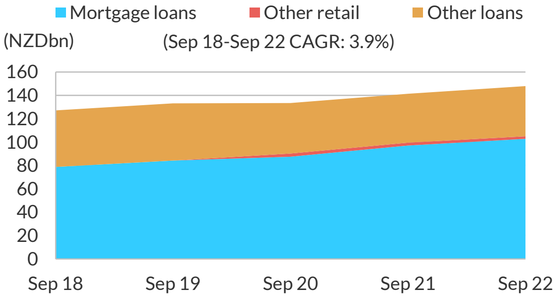
We expect business loans to be the first source of large losses for New Zealand banks, should they emerge. Exposure to business loans is well diversified by single names, although there are moderate concentrations to the agricultural and commercial real-estate sectors, reflecting the structure of the New Zealand economy.

Interest rate risk management appears sound, with hedging used to reduce the risk and all securities held in trading or available-for-sale categories, meaning movements in value are captured in capital levels.

We expect loan growth to slow in 2023 as higher interest rates and lower GDP growth reduce demand. ANZNZ is likely to grow broadly in line with the system in the longer term given its large market share.

Non-financial risk management has been strengthened as the result of remediation programmes put in place to address shortcomings identified by the RBNZ. Cyber risk remains one of the key non-financial risks facing New Zealand banks and is an important focus for ANZNZ.

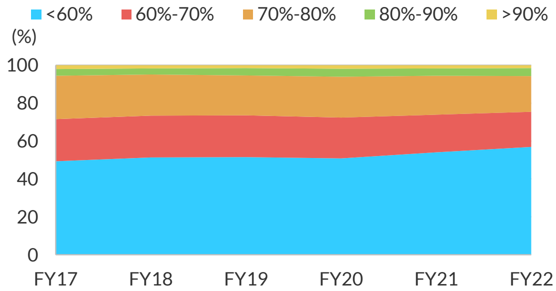
Loan Book Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, ANZNZ

Mortgage LVRs

On- and off-balance sheet



Source: Fitch Ratings, ANZNZ

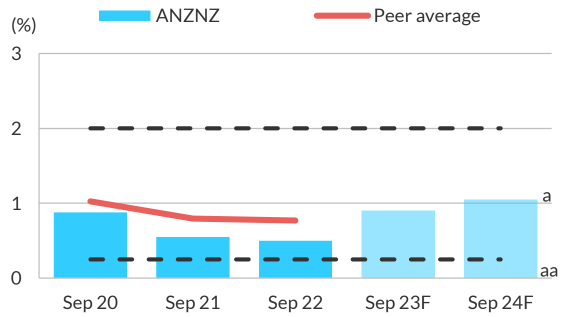
Financial Profile

Asset Quality

Rising interest rates are likely to contribute to a weakening in ANZNZ's asset-quality metrics through to FYE24. However, the deterioration would come from a strong base and low unemployment is likely to limit the risk of significant impairments and losses. Losses are most likely to come from the business lending exposures of the bank rather than the mortgage portfolio. We expect ANZNZ's stage 3 loans/gross loans to increase to 1.1% by FYE24, from 0.5% at FYE22, which would take the four-year average of this ratio to 0.7%.

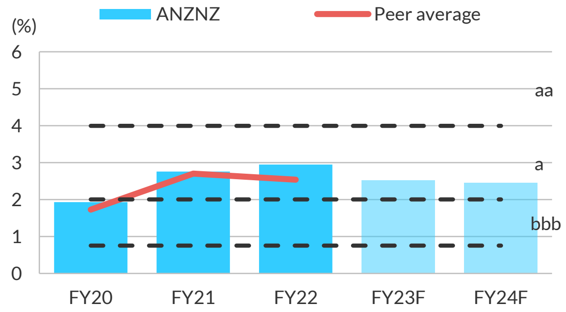
Loan-loss allowance coverage of impaired loans is likely to fall as impaired-loan balances rise. Coverage rose through FY22 to 88%, which appears adequate given the high level of security within the loan portfolio.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

We expect a modest expansion of ANZNZ's net interest margin during FY23 as interest rate increases offset strong competition for loans and an increase in funding costs. However, slower loan growth, some cost increases due to ongoing investment and inflation and more normal levels of loan impairment charges mean we expect the operating profit/RWA ratio to fall to about 2.5% in FY23 from nearly 3.0% in FY22.

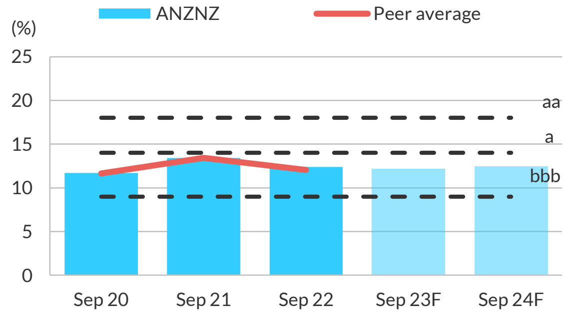
In addition, the implementation of the new capital framework will lead to an increase in risk density and result in higher RWAs. We have factored this into our forecast for FY23 and FY24. The forecast ratios would be about 10bp higher, excluding the implementation of the 1.2x scalar for exposures risk-weighted using internal models, which increased from 1.06x in October 2022.

Capitalisation and Leverage

ANZNZ should have little difficulty in meeting the RBNZ's new capital framework, with the bank likely to accumulate capital through the implementation period to meet the July 2028 CET1 ratio minimum (including buffers) of 13.5%. We expect the CET1 ratio to fall to 12.2% in FY23, from the 12.4% reported at FYE22, due to the implementation of the increased scalar.

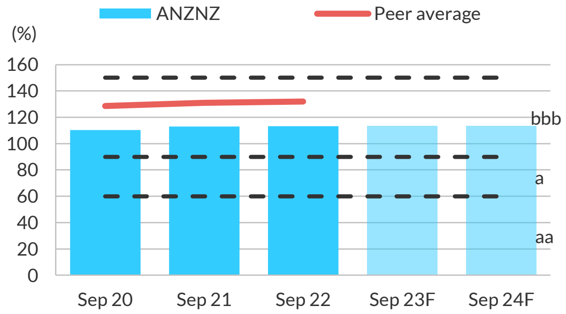
The new framework, which also includes a floor for modelled outcomes at 85% of the standardised approach, adds further conservatism to the risk-weighted regulatory capital ratios reported by New Zealand banks relative to many international peers. Our assessment of ANZNZ's capitalisation considers this conservatism when arriving at the factor score of 'a', which is above the 'bbb' category implied score. We also use non-risk-weighted ratios, such as the tangible common equity/tangible asset ratio, when assessing capitalisation as a result.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

We expect ANZNZ's loan and customer deposit growth rates to slow and be broadly in line with each other in FY23 and FY24, which should result in a stable loan/customer deposit ratio of around 113%. This would remain below pre-pandemic ratios, which were above 120%. ANZNZ's deposit base appears stable, with deposits from households making up over 60% of total deposits at FYE22, with the remainder well spread by industry.

Wholesale funding, including from offshore markets, remains an important part of ANZNZ's funding mix. The risk associated with this is managed well through sound liquidity management, robust contingency plans and diversification of products, investors and markets. The bank also benefits from being a part of the ANZ group, accessing wholesale funding markets at pricing it would otherwise not be able to obtain on a purely standalone basis. Foreign-exchange risk is managed through the use of fully collateralised hedges.

About Fitch Forecasts

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

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

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category. Light-blue columns represent Fitch's forecasts.

Peer average includes ASB Bank Limited (VR: a), Bank of New Zealand (a) and Westpac New Zealand Limited (a). The financial year end of ANZ Bank New Zealand Limited, Bank of New Zealand and Westpac New Zealand Limited is 30 September. The financial year end of ASB Bank Limited is 30 June.

Financials

Financial Statements

	30 Sep 22		30 Sep 21	30 Sep 20	30 Sep 19	30 Sep 18
	Year end	Year end	Year end	Year end	Year end	Year end
	(USDm)	(NZDm)	(NZDm)	(NZDm)	(NZDm)	(NZDm)
	Audited - unqualified (emphasis of matter)	Audited - unqualified (emphasis of matter)	Audited - Unqualified (emphasis of Matter)	Audited – unqualified (emphasis of matter)	Audited – unqualified (emphasis of matter)	Audited - unqualified
Summary income statement						
Net interest and dividend income	2,165	3,776.0	3,424.0	3,262.0	3,244.0	3,150.0
Net fees and commissions	309	539.0	555.0	558.0	666.0	660.0
Other operating income	315	550.0	210.0	281.0	175.0	426.0
Total operating income	2,789	4,865.0	4,189.0	4,101.0	4,085.0	4,236.0
Operating costs	948	1,653.0	1,621.0	1,724.0	1,608.0	1,517.0
Pre-impairment operating profit	1,841	3,212.0	2,568.0	2,377.0	2,477.0	2,719.0
Loan and other impairment charges	22	39.0	-114.0	403.0	101.0	55.0
Operating profit	1,819	3,173.0	2,682.0	1,974.0	2,376.0	2,664.0
Other non-operating items (net)	-1	-2.0	n.a.	-60.0	105.0	40.0
Tax	506	882.0	743.0	541.0	662.0	751.0
Net income	1,312	2,289.0	1,939.0	1,373.0	1,819.0	1,953.0
Other comprehensive income	-9	-15.0	-8.0	92.0	-35.0	-14.0
Fitch comprehensive income	1,304	2,274.0	1,931.0	1,465.0	1,784.0	1,939.0
Summary balance sheet						
Assets						
Gross loans	84,683	147,713.0	141,341.0	133,392.0	133,022.0	126,978.0
- Of which impaired	421	734.0	773.0	1,169.0	729.0	321.0
Loan loss allowances	370	646.0	585.0	694.0	497.0	512.0
Net loans	84,313	147,067.0	140,756.0	132,698.0	132,525.0	126,466.0
Interbank	450	785.0	237.0	378.0	193.0	656.0
Derivatives	8,875	15,481.0	9,304.0	9,702.0	11,666.0	8,086.0
Other securities and earning assets	12,329	21,505.0	22,658.0	24,866.0	18,590.0	16,587.0
Total earning assets	105,967	184,838.0	172,955.0	167,644.0	162,974.0	151,795.0
Cash and due from banks	6,494	11,327.0	7,234.0	7,466.0	2,066.0	2,064.0
Other assets	2,849	4,969.0	4,580.0	4,634.0	4,376.0	5,153.0
Total assets	115,309	201,134.0	184,769.0	179,744.0	169,416.0	159,012.0
Liabilities						
Customer deposits	74,718	130,330.0	125,129.0	120,863.0	109,108.0	103,124.0
Interbank and other short-term funding	9,291	16,207.0	11,452.0	8,423.0	6,917.0	7,890.0
Other long-term funding	10,940	19,082.0	19,061.0	21,998.0	23,767.0	22,696.0
Trading liabilities and derivatives	7,903	13,785.0	7,727.0	8,252.0	11,042.0	8,095.0
Total funding and derivatives	102,852	179,404.0	163,369.0	159,536.0	150,834.0	141,805.0
Other liabilities	1,149	2,005.0	2,067.0	1,898.0	1,712.0	1,659.0
Preference shares and hybrid capital	1,600	2,791.0	2,741.0	2,741.0	2,740.0	2,739.0
Total equity	9,708	16,934.0	16,592.0	15,569.0	14,130.0	12,809.0
Total liabilities and equity	115,309	201,134.0	184,769.0	179,744.0	169,416.0	159,012.0
Exchange rate		USD1 = NZD1.7443	USD1 = NZD1.454757	USD1 = NZD1.514463	USD1 = NZD1.593117	USD1 = NZD1.511487

Source: Fitch Ratings, Fitch Solutions, ANZNZ

Key Ratios

	30 Sep 22	30 Sep 21	30 Sep 20	30 Sep 19	30 Sep 18
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	3.0	2.8	1.9	2.5	3.2
Net interest income/average earning assets	2.1	2.0	2.0	2.1	2.1
Non-interest expense/gross revenue	34.0	38.7	42.0	39.4	35.9
Net income/average equity	13.7	11.9	9.2	13.5	15.0
Asset quality					
Impaired loans ratio	0.5	0.6	0.9	0.6	0.3
Growth in gross loans	4.5	6.0	0.3	4.8	7.4
Loan loss allowances/impaired loans	88.0	75.7	59.4	68.2	159.5
Loan impairment charges/average gross loans	0.0	-0.1	0.3	0.1	0.1
Capitalisation					
Common equity Tier 1 ratio	12.4	13.4	11.7	10.8	11.1
Tangible common equity/tangible assets	6.8	7.2	6.9	6.5	6.1
Net impaired loans/common equity Tier 1	0.7	1.5	4.0	2.2	-2.1
Funding and liquidity					
Gross loans/customer deposits	113.3	113.0	110.4	121.9	123.1
Customer deposits/total non-equity funding	77.4	79.0	78.5	76.6	75.6

Source: Fitch Ratings, Fitch Solutions, ANZNZ

Support Assessment

Shareholder Support	
Parent IDR	A+
Total Adjustments (notches)	0
Shareholder Support Rating:	**a+**
Shareholder ability to support	
Shareholder Rating	A+/ Stable
Shareholder regulation	Equalised
Relative size	1 Notch
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 indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

ANZNZ's IDRs, senior debt ratings and SSR reflect Fitch's assessment that there remains a very high probability of support from the Australian parent, ANZ, if required.

The IDRs are driven by the SSR, which is aligned with the Long-Term IDR of the parent, to reflect Fitch's assessment that ANZNZ remains a key and integral part of ANZ. New Zealand has been identified as a core market for ANZ and ANZNZ is the only New Zealand-incorporated bank within the group. Another factor that supports alignment with the parent ratings is our view that an ANZNZ default would constitute huge reputational risk to ANZ and damage the group's franchise. In addition, we would expect cooperation between the Australian and New Zealand banking regulators on the stability of their financial systems to allow the required support to flow to the subsidiary.

Our Outlooks on ANZNZ's Long-Term IDRs reflect the Stable Outlook on ANZ's Long-Term IDR.

Subsidiaries and Affiliates

ANZNZ issues foreign-currency wholesale funding through its wholly owned subsidiary, ANZ New Zealand (Int'l) Limited (ANZIL). ANZIL is used for funding purposes only and is not rated by Fitch; Fitch only rates the debt that it issues. The debt ratings are aligned with ANZNZ's IDRs, as ANZNZ guarantees ANZIL's senior unsecured debt instruments and the guarantee ranks pari passu with ANZNZ's senior unsecured debt.

The ratings of the guaranteed instruments issued by ANZIL would be downgraded if ANZNZ's IDRs are downgraded or upgraded if ANZNZ's IDRs are upgraded.

Environmental, Social and Governance Considerations

Overall ESG

5
4
3
2
1

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

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

Environmental (E)

General Issues	Score	Impact	Sector-Specific Issues	Reference
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

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	Score	Impact	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

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	Score	Impact	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)

G Scale: 5, 4, 3, 2, 1

Unless otherwise disclosed in this section, the highest level of environmental, social and governance (ESG) credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.