FitchRatings

Banks
Retail & Consumer Banks
Spain

Santander Consumer Finance, S.A.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F2
Viability Rating	a-
Shareholder Support Rating	a-
Sovereign Risk (Spain)	
Long-Term Foreign-Currency IDR	A-
Long-Term Local-Currency IDR	A-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Key Rating Drivers

Strong Consumer Finance Franchise: Santander Consumer Finance, S.A.'s (SCF) ratings reflect a strong consumer finance franchise in Europe, sound earnings generation capacity through economic cycles and adequate capitalisation. Reliance on wholesale funding is gradually reducing but remains high. Fitch Ratings' assessment of funding and liquidity, and capitalisation and leverage reflects potential ordinary support from Banco Santander S.A. (A-/Stable).

The Viability Rating (VR) also factors in some degree of stability in SCF's asset quality, despite the cyclical nature of its business, its conservative underwriting and sound risk controls.

Very High Shareholder Support Probability: The bank's Issuer Default Ratings (IDRs) are underpinned by potential shareholder support and are reflected in the Shareholder Support Rating (SSR) of 'a-'. Fitch believes Banco Santander has strong incentives to support its fully owned subsidiary, as it considers SCF to be a core and integral part of the group. Our shareholder support assessment is supported by SCF's high level of integration with Banco Santander, including risk management and controls, and its role in group.

Leading European Consumer Lender, Stable Business: SCF has a leading franchise in European consumer finance ranking among the top players in the markets in which it operates. Its business model is concentrated on consumer finance but benefits from geographical diversification, adequate product diversification and a granular client base.

Well-Managed Risks: The bank's focus on auto lending, which we view as lower-risk than the unsecured consumer lending, results in moderate risk appetite. However, its tight underwriting standards, sound risk controls, geographical diversification mitigates risks resulting in stable asset quality throughout the cycle. Risk governance is robust and benefits from high operational integration with Banco Santander.

Stable Asset Quality: Asset-quality metrics have been resilient in the past few years, supported by recurrent write-offs, with an impaired loan ratio of around 2% and a good reserve coverage ratio. Loan impairment charges (LICs)/gross loans increased to 80bp 1H24, but we believe this should gradually revert to structural levels at 60bp-70bp by 2026.

Profitability to Recover: SCF's franchise, adequate risk-pricing and operating efficiency result in structurally resilient operating profitability. Operating profit has been on average 2.5% of risk-weighted assets (RWAs) over the past decade. Unlike most European banks, SCF did not immediately benefit from higher interest rates, due the slow repricing of its loan book and a rise in funding costs. However, we expect the bank's profitability to return to its long-term average over 2025-2026, supported by the gradual repricing of assets and falling funding costs.

Adequate Capitalisation: Capital ratios are adequate considering SCF's risk profile and have satisfactory buffers over requirements. Capitalisation is supported by established earnings generation and potential ordinary support from its parent. We expect the bank to maintain a common equity Tier 1 ratio of 12%-12.5% in the medium term, in line with the group's target.

Diversified Funding Profile: SCF's funding relies on wholesale funding but funding is stable and more diversified than other wholesale-funded bank. Wholesale funding comprises unsecured and secured debt, and intragroup funding. SCF raises deposits (about 43% of total non-equity funding at end-June 2024), mainly through its northern European subsidiaries, and is planning to increase its deposit base to reduce the cost of funding. SCF has well-established access to the capital markets and would be able to increase intragroup funding if needed.

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Global Economic Outlook (September 2024)

Global Corporates Macro and Sector Forecasts (September 2024)

Fitch Affirms Santander Consumer Finance at 'A-'; Outlook Stable (October 2024)

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Rating Sensitivities

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

SCF's IDRs would be downgraded if Banco Santander's IDRs and SCF's VR were downgraded. A downgrade of Banco Santander's VR, and hence its Long-Term IDR, would likely trigger a downgrade of SCF's VR, given the contagion stemming from the close interlinks between the two banks in the form of operational integration, intragroup funding and the parent bank's policy to upstream subsidiaries' capital through dividends.

The most likely trigger for a downgrade of SCF's VR would be the bank's inability to maintain its good earnings-generation capacity, resulting in an operating profit structurally below 2% of RWAs. This could stem from a structural deterioration in SCF's revenue (e.g. prolonged lower business activity or loss of captive agreements), higher-than-expected credit charges or inability to manage its cost of funding as planned.

SCF's SSR would be downgraded if Banco Santander's IDR was downgraded, if the consumer finance unit becomes less strategic for the group or if SCF becomes significantly less integrated, which Fitch does not expect.

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

Positive rating action would require an upgrade of Banco Santander's IDRs, which in turn would require an upgrade of Spain's sovereign rating, resulting in a better assessment of the group's operating environment. An upgrade of SCF's VR is unlikely, due to its business profile and concentrated business model.

Other Debt and Issuer Ratings

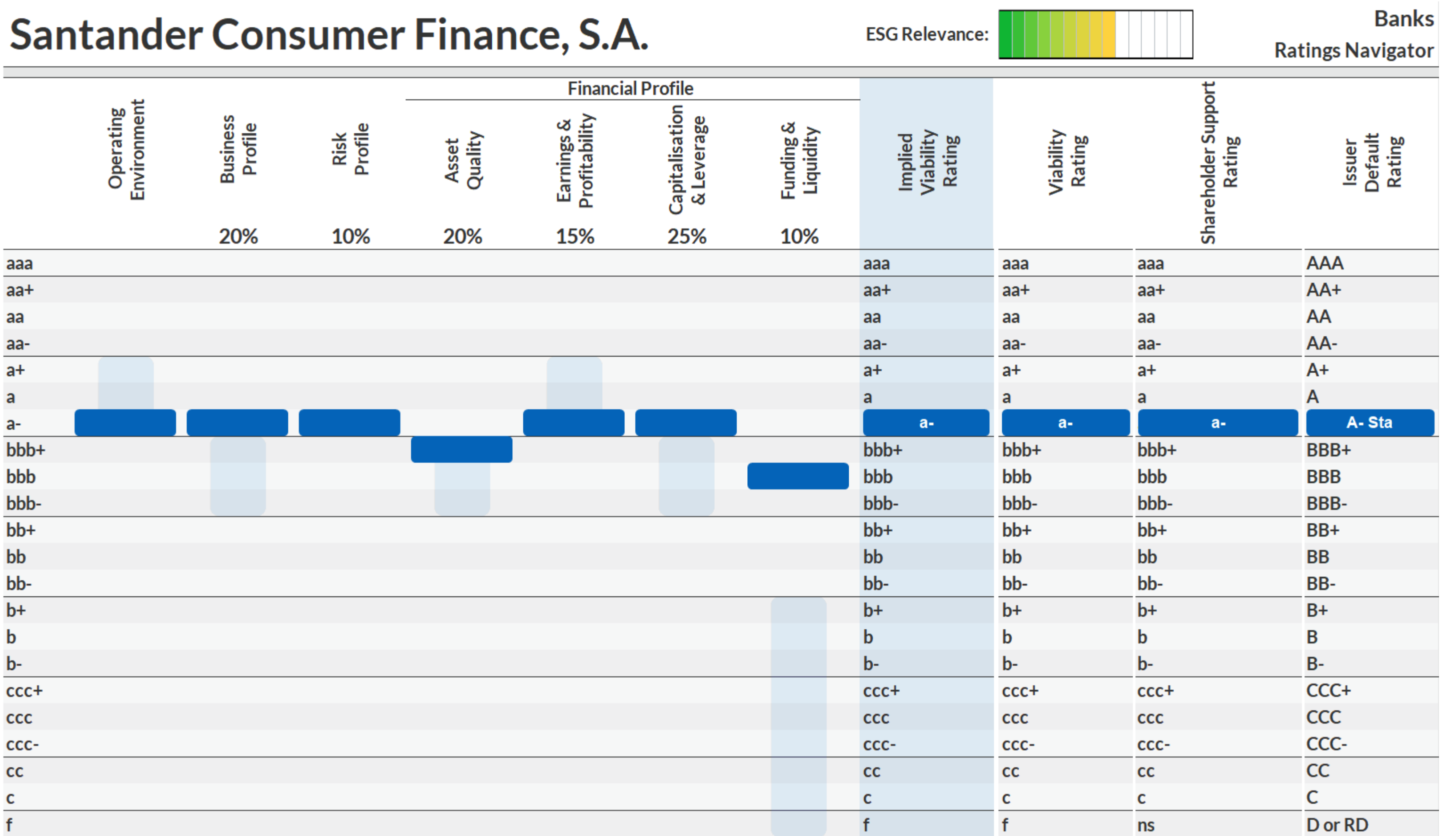
Rating level	Rating
Deposits (Long-Term/Short-Term)	A/ F1
Senior Preferred (Long-Term/Short-Term)	A/ F1

Source: Fitch Ratings

SCF's long-term senior preferred debt and deposit ratings are rated one notch above SCF and Banco Santander's Long-Term IDRs to reflect the protection that accrues from buffers of junior and senior non-preferred debt in the resolution perimeter. Fitch estimates that the buffer of qualifying junior debt and senior non-preferred debt exceeds 10% of RWAs (after deconsolidating subsidiaries that are in different resolution groups) on a sustained basis.

The short-term senior preferred debt and deposit ratings of 'F1' benefit from the fact that equivalent long-term senior debt and deposit ratings have been notched up to reflect protection.

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 ‘a-’ operating environment score is in line with the ‘a’ implied category score. International operations were identified as a relevant positive factor in the assessment.

The ‘a-’ business profile score is above the ‘bbb’ implied category score due to the following adjustment reason: group benefits and risks (positive).

The ‘a-’ capitalisation & leverage score is above the ‘bbb’ implied category score due to the following adjustment reason: capital flexibility and ordinary support (positive).

The ‘bbb’ funding & liquidity score is above the ‘b & below’ implied category score due to the following adjustment reasons: non-deposit funding (positive), ordinary support (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Recovering Consumption, Slowing Auto Sales

European auto sales have been slowly recovering in the past two years from the very low levels after the pandemic. New vehicle sales increased by 4% in both 2023 and 1H24, but growth has been slowing down in recent months and most automakers are lowering their growth estimates for coming years. We expect growth to continue but at a low single digit in the medium-term, not reaching pre-pandemic sales volumes in the medium-term.

The transition towards electric vehicles is much slower than originally expected, as buyers are more interested in hybrid rather than electric vehicles. European automakers (OEMs) are adapting to this and have scaled back their investments for electric vehicles. Chinese OEMs are growing in Europe and are expected to increase their market shares in the medium/long term due to their lower prices. However, the provisional EU tariffs on Chinese electric vehicles should partly protect European OEMs market share from further erosion, particularly as demand for electric vehicles in in decline.

Fitch's Projections (%)

	2019	2020	2021	2022	2023	2024F	2025F
Eurozone consumer spending (yoy growth, %)	1.6	-7.9	3.8	4.2	0.7	0.7	1.3
Global new vehicle sales (m)	89.7	77.6	80.7	79.9	88.8	89.8	91.3
European new vehicle sales – including UK (m)	15.8	12.0	11.8	11.2	12.7	12.9	13.0/13.3

Source: Fitch Ratings, Fitch Solutions

Business Profile

Leading European Consumer Lender

SCF is the consumer lending arm in Europe of Banco Santander. It has a leading franchise in auto loans with good pricing power, although consumer finance is a mature market in Europe, with strong competition. The bank also provides durables financing and other consumer lending products. The bank built a meaningful fee base from cross-selling services, mostly insurance products, although reliance on net interest income (NII) continues to be significant.

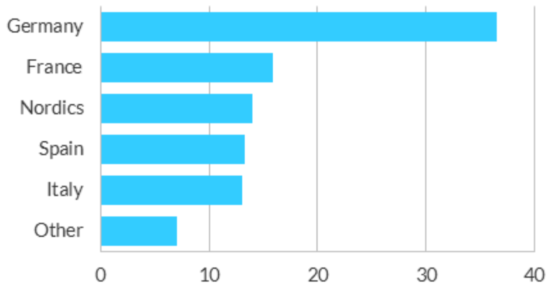
The bank uses agreements with auto-manufacturers and retail store chains, which provide recurrent business volumes and generally good credit loan quality. The main partner is Stellantis N.V. and the agreement was extended following the merger of Fiat Chrysler and PSA Group. With this new agreement, SCF became the captive finance provider for all brands of the auto manufacturer in seven European countries, including France, Italy and Spain, while SCF lost the German and UK business. This agreement increases concentration on one OEM, but brand and country diversification should mitigate risks, and provide growth opportunities where SCF was not particularly strong.

SCF is part of Digital Consumer Bank, one of Santander's five global business units, which also includes the consumer finance business outside SCF's legal perimeter (i.e. subsidiaries in the UK and Poland) and the digital bank Openbank. As such, SCF benefits from its integration into the group, including technology synergies and client relationships. It also benefits from Openbank's cheap deposit base, which is partially channelled to SCF to complement its funding needs.

Good Execution, Coherent Strategy

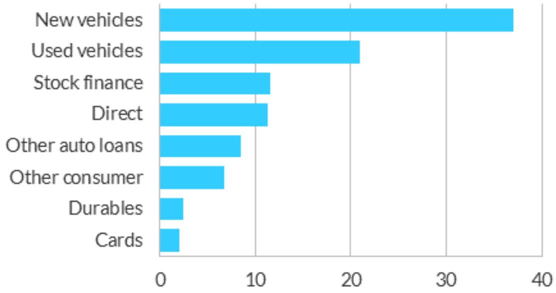
SCF has historically shown good execution skills in implementing its strategy and business plans, aided by the quality of its management, sound geographical diversification and parent support. Its strategic plan focuses on strengthening its franchise in consumer finance and financing of e-commerce buyers and merchants. To achieve this, it will expand and renew captive agreements, and invest in IT and digitalisation to simplify and enhance customer experience. SCF will also continue to expand its leasing, subscription and fleet financing capabilities, where the bank's positioning is weaker than in other business lines. At the same time, the bank will aim at improving the cost/income ratios of less-efficient units and strengthening its funding profile via growing customer deposit base.

Loan Split by Geography (%)
End-June 2024



Source: Fitch Ratings, Fitch Solutions, SCF

Loan Book by Segment (%)
End-June 2024



Source: Fitch Ratings, Fitch Solutions, SCF

Risk Profile

Cyclical but Highly Collateralised Business

SCF is mainly exposed to credit risk from its lending activities (81% of total assets at end-June 2024). SCF's risk governance benefits from its sound risk-management framework and conservative underwriting standards.

The auto-financing, which is a lower-risk consumer finance segment given its secured nature, makes more than 70% of total gross loans and its well diversified by geography. Credit application process is highly automatised and regularly updated to reflect new economic environment conditions and changes in customer behaviour. Systems are complemented with statistical scorecards as well as with diversified sources of client data (mainly credit bureaus) that increase the models' strength and stability. For car-stock financing, the admission process is based on internal ratings, and the bank monitors ageing stock and sets ad-hoc plans for preventing or mitigating obsolescence risks.

SCF adheres to Santander's operational risk framework, with a set of processes, indicators and assessment to monitor non-financial risk exposure. Modest operational losses in recent years mainly stem from external fraud and litigation claims, while residual risks remain small despite SCF growing its leasing and subscription services.

Auto Sales Slowing, SCF Benefitting from New Agreements

SCF business volumes have benefited from acquisitions and partnerships with auto makers to increase their volumes. SCF has successfully executed these integrations, while at the same time continuing to organically grow its business without altering its overall risk profile. The group has also consistently grown organically through new agreements with car manufacturers (most recently, with Stellantis) and a broader range of physical and online retailers, highlighting that its critical mass in most markets is a strong lever to achieve new business volumes.

In 2023-1H24 the loan book continued to increase by 8% and 2%, respectively, supported by the recovery in new auto sales and the agreement with Stellantis. We expect growth to slow in 2H24-2026, as anticipated by most OEMs, and business volumes to rise only by low single digits, in line with Fitch's forecasts for the automotive sector. The bank is also growing strongly in leasing helped by acquisitions and the bank's strong operational capabilities.

Contained Market Risks Despite Higher Interest Rates

SCF does not undertake any trading activity and exchange-rate risks arise from permanent investments in participation with associate entities, mainly in the Nordics. Assets in non-euro currencies are funded with liabilities in the same currency, limiting exchange-rate risks. Exchange-rate risk is managed centrally at parent level.

SCF has a negative sensitivity to higher interest rates in the short term due to the structure of its balance sheet, as it is heavily reliant on wholesale funding and has a large proportion of loans having fixed interest rates.

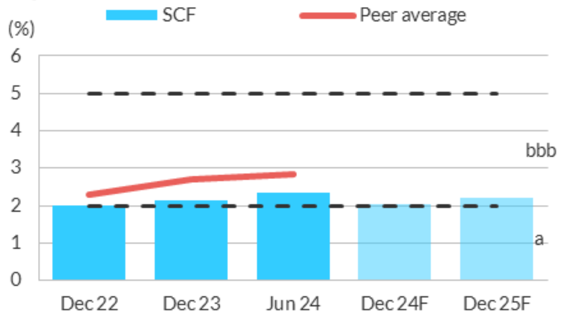
Financial Profile

Asset Quality

SCF's robust underwriting standards and risk controls, together geographic diversification, have supported its fairly stable asset quality through economic cycles. Its impaired loan ratio has ranged from a peak of 5.5% in 2010 to a low of about 2% in recent years (end-June 2024: 2.5% including net write-offs). Stable asset-quality metrics also reflect extensive use of write-offs, a strong collection model and recurring portfolio sales.

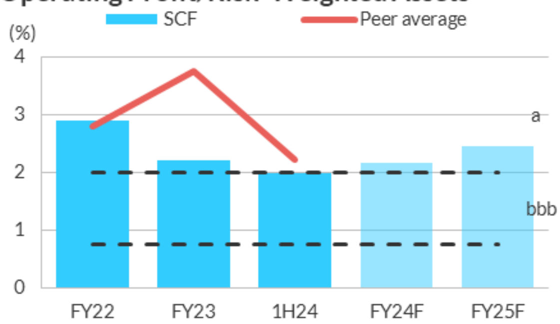
Stage 2 loans have also been stable in recent years and represented 3.4% of gross loans at end-June 2024, while the stock of restructured operations remains small at below 1% of gross loans. SCF's level of repossessed assets is small as the entity's policy is to sell all repossessions in a narrow timeframe through sales to individuals and dealers or auctions.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

SCF has maintained a strong earnings generation capacity through the cycle, although the higher interest rates have had a negative short-term impact on overall profitability. Operating profit decreased to 2% of RWAs in 1H24, as the bank did not benefit as much from the higher rates as other European banks, due to SCF's reliance on interbank and wholesale funding and fixed rate loans. NII started to recover in 1H24 (+4% yoy) while revenue was supported by a partial recovery of net fees and commissions of 14% yoy after a large 8% decline in 2023 due to a new regulation and lower direct volumes in Germany. However, these improvements were offset by a material increase in LICs from a temporary deterioration in some segments.

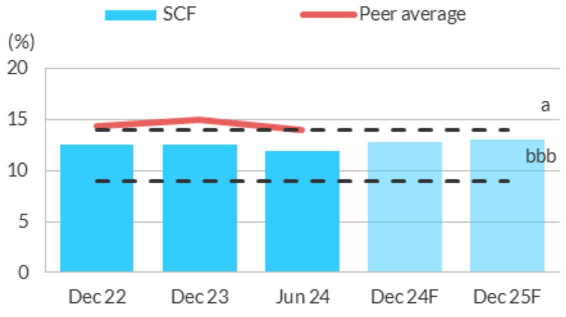
Costs were broadly stable, as the bank was able to offset the inflationary pressures helped by some restructuring in some regions and the bank's efforts to reduce cost base through common hubs and IT platforms. We believe SCF will continue to reduce the pressures from cost inflation through these strategies.

Profitability should benefit in the medium term from the increased prices of new production, continued growth of the loan book, and the bank's strategy to reduce cost of funding by increasing the share of customer deposits in the funding mix. We also expect income from operational leasing to continue increasing. Together, these should more than offset growth in operating costs and sustained LICs.

Capitalisation and Leverage

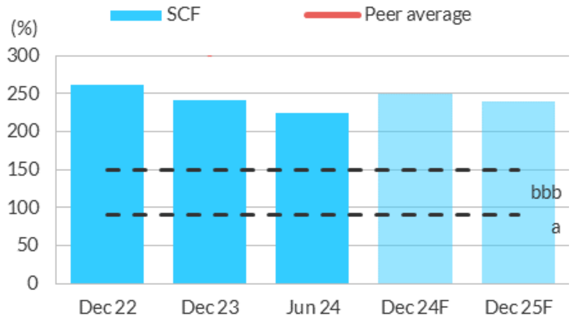
SCF's CET1 and total capital ratios of 12% and 16.2% at end-June 2024, respectively, compared well with the regulatory requirements of 7.89% and 12.05%. The bank aims to maintain a CET1 ratio of around 12% as earnings generation should offset planned business growth and dividend distribution to the parent. The risk-weight density stood at 55% at end-June2024 and the leverage ratio was satisfactory at 8.3%. The bank calculates some credit risk RWAs under internal ratings-based (IRB) models and is in the process to migrate some other portfolios to IRB in the medium term. The bank also undertakes securitisations to transfer risk on a regular basis. SCF, as a material entity of the parent's resolution perimeter, needs to meet an internal MREL requirement and places all MREL instruments at Banco Santander, while issuing only senior preferred debt externally.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

SCF is largely wholesale funded (60% of total funding at end-June 2024) but the contribution of retail customer deposits has been growing in recent years, reflecting a strategy to reduce the cost of funding. The bank has ambitious plans to increase deposits to reduced its loans/deposits ratio closer to 100% (including deposits from Openbank), although we believe this objective will take time and growth could be more challenging under the current interest rate environment, where competition is higher. While SCF benefits from its parent's brand in acquiring new customers, its deposit base is more price sensitive than the group or other retail banks.

Unsecured long-term funding includes senior preferred bonds placed in the market and MREL-eligible debt placed at the parent, while unsecured short-term funding is mainly short-term commercial paper. ABS funding (14% of total funding at end-June 2024) provides SCF with a cheap funding source that can be retained to meet internal liquidity requirements. This type of ABS has a good market perception as the underlying assets tend to have short lives, good residual values, and diversified pools. The bank has also access to intragroup funding from Santander (10% of total funding).

SCF manages its liquidity both at consolidated and at country level with internal limits that abide to the different legal frameworks and requirements of each operating unit. The end-June 2024 liquidity coverage ratio (385%) and net stable funding ratio (113%) were adequate, in our view. Refinancing risk from debt maturities is mitigated by the short-term nature of its loan book.

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 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 Santander Consumer Bank AG (VR: a-), Santander Consumer Bank AS (bbb+), Banco Santander, S.A. (a-), CA Auto Bank S.p.A. (bb+).

Financials

Summary Financials

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	6 months - interim (USDm) Audited - unqualified (emphasis of matter)	6 months - interim (EURm) Audited - unqualified (emphasis of matter)	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified
Summary income statement					
Net interest and dividend income	1,888	1,757.0	3,425.4	3,571.4	3,558.3
Net fees and commissions	444	412.9	729.3	783.5	761.5
Other operating income	150	139.9	371.1	291.3	122.8
Total operating income	2,482	2,309.8	4,525.8	4,646.2	4,442.6
Operating costs	1,125	1,047.3	2,093.4	1,945.4	1,855.2
Pre-impairment operating profit	1,357	1,262.5	2,432.4	2,700.8	2,587.4
Loan and other impairment charges	502	467.0	683.8	451.9	495.1
Operating profit	855	795.5	1,748.6	2,248.9	2,092.3
Other non-operating items (net)	-88	-81.9	52.1	-41.0	-68.4
Tax	228	212.5	479.5	606.3	533.2
Net income	538	501.1	1,321.2	1,601.6	1,490.7
Other comprehensive income	-24	-22.6	-100.9	58.0	61.8
Fitch comprehensive income	514	478.5	1,220.3	1,659.6	1,552.5
Summary balance sheet					
Assets					
Gross loans	128,967	120,025.4	117,641.7	108,455.9	101,674.8
- Of which impaired	3,034	2,823.8	2,512.9	2,180.0	2,033.1
Loan loss allowances	2,502	2,328.3	2,133.3	1,956.1	2,115.2
Net loans	126,466	117,697.1	115,508.4	106,499.8	99,559.6
Interbank	746	694.5	1,367.8	342.8	363.6
Derivatives	379	352.4	631.8	916.6	126.8
Other securities and earning assets	6,163	5,735.5	5,258.0	7,727.1	5,502.9
Total earning assets	133,753	124,479.5	122,766.0	115,486.3	105,552.9
Cash and due from banks	11,311	10,526.8	11,278.5	6,826.2	18,965.1
Other assets	10,687	9,946.4	9,303.0	7,967.2	6,413.2
Total assets	155,752	144,952.7	143,347.5	130,279.7	130,931.2
Liabilities					
Customer deposits	57,562	53,570.6	48,751.7	41,327.3	39,088.5
Interbank and other short-term funding	29,994	27,914.7	33,688.0	35,760.0	36,465.3
Other long-term funding	44,977	41,858.3	39,150.6	32,616.6	35,964.8
Trading liabilities and derivatives	587	546.4	783.9	659.8	186.8
Total funding and derivatives	133,120	123,890.0	122,374.2	110,363.7	111,705.4
Other liabilities	7,451	6,934.6	6,594.6	5,723.8	5,831.5
Preference shares and hybrid capital	1,289	1,200.0	1,200.0	1,200.0	1,200.0
Total equity	13,891	12,928.1	13,178.7	12,992.2	12,194.3
Total liabilities and equity	155,752	144,952.7	143,347.5	130,279.7	130,931.2
Exchange rate		USD1 = EUR0.930665	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, SCF

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.0	2.2	2.9	2.9
Net interest income/average earning assets	2.9	2.9	3.3	3.4
Non-interest expense/gross revenue	46.0	47.1	42.8	42.4
Net income/average equity	7.7	10.2	12.7	11.9
Asset quality				
Impaired loans ratio	2.4	2.1	2.0	2.0
Growth in gross loans	2.0	8.5	6.7	2.0
Loan loss allowances/impaired loans	82.5	84.9	89.7	104.0
Loan impairment charges/average gross loans	0.8	0.6	0.4	0.5
Capitalisation				
Common equity Tier 1 ratio	12.0	12.5	12.5	12.6
Basel leverage ratio	8.3	8.5	8.9	9.4
Net impaired loans/common equity Tier 1	5.2	3.8	2.3	-0.9
Funding and liquidity				
Gross loans/customer deposits	224.1	241.3	262.4	260.1
Liquidity coverage ratio	385.0	357.0	240.0	319.0
Customer deposits/total non-equity funding	43.0	39.7	37.3	34.7
Net stable funding ratio	113.0	111.0	109.0	115.0

Source: Fitch Ratings, Fitch Solutions, SCF

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	Equalised
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

SCF's SSR of 'a-' is in line with Banco Santander's Long-Term IDR of 'A-' to reflect our view that SCF is core and integral to the group, resulting in an extremely high probability of support. Our assessment of shareholder support also considers that the parent and SCF operate in the same jurisdiction, are subject to the same regulations, and belong to the same resolution group in Spain. The high integration of SCF's operations, risk management and controls with those of Banco Santander, as well as SCF's long and successful record of supporting group objectives, also contribute to our overall support assessment.

Environmental, Social and Governance Considerations

FitchRatings **Santander Consumer Finance, S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Santander Consumer Finance, S.A. has 5 ESG potential rating drivers				ESG Relevance to Credit Rating
Santander Consumer Finance, S.A. 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.	key driver	0	issues	5
Governance is minimally relevant to the rating and is not currently a driver.	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	5	issues	2
		4	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	2	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 result in 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.

Unless otherwise disclosed in this section, the highest level of 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. 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 www.fitchratings.com/esg

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.