

**BANK LEUMI LE-ISRAEL B.M.**

Registrar Number: 520018078

To: Israel Securities  
Authority  
[www.isa.gov.il](http://www.isa.gov.il)

To: Tel Aviv Stock  
Exchange Ltd.  
[www.tase.co.il](http://www.tase.co.il)

T125 (Public)

Magna transmission  
date: 07/10/2024  
Reference: 2024-01-  
608460

**Supplemental report to a report submitted on 15/08/2024, reference number: 2024-01-088537**

**Main details added / supplemented:** *Further to the rating report of Fitch Ratings of August 15, 2024, on October 7, 2024 Fitch Ratings published a supplemental detailed report with respect to the Bank, which is attached to this report (in lieu of the original report that was attached to the report of August 15, 2024).*

**IMMEDIATE REPORT OF BOND RATING / CORPORATE RATING OR  
WITHDRAWAL OF RATING**

On 15/08/2024 Fitch Ratings published: *Other*

- A rating report / notice *Current*  
 A rating withdrawal notice

1. A rating report or notice

Rating of the corporation: *Other* *A-/F1 Fitch Ratings* \_\_\_\_\_ *negative*

Comments / nature of notice: *Rating downgrade* \_\_\_\_\_

Ratings history for the 3 years preceding the rating / notice date:

Date	Subject of rating	Rating	Comments / nature of notice
04/04/2024	<i>Bank Leumi le-Israel B.M.</i>	<i>Other A/F1+ Fitch Ratings</i> _____ <i>negative</i>	<i>Other</i> <i>Rating affirmation,</i> <i>Outlook downgrade</i>
15/01/2024	<i>Bank Leumi le-Israel B.M.</i>	<i>Other A/F1+ Fitch Ratings</i> _____ <i>None / NOO</i>	<i>Watchlist</i> <i>(negative) / rating</i> <i>review (negative)</i> _____
13/12/2023	<i>Bank Leumi le-Israel B.M.</i>	<i>Other A/F1+ Fitch Ratings</i> _____ <i>None / NOO</i>	<i>Watchlist</i> <i>(negative) / rating</i> <i>review (negative)</i> _____

19/10/2023	Bank Leumi le-Israel B.M.	Other A/F1+ Fitch Ratings _____ None / NOO	Watchlist (negative) / rating review (negative) _____
26/01/2023	Bank Leumi le-Israel B.M.	Other A/F1+ Fitch Ratings _____ stable	Rating affirmation _____
22/12/2022	Bank Leumi le-Israel B.M.	Other A/F1+ Fitch Ratings _____ stable	Rating affirmation _____
12/01/2022	Bank Leumi le-Israel B.M.	Other A/F1+ Fitch Ratings _____ stable	Rating affirmation _____

Explanation: In the rating history, list only the rating history of the rating agency that is the subject of the immediate report

Rating of the corporation's bonds:

Name and type of security	TASE security number	Rating agency	Current rating	Comments / nature of notice
Leumi I - \$ 2031	6040489	Other Fitch Ratings	Other BBB Fitch Ratings _____ None / NOO	Rating affirmation _____
Leumi I - \$ 2027	6040687	Other Fitch Ratings	Other A- Fitch Ratings _____ None / NOO	Rating downgrade _____
Leumi I - \$ 2033	6040679	Other Fitch Ratings	Other BBB Fitch Ratings _____ None / NOO	Rating affirmation _____

The rating history in the 3 years preceding the date of the rating / notice:

Name and type of security	TASE security number	Date	Type of rated security	Rating	Comments / nature of notice
Leumi I - \$ 2031	6040489	04/04/2024	Bonds	Other BBB Fitch Ratings _____ None / NOO	Other Rating affirmation, outlook downgrade
Leumi I - \$ 2031	6040489	15/01/2024	Bonds	Other BBB Fitch Ratings _____ None / NOO	Watchlist (negative) / rating review (negative) _____
Leumi I - \$ 2031	6040489	13/12/2023	Bonds	Other BBB Fitch Ratings	Watchlist (negative) /

				_____ None /NOO	rating review (negative) _____
<i>Leumi I - \$ 2031</i>	6040489	19/10/2023	<i>Bonds</i>	<i>Other BBB Fitch Ratings</i> _____ None /NOO	<i>Watchlist (negative) / rating review (negative)</i> _____
<i>Leumi I - \$ 2031</i>	6040489	26/01/2023	<i>Bonds</i>	<i>Other BBB Fitch Ratings</i> _____ None /NOO	<i>Rating affirmation</i> _____
<i>Leumi I - \$ 2031</i>	6040489	22/12/2022	<i>Bonds</i>	<i>Other BBB Fitch Ratings</i> _____ None /NOO	<i>Rating affirmation</i> _____
<i>Leumi I - \$ 2031</i>	6040489	12/01/2022	<i>Bonds</i>	<i>Other BBB Fitch Ratings</i> _____ None /NOO	<i>Rating affirmation</i> _____
<i>Leumi I - \$ 2027</i>	6040687	04/04/2024	<i>Bonds</i>	<i>Other A Fitch Ratings</i> _____ None /NOO	<i>Other Rating affirmation, outlook downgrade</i>
<i>Leumi I - \$ 2027</i>	6040687	15/01/2024	<i>Bonds</i>	<i>Other A Fitch Ratings</i> _____ None /NOO	<i>Watchlist (negative) / rating review (negative)</i> _____
<i>Leumi I - \$ 2027</i>	6040687	13/12/2023	<i>Bonds</i>	<i>Other A Fitch Ratings</i> _____ None /NOO	<i>Watchlist (negative) / rating review (negative)</i> _____
<i>Leumi I - \$ 2027</i>	6040687	19/10/2023	<i>Bonds</i>	<i>Other A Fitch Ratings</i> _____ None /NOO	<i>Watchlist (negative) / rating review (negative)</i> _____
<i>Leumi I - \$ 2027</i>	6040687	26/01/2023	<i>Bonds</i>	<i>Other A Fitch Ratings</i> _____ None /NOO	<i>Rating affirmation</i> _____

<i>Leumi I - \$ 2027</i>	6040687	22/12/2022	<i>Bonds</i>	<i>Other A Fitch Ratings _____ None / NOO</i>	<i>Rating affirmation _____</i>
<i>Leumi I - \$ 2027</i>	6040687	18/07/2022	<i>Bonds</i>	<i>Other A Fitch Ratings _____ None / NOO</i>	<i>Initial rating _____</i>
<i>Leumi I - \$ 2033</i>	6040679	04/04/2024	<i>Bonds</i>	<i>Other BBB Fitch Ratings _____ None / NOO</i>	<i>Other Rating affirmation, outlook downgrade</i>
<i>Leumi I - \$ 2033</i>	6040679	15/01/2024	<i>Bonds</i>	<i>Other BBB Fitch Ratings _____ None / NOO</i>	<i>Watchlist (negative) / rating review (negative) _____</i>
<i>Leumi I - \$ 2033</i>	6040679	13/12/2023	<i>Bonds</i>	<i>Other BBB Fitch Ratings _____ None / NOO</i>	<i>Watchlist (negative) / rating review (negative) _____</i>
<i>Leumi I - \$ 2033</i>	6040679	19/10/2023	<i>Bonds</i>	<i>Other BBB Fitch Ratings _____ None / NOO</i>	<i>Watchlist (negative) / rating review (negative) _____</i>
<i>Leumi I - \$ 2033</i>	6040679	26/01/2023	<i>Bonds</i>	<i>Other BBB Fitch Ratings _____ None / NOO</i>	<i>Rating affirmation _____</i>
<i>Leumi I - \$ 2033</i>	6040679	10/01/2023	<i>Bonds</i>	<i>Other BBB Fitch Ratings _____ None / NOO</i>	<i>Initial rating _____</i>

**Explanation: In the rating history, list only the rating history of the rating agency that is the subject of the immediate report**

The rating report is attached herewith: [Sanitized isa.pdf\\_43628](#)

2. On (date) \_\_\_\_\_, \_\_\_\_\_ announced a rating withdrawal for:  
\_\_\_\_\_

**Details of the signatories authorized to sign on behalf of the corporation:**

	<b>Name of signatory</b>	<b>Position</b>
<b>1</b>	<i>Omer Ziv</i>	<i>Other Head of Capital Markets Division</i>

Explanation: According to Regulation 5 of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970, a report filed pursuant to these regulations shall be signed by those authorized to sign on behalf of the corporation. The staff's position on this matter can be found on the Authority's website: [click here](#).

*Following the downgrade of the State of Israel's rating, Fitch Ratings is downgrading the rating of the Bank (and of other Israeli banks) for the long-term (A-) and the short-term (F1), with a negative rating outlook.*

*For further details regarding the rating, see the attached file.*

Reference numbers of previous documents pertaining to the matter (the citation does not constitute incorporation by way of reference):

The corporation's securities are listed for trade on the Tel Aviv Stock Exchange

Form structure revision date: 06/08/2024

Abbreviated name: Leumi

Address: 3 Abba Hillel Silver, Lod 7129404 Telephone: 076-8858111, 076-8859419 Fax: 076-8859732

E-mail: [David\\_S@bll.co.il](mailto:David_S@bll.co.il) Company website: [www.leumi.co.il](http://www.leumi.co.il)

Previous names of reporting entity:

Name of electronic reporter: Bainhoren Shelly, Position: Bank Secretary, Name of Employing Company:

Address: 3 Abba Hillel Silver, Lod 7129404 Telephone: 076-8859419 Fax: E-mail:

[Shelly.Bainhoren@BankLeumi.co.il](mailto:Shelly.Bainhoren@BankLeumi.co.il)

# Bank Leumi Le-Israel B.M.

## Update

### Key Rating Drivers

**State Support Drives IDRs:** Bank Leumi Le-Israel B.M.'s Issuer Default Ratings (IDRs) reflect Fitch Ratings' view of a very high probability that Israel (A/Negative/F1+) would provide support to the bank, if needed. Fitch assesses Israel's ability and propensity to support Leumi as very high, particularly given the bank's systemic importance, accounting for about 30% of banking system assets.

**Strong Domestic Franchise:** Leumi's Viability Rating (VR) reflects its strong franchise in retail and corporate banking as Israel's largest bank by total assets. Asset quality and earnings are likely to come under pressure from the ongoing war, but we expect them to remain resilient from a strong starting position. The VR also reflects Leumi's sound funding given its diversified and granular deposit base and adequate capitalisation.

**Market Risk Appetite Above Peers':** Underwriting is similar to domestic peers' and influenced by tight regulatory limits. Market risk exposure in the banking book is in line with peers' and appropriately controlled by internal risk limits. However, the bank is also exposed to market risk from equity investments in non-financial companies, typically made through Leumi Partners. The book value of these investments amounted to 9% of Leumi's consolidated common equity Tier 1 (CET1) capital at end-2023. We do not expect this exposure to increase significantly.

**Asset-Quality Pressures:** Impaired loans decreased to 0.6% of gross loans by end-1H24 (0.8% at end-2023). We expect higher loan impairment charges as loans season, given high loan growth in recent years, and due to the macroeconomic impact of the war. Asset quality will also be affected by higher interest rates and high inflation, but we expect impaired loans to remain below 1.5% over the next two years due to sound underwriting and a resilient operating environment.

**Strong Earnings Recovery:** Leumi's operating profit has benefitted from improving margins due to increasing interest rates as well as higher loan balances. Higher inflation has supported earnings given the bank's net long exposure to the consumer price index. We expect continued positive profitability, driven by higher interest rates and improved cost efficiency.

**Capital Buffers Adequate:** Headroom in our capitalisation score is limited, but capitalisation remains adequate, with a common equity Tier 1(CET1) ratio of 12.0% at end-1H24. Leumi, like other Israeli banks, calculates risk-weighted assets (RWAs) using the standardised approach for credit risk, which results in fairly high RWAs at 66% of total assets at end-1H24. Our capital assessment also considers Leumi's strong internal capital generation.

**Large, Stable Deposit Base:** The bank's funding benefits from a stable, granular and low-cost deposit base that exceeds the size of the loan book. The bank also has proven access to domestic and international debt markets. Liquidity is strong, with a 130% liquidity coverage ratio at end-1H24.

Leumi's 'F1' Short-Term IDR is the higher of two possible Short-Term IDRs that map to an 'A-' Long-Term IDR. This is because we view the sovereign's propensity to support as more certain in the near term.

### Ratings

#### Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1

Long-Term IDR (xgs)	A-(xgs)
Short-Term IDR (xgs)	F1(xgs)

Viability Rating	a-
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Government Support Rating	a-
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#### Sovereign Risk (Israel)

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

#### Outlooks

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

### Applicable Criteria

[Bank Rating Criteria \(March 2024\)](#)

### Related Research

[Global Economic Outlook \(September 2024\)](#)

[Fitch Downgrades 4 Israeli Banks to 'A-/Negative'/F1' after Sovereign Action \(August 2024\)](#)

[Fitch Downgrades Israel to 'A'; Outlook Negative \(August 2024\)](#)

[Fitch Removes Four Israeli Banks from Rating Watch Negative; Affirms at 'A', Outlook Negative \(April 2024\)](#)

[Fitch Maintains Bank Leumi's 'A' IDR on Rating Watch Negative \(December 2023\)](#)

[Fitch Places Four Israeli Banks on RWN after Sovereign Action \(October 2023\)](#)

[Fitch Places Israel's 'A+' IDRs on Rating Watch Negative \(October 2023\)](#)

### Analysts

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## Rating Sensitivities

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

A further downgrade of the sovereign ratings would result in a downgrade of Leumi's IDR and senior debt ratings if accompanied by a downgrade of the bank's VR.

A sharp deterioration of asset quality that results in an impaired loan ratio of above 2% for an extended period, combined with the CET1 ratio declining below current levels and weakening internal capital generation, could result in a VR downgrade. Given the bank's significant exposure to the real estate sector, a sharp decline in real estate prices would put pressure on asset quality, and therefore on the VR.

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

An upgrade of Leumi's IDRs is unlikely due to the Negative Outlook on the sovereign's Long-Term IDR. We would revise the Outlook to Stable if the sovereign Outlook were changed to Stable.

An upgrade of Leumi's VR is unlikely given the bank's geographical concentration. It would require a material and structural improvement in profitability that allows the bank to generate stronger and more stable operating profit/RWAs while also maintaining materially higher capital ratios, which we do not expect.

## Other Debt and Issuer Ratings

Rating level	Rating
Senior unsecured: long term	A-
Subordinated: long term	BBB

Source: Fitch Ratings

Leumi's senior unsecured notes are rated in line with the Long-Term IDR as they constitute the bank's unsecured and unsubordinated obligations.

Leumi's Tier 2 subordinated notes are rated two notches below the bank's VR to reflect poor recovery prospects in the event of a failure or non-performance of the bank.

## Significant Changes from Last Review

Leumi reported strong profitability in 1H24, with an annualised operating profit/RWAs ratio of 2.9%, which is higher than the past three financial years. Higher profitability was driven by higher net interest income and good cost control. In 1Q24 Leumi realised capital gains of ILS830 million on the sale of two of its headquarter buildings in Tel Aviv as it moves to a new corporate campus, but we exclude these non-recurring gains from our calculation of risk-adjusted operating profit.


Asset quality has proven resilient, and the impaired loans ratio fell to 0.6% at end-1H24 (end-2023: 0.8%). Capitalisation remains stable, and the CET1 ratio has benefitted from the regulator's directive for banks to limit shareholder distributions due to the war. Funding is also stable, with the loans/deposits ratio broadly unchanged, and liquidity remains strong.

### Sovereign Downgrade

We downgraded Leumi's support-driven Long-Term IDR to 'A-' from 'A' on 15 August 2024, following a downgrade of the sovereign rating. The Negative Outlook that remains on the Long-Term IDR reflects that on the sovereign's Long-Term IDR.

The sovereign downgrade reflected the impact of the continuation of the war in Gaza, and the lower sovereign rating reflects a weakened ability to support the banking sector. Our assessment of the propensity of Israel to support the banking sector has not changed.

**Ratings Navigator**

Bank Leumi Le-Israel B.M.							ESG Relevance: 	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile			Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating	
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage					Funding & Liquidity
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	AAA	
aa+							aa+	aa+	AA+	
aa							aa	aa	AA	
aa-							aa-	aa-	AA-	
a+							a+	a+	A+	
a							a	a	A	
a-							<b>a-</b>	<b>a-</b>	<b>A- Neg</b>	
bbb+							bbb+	bbb+	BBB+	
bbb							bbb	bbb	BBB	
bbb-							bbb-	bbb-	BBB-	
bb+							bb+	bb+	BB+	
bb							bb	bb	BB	
bb-							bb-	bb-	BB-	
b+							b+	b+	B+	
b							b	b	B	
b-							b-	b-	B-	
ccc+							ccc+	ccc+	CCC+	
ccc							ccc	ccc	CCC	
ccc-							ccc-	ccc-	CCC-	
cc							cc	cc	CC	
c							c	c	C	
f							f	ns	D or RD	

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

**VR - Adjustments to Key Rating Drivers**

The 'a' operating environment score has been assigned below the 'aa' category implied score due to the following adjustment reasons: sovereign rating (negative), size and structure of economy (negative).

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

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



## Financials

### Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	6 months - interim (USDm) Reviewed - unqualified	6 months - interim (ILSm) Reviewed - unqualified	Year end (ILSm) Audited - unqualified	Year end (ILSm) Audited - unqualified	Year end (ILSm) Audited - unqualified
<b>Summary income statement</b>					
Net interest and dividend income	2,180	8,196	16,069	13,251	10,374
Net fees and commissions	491	1,845	3,589	3,404	3,384
Other operating income	197	741	508	981	1,988
Total operating income	2,868	10,782	20,166	17,636	15,746
Operating costs	925	3,476	6,746	6,704	7,306
Pre-impairment operating profit	1,944	7,306	13,420	10,932	8,440
Loan and other impairment charges	64	239	2,432	545	-746
Operating profit	1,880	7,067	10,988	10,387	9,186
Other non-operating items (net)	221	830	27	896	156
Tax	756	2,843	3,988	3,564	3,275
Net income	1,345	5,054	7,027	7,719	6,067
Other comprehensive income	51	192	706	-380	-117
Fitch comprehensive income	1,396	5,246	7,733	7,339	5,950
<b>Summary balance sheet</b>					
<b>Assets</b>					
Gross loans	117,690	442,398	428,009	390,877	348,331
- Of which impaired	659	2,476	3,610	1,908	2,949
Loan loss allowances	1,777	6,681	6,717	4,986	4,512
Net loans	115,913	435,717	421,292	385,891	343,819
Interbank	n.a.	n.a.	19,546	17,948	13,558
Derivatives	7,097	26,679	27,410	26,638	14,027
Other securities and earning assets	35,507	133,469	167,115	90,931	90,487
Total earning assets	158,517	595,865	635,363	521,408	461,891
Cash and due from banks	34,126	128,278	85,930	168,621	183,844
Other assets	2,633	9,896	10,204	9,137	10,719
Total assets	195,275	734,039	731,497	699,166	656,454
<b>Liabilities</b>					
Customer deposits	154,641	581,296	567,984	557,331	537,569
Interbank and other short-term funding	7,133	26,812	34,552	26,258	27,652
Other long-term funding	7,813	29,369	22,800	27,805	15,428
Trading liabilities and derivatives	6,426	24,156	26,636	23,311	15,551
Total funding and derivatives	176,013	661,633	651,972	634,705	596,200
Other liabilities	3,715	13,966	15,709	15,018	18,202
Preference shares and hybrid capital	n.a.	n.a.	9,314	0	n.a.
Total equity	15,547	58,440	54,502	49,443	42,052
Total liabilities and equity	195,275	734,039	731,497	699,166	656,454
Exchange rate		USD1 = ILS3.759	USD1 = ILS3.627	USD1 = ILS3.519	USD1 = ILS3.15

Source: Fitch Ratings, Fitch Solutions, Leumi

## Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
<b>Ratios (%; annualised as appropriate)</b>				
<b>Profitability</b>				
Operating profit/risk-weighted assets	2.9	2.4	2.4	2.5
Net interest income/average earning assets	2.7	2.8	2.7	2.4
Non-interest expense/gross revenue	30.9	32.0	38.9	46.7
Net income/average equity	17.9	13.6	16.8	14.9
<b>Asset quality</b>				
Impaired loans ratio	0.6	0.8	0.5	0.9
Growth in gross loans	3.4	9.5	12.2	15.6
Loan loss allowances/impaired loans	269.8	186.1	261.3	153.0
Loan impairment charges/average gross loans	0.1	0.6	0.1	-0.3
<b>Capitalisation</b>				
Common equity Tier 1 ratio	12.0	11.7	11.5	11.5
Tangible common equity/tangible assets	8.0	7.3	7.0	6.4
Basel leverage ratio	7.0	6.7	6.4	6.1
Net impaired loans/common equity Tier 1	-7.2	-5.8	-6.3	-3.6
<b>Funding and liquidity</b>				
Gross loans/customer deposits	76.1	75.4	70.1	64.8
Liquidity coverage ratio	130.0	124.0	131.0	124.0
Customer deposits/total non-equity funding	91.2	89.5	91.2	92.6
Net stable funding ratio	118.0	118.0	128.0	131.0
Source: Fitch Ratings, Fitch Solutions, Leumi				

## Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a- or bbb+
Actual jurisdiction D-SIB GSR	a-
Government Support Rating	a-
<b>Government ability to support D-SIBs</b>	
Sovereign Rating	A/ Negative
Size of banking system	Neutral
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
<b>Government propensity to support D-SIBs</b>	
Resolution legislation	Neutral
Support stance	Neutral
<b>Government propensity to support bank</b>	
Systemic importance	Positive
Liability structure	Positive
Ownership	Neutral

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

■ Higher influence ■ Moderate influence ■ Lower influence

Leumi's IDRs are driven by its Government Support Rating (GSR), which is in line with the domestic systemically important bank (D-SIB) GSR for Israel and reflects Fitch's view of a very high probability that Israel would provide support to Leumi, if needed. In Fitch's view, Israel has a strong ability to support its banking sector, and its propensity to support Leumi is very high, particularly given Leumi's systemic importance in the country with a market share of about 30% of banking-sector assets.

Environmental, Social and Governance Considerations

FitchRatings Bank Leumi Le-Israel B.M.

Banks  
Ratings Navigator  
ESG Relevance to  
Credit Rating

**Credit-Relevant ESG Derivation**

Bank Leumi Le-Israel B.M. has 5 ESG potential rating drivers

- Bank Leumi Le-Israel B.M. 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.

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

**Environmental (E) Relevance Scores**

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

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

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

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

**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

**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.

**Governance (G) Relevance Scores**

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

**CREDIT-RELEVANT ESG SCALE**  
How relevant are E, S and G issues to the overall credit rating?

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

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

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