

Bank Leumi Le-Israel B.M.

Key Rating Drivers

Diversified Business Model: Bank Leumi Le-Israel B.M.’s Long-Term Issuer Default Rating (IDR) is driven by its Viability Rating (VR) and reflects its strong franchise in retail and corporate banking in Israel as the largest domestic bank, and its better-than-expected resilience of asset quality and earnings through the war. The VR also reflects the bank’s sound funding profile, backed by its diversified and granular deposit base, and adequate capitalisation.

High Probability of Government Support: Leumi’s IDRs are also underpinned by potential government support, which is reflected in a Government Support Rating (GSR) of ‘a-’. The state has strong incentives to provide support given the bank’s systemic importance in the country, with about 30% of banking system assets.

Close Regulatory Oversight: Leumi’s underwriting standards are conservative, helped by prudent regulatory limits and oversight. Like other banks in the country, Leumi has material exposure to the construction and real estate sectors, which are vulnerable to the disruption from the war. However, such exposure is driven by high population growth, which supports housing credit demand and mitigates risks.

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-2024. We do not expect this exposure to increase significantly.

Asset Quality Remains Sound: Leumi’s impaired loans ratio (end-1H25: 0.4%) compares favourably with those of both domestic and international peers. We expect higher loan impairment charges as loans season, given high loan growth in recent years. Asset quality will be supported by declining interest rates, sound underwriting standards and a resilient operating environment. We expect the impaired loans ratio to remain below 1% in the next two years. Asset quality is also underpinned by a high coverage of impaired loans by loan loss allowances (over 300%). We expect this to reduce, but to remain above 200%.

Resilient Earnings Continue: Net interest income (NII) has benefitted from loan growth and higher interest rates in recent years. Higher inflation has also supported income, given the bank’s net long exposure to the consumer price index. We expect profitability resilience to continue, helped by sound loan growth and continuous focus on improving efficiency. We forecast operating profitability to remain above 2.5% of risk-weighted assets for the next two years, benefitting also from limited risk costs, underpinned by substantial loan loss allowances.

Capital Buffers Adequate: Leumi’s capitalisation is adequate, with a CET1 ratio of 12.3% at end-1H25. We expect its 204bp buffer above the regulatory minimum requirement to normalise to pre-war levels, at about 100bp–150bp, but to remain adequate given the high risk-weighted asset density from using the standardised approach (63% at end-1H25), prudent provisioning and resilient internal capital generation.

Large, Stable Deposit Base: Leumi’s funding and liquidity score is driven by government support and our expectation that the government’s propensity to provide support is more certain in the near term, given the systemic importance of Leumi. As a result, a lower funding and liquidity score would not trigger a downgrade of the bank’s ‘F1’ Short-Term IDR, which is the higher of two possible Short-Term IDRs that map to a ‘A-’ Long-Term IDR.

Leumi’s funding and liquidity profile is also underpinned by its stable, granular and diversified deposit base. The bank also has proven access to domestic and international debt markets. Liquidity is sound, with a liquidity coverage ratio of 130% at end-1H25.

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

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Revises Leumi’s Outlook to Stable; Affirms IDR at ‘A-’ (October 2025)
Global Economic Outlook (September 2025)
Fitch Affirms Israel at ‘A’; Outlook Negative (March 2025)

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Rating Sensitivities

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

Leumi's Long-Term IDR would be downgraded if its GSR and VR were downgraded. A downgrade of the bank's GSR would be triggered by a downgrade of the sovereign rating, which could also trigger a downgrade of the VR if it sharply increased pressure on the financial profile. This reflects the contagion risk resulting from the links between the sovereign, the operating environment and country's banks' performance.

The most likely trigger for a downgrade of Leumi's VR would be a deterioration of asset quality that results in an impaired loans ratio of above 2% for an extended period, combined with a CET1 ratio declining below current levels and weakening internal capital generation.

The Short-Term IDR would be downgraded if the sovereign's Short-Term IDR was downgraded by at least two notches.

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 operating environment for local banks, which is sensitive to the drivers of a downgrade of the sovereign rating. In addition, upside is limited by the bank's geographical concentration and the requirement of a substantial strengthening of its business and financial profiles.

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. This reflects our view that a default on senior unsecured debt equates to a default of the bank. It also reflects Fitch's expectation of average recovery prospects.

Its 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.

The Long-Term IDR (xgs) of 'A-(xgs)' is at the level of the VR. The Short-Term IDR (xsg) of 'F1(xgs)' is the higher of two options that map to a 'A-' Long-Term IDR (xgs) due to Leumi's 'a' funding and liquidity score.

Ratings Navigator

	Operating Environment	Business Profile 20%	Risk Profile 10%	Financial Profile				Implied Viability Rating	Viability Rating	Government Support Rating	LT Issuer Default Rating
				Asset Quality 20%	Earnings & Profitability 15%	Capitalisation & Leverage 25%	Funding & Liquidity 10%				
aaa								aaa	aaa	aaa	AAA
aa+								aa+	aa+	aa+	AA+
aa								aa	aa	aa	AA
aa-								aa-	aa-	aa-	AA-
a+								a+	a+	a+	A+
a								a	a	a	A
a-								a-	a-	a-	A- Sta
bbb+								bbb+	bbb+	bbb+	BBB+
bbb								bbb	bbb	bbb	BBB
bbb-								bbb-	bbb-	bbb-	BBB-
bb+								bb+	bb+	bb+	BB+
bb								bb	bb	bb	BB
bb-								bb-	bb-	bb-	BB-
b+								b+	b+	b+	B+
b								b	b	b	B
b-								b-	b-	b-	B-
ccc+								ccc+	ccc+	ccc+	CCC+
ccc								ccc	ccc	ccc	CCC
ccc-								ccc-	ccc-	ccc-	CCC-
cc								cc	cc	cc	CC
c								c	c	c	C
f								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.

Factor Outlook

■ Stable ◆ Evolving ▲ Positive ▼ Negative

VR - Adjustments to Key Rating Drivers

The operating environment score of 'a' is below the 'aa' implied category score for the following adjustment reasons: sovereign rating (negative), size and structure of economy (negative).

The earnings and profitability score of 'bbb+' is below the 'a' implied category score for the following adjustment reason: earnings stability (negative).

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

Company Summary and Key Qualitative Factors

Operating Environment

Fitch's affirmation of Israel's rating at 'A'/Negative in March 2025 reflected a diversified, resilient economy and strong external finances, counterbalanced by high public debt/GDP, security risks, and a record of unstable governments that has hindered policymaking. The Negative Outlook reflects rising public debt, domestic political and governance challenges and uncertain prospects for the war in Gaza.

We score the operating environment in line with the sovereign rating to reflect the domestic concentration of the Israeli banking sector. Our operating environment assessment also reflects our view that the resilience of the sector is a regulatory priority. The negative outlook on the operating environment reflects the Negative Outlook on the sovereign rating, which caps the score.

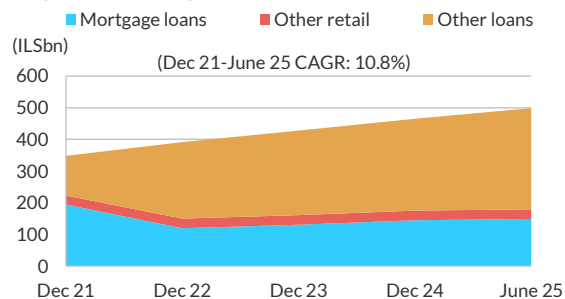
Business Profile

Leumi is Israel's largest bank by total assets at end-1H25, although only marginally ahead of the second-largest bank. Leumi operates a universal banking business model and provides a wide range of retail, commercial, capital market and private banking services, with high domestic market shares across all these segments. It also holds equity stakes in non-financial businesses via its private equity subsidiary, Leumi Partners.

Leumi's business model is diversified by client segment but remains reliant on NII – which represented just over three quarters of total operating income in 1H25. Non-NII is mainly from account fees, fees on financing transactions and commissions on client trading. Given the Bank of Israel's focus on fostering competition and reducing charges, particularly for retail and SME customers, we expect fee income growth to be in the low single digits. Like peers, Leumi has reduced its international operations in recent years, and we expect it to continue its focus on domestic growth.

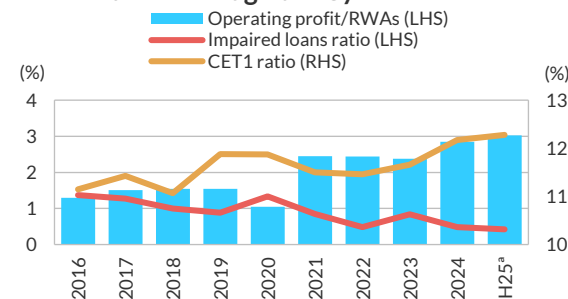
Leumi's 2025–2027 strategic plan targets responsible growth in high-return segments and stronger customer engagement via enhanced service delivery and digital access. The bank also prioritises technological leadership, operational efficiency, advanced data-driven personalisation, and innovation through fintech partnerships.

Loan Book Breakdown



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

Performance Through the Cycle



* Annualised
Source: Fitch Ratings, Fitch Solutions, Leumi

Risk Profile

In our view, the downside risks to Leumi's performance have subsided following the de-escalation of war in the region, although residual risks persist. In particular, operational risk, including cyber risk, is high. In addition, Leumi and other domestic banks may be more exposed to market risks given the sensitivity of exchange and interest rates and inflation to war-related developments.

We view Leumi's risk controls as robust. Its loan underwriting standards are generally conservative, more stringent than global peers, and similar to the other large Israeli banks. Residential mortgages are subject to underwriting limits prescribed by the regulator, including maximum 75% loan-to-value (LTV) ratios for first-time buyers and a maximum term of 30 years. This limits banks' ability to weaken underwriting standards to grow market share. Loan loss allowances are high, due partly to conservative provisioning policies required by the regulator, but also additional collective provisions taken early in the war. Sector concentrations are also subject to regulatory limits.

The regulator has identified construction and real estate as potential risk areas, and Leumi and peers are subject to regulatory limits and increased scrutiny of exposures and collateral. Leumi is also focused on infrastructure financing and we expect this exposure to grow, although risk will likely be mitigated by direct or indirect government support for major investments and by syndicating large project loans across multiple lenders.

Leumi's exposure to equity market risk, through ownership of large equity stakes in non-financial companies and mutual funds, is slightly higher than that of peers, although we do not expect the bank to significantly increase its exposure to these types of equity investments. About 60% of the equity exposure is in non-marketable funds, where market prices are unavailable and valuations are driven by models and therefore less certain, while the rest is in marketable investments. The investments are recorded at historical cost.

Leumi's investment in Valley National Bancorp represented less than 3% of CET1 capital at end-1H25, measured by book value. The shares trade above Leumi's book value and the share price would have to fall significantly (and be viewed as permanent) to result in any impairment.

Financial Profile

Asset Quality

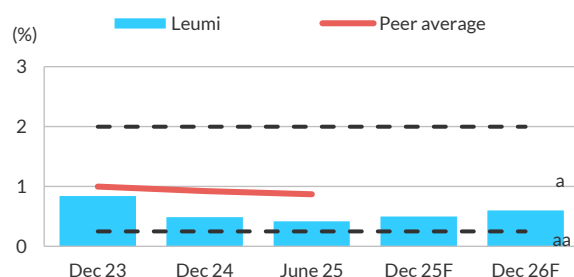
Leumi's impaired loans ratio improved marginally in 1H25 to 0.4% from 0.5% at end-2024. We forecast this ratio to remain below 1% for the next two years. While some lending segments, such as the construction and real estate sector, have been more adversely affected by the Israel-Hamas war, their loan performance has not significantly deteriorated, due to strong underwriting and prices.

The Israeli banking sector has offered financial support to customers directly affected by the war, but this reduced materially in 2H24. At end-1H25, Leumi had ILS6.4 billion of loans under changed terms and conditions (1.3% of gross loans), with a low share experiencing financial difficulties (0.3%). The bank had previously granted modified terms to around ILS20 billion of loans, which have since returned to normal payment terms. Leumi has also set up a voluntary support scheme, in line with the sector, and expects to provide around ILS900 million of benefits and donations through 1Q27, of which ILS83 million was provided in 2Q25.

Corporate and commercial loans dominate Leumi's loan book. Exposure to construction and real estate accounted for 28% of gross loans at end-1H25. This sector has been affected by labour shortages on construction sites due to travel restrictions affecting the Palestinian territories. However, demand for new buildings remains strong, driven by high population growth.

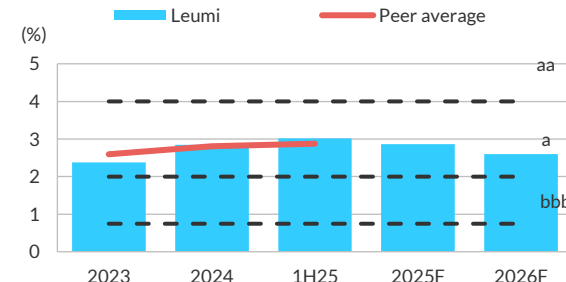
Residential mortgage loans (30%) continue to perform well despite higher interest rates and Consumer Price Index (CPI). Fixed-rate components of mortgage loans represented 40% of mortgages, supporting resilience to higher rates. 60% of mortgages have LTV ratio below 60%, underscoring the low-risk nature of the book. Mortgage loans have been a high-growth segment, supported by demographic trends with very low arrears. The bank targets total loan growth of 8%–10% a year over 2025–2027, which we view as achievable given the expected economic recovery.

Impaired Loans/Gross Loans



Note: Annualised as appropriate
Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Note: Annualised as appropriate
Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Leumi's operating profitability remained resilient through the war and improved, supported by higher interest rates, CPI and strong credit growth. In 1H25, Leumi's Fitch-calculated net interest margin of 2.7% was only marginally below its 2024 level, affected by continued churn of customer deposits. Leumi's net long position to the CPI contributed ILS694 million, or about 6% of operating income in 6M25. Operating profitability also benefitted from strong loan growth (+7% in 1H25 and +9% in 2024), which we expect to continue.

Costs have remained under control due to efficiency programmes, which include further digitalisation and back-office automation. Leumi's cost/income ratio (1H25: 29%) compares favourably with that of international peers. Ongoing investment is needed to maintain and improve Leumi's digital capabilities, but major cost restructuring through branch closures and redundancies is largely complete.

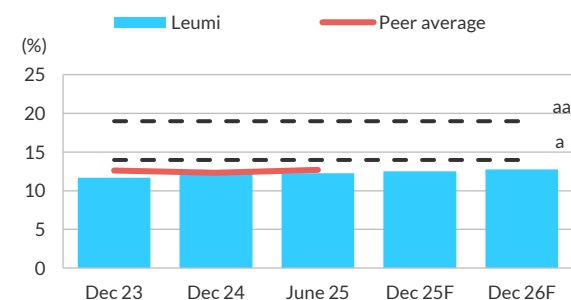
We forecast the operating profit/RWAs ratio to remain above 2.5% in the next two years, despite the expected cost of the voluntary support scheme. While we expect loan impairment charges to normalise from the current low levels, the bank has large buffers of loan loss allowances to absorb this deterioration. This is because Leumi, like its domestic peers, increased collective credit provisions at the start of the war, but its asset quality did not deteriorate. We expect the Bank of Israel to allow the gradual release of provisions, which further supports Leumi's earnings.

Capitalisation and Leverage

Leumi's capitalisation is adequate for its risk profile. The buffer over its 10.24% minimum CET1 requirement increased to above 2pp, but we expect it to tighten versus similarly rated international peers once payout restrictions linked to geopolitical risks are lifted by the regulator. High risk-weights under the standardised approach mitigate the risk of RWA inflation. Prudent provisioning policies provide a large buffer against asset-quality deterioration, as does the bank's strong internal capital generation. We therefore view the CET1 buffer as adequate, even if it reduces back to pre-war levels.

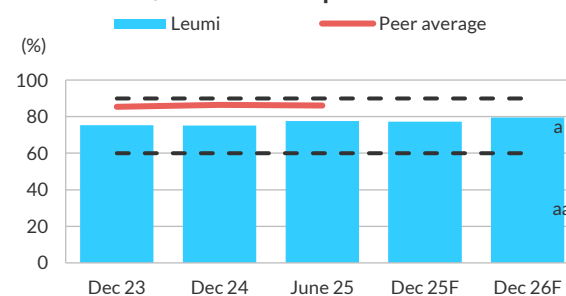
The total capital ratio remained strong at 14.9%, with a solid buffer over the 13.5% total capital requirement at end-1H25. Leumi's Basel leverage ratio of 7% was adequately above the 5.5% minimum requirement, which reflects a temporary war-related relief. We expect the minimum leverage requirement to revert to 6% in 2027.

CET1 Ratio



Note: Annualised as appropriate
Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Note: Annualised as appropriate
Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Leumi has a solid funding base consisting mostly of customer deposits, which represented 89% of total non-equity funding at end-1H25. The contractual term of deposits is typically short, but historically they have been stable, including during periods of economic stress and political instability. This is despite the absence of a deposit guarantee scheme in Israel. The increase in deposits in 1H25 was predominantly by institutional clients (which were up by about ILS16 billion), with further inflows from private individuals, offsetting the declines in small and mid-sized businesses.

Wholesale funding needs are limited due to the bank's strong domestic deposit franchise with retail, corporate and SMEs. We expect the loans/deposits ratio to increase slightly as we believe the deposits will lag the strong credit growth aspired to by Leumi. Liquidity is sound, with a liquidity coverage ratio of 130% at end-1H25. Senior and subordinated bonds (6% of total funding at end-1H25) are issued mostly in local currency on the local wholesale market, where there is strong demand from local institutional investors.

We would likely lower our funding and liquidity assessment if the sovereign is downgraded, given its implicit support for the banking sector. This is because a sovereign downgrade would likely be accompanied by a deterioration in the operating environment and could result in less favourable wholesale funding conditions and put pressure on deposits, though this has not yet occurred.

Additional Notes on Charts

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

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

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category. Peer average includes Bank Hapoalim B.M. (a-), Israel Discount Bank Limited (a-), Mizrahi Tefahot Bank Ltd (a-), Ceska Sporitelna, a.s. (a), Woori Bank (a-). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

Financials

Financial Statements

	31 Dec 22 12 months (ILSm)	31 Dec 23 12 months (ILSm)	31 Dec 24 12 months (ILSm)	30 Jun 25 1st half (ILSm)	31 Dec 25F 12 months (ILSm)	31 Dec 26F 12 months (ILSm)
Summary income statement						
Net interest and dividend income	13,251	16,069	16,629	8,652	-	-
Net fees and commissions	3,404	3,589	3,606	2,035	-	-
Other operating income	981	508	1,693	934	-	-
Total operating income	17,636	20,166	21,928	11,621	23,066	23,498
Operating costs	6,704	6,746	6,723	3,341	7,323	7,426
Pre-impairment operating profit	10,932	13,420	15,205	8,280	15,743	16,073
Loan and other impairment charges	545	2,432	837	352	613	1,655
Operating profit	10,387	10,988	14,368	7,928	15,130	14,417
Other non-operating items (net)	896	27	852	-	-	-
Tax	3,564	3,988	5,422	2,915	-	-
Net income	7,719	7,027	9,798	5,013	9,683	9,515
Other comprehensive income	-380	706	611	772	-	-
Fitch comprehensive income	7,339	7,733	10,409	5,785	-	-
Summary balance sheet						
Assets						
Gross loans	390,877	428,009	464,915	498,468	502,108	542,277
- Of which impaired	1,908	3,610	2,295	2,109	-	-
Loan loss allowances	4,986	6,717	6,887	6,813	-	-
Net loans	385,891	421,292	458,028	491,655	-	-
Interbank	17,948	19,546	18,257	-	-	-
Derivatives	26,638	27,410	29,193	41,572	-	-
Other securities and earning assets	90,931	167,115	132,365	153,723	-	-
Total earning assets	521,408	635,363	637,843	686,950	-	-
Cash and due from banks	168,621	85,930	137,571	147,063	-	-
Other assets	9,137	10,204	10,137	10,320	-	-
Total assets	699,166	731,497	785,551	844,333	822,131	860,644
Liabilities						
Customer deposits	557,331	567,984	618,473	642,378	649,397	681,866
Interbank and other short-term funding	26,258	34,552	29,729	39,081	-	-
Other long-term funding	19,785	22,800	23,925	40,515	-	-
Trading liabilities and derivatives	23,311	26,797	28,166	42,027	-	-
Total funding and derivatives	626,685	652,133	700,293	764,001	-	-
Other liabilities	15,018	15,548	15,551	14,792	-	-
Preference shares and hybrid capital	8,020	9,314	8,044	-	-	-
Total equity	49,443	54,502	61,663	65,540	-	-
Total liabilities and equity	699,166	731,497	785,551	844,333	-	-
Exchange rate	USD1= ILS3.5190	USD1= ILS3.6270	USD1= ILS3.6470	USD1= ILS3.3720	-	-

Source: Fitch Ratings, Fitch Solutions, Leumi

Key Ratios

	31 Dec 22	31 Dec 23	31 Dec 24	30 Jun 25	31 Dec 25F	31 Dec 26F
(%; annualised as appropriate)						
Profitability						
Operating profit/risk-weighted assets	2.4	2.4	2.9	3.0	2.9	2.6
Net interest income/average earning assets	2.7	2.8	2.7	2.7	2.6	2.5
Non-interest expense/gross revenue	38.9	32.0	30.3	29.2	31.7	31.6
Net income/average equity	16.8	13.6	16.8	15.9	-	-
Asset quality						
Impaired loans ratio	0.5	0.8	0.5	0.4	0.5	0.6
Growth in gross loans	12.2	9.5	8.6	7.2	8.0	8.0
Loan loss allowances/impaired loans	261.3	186.1	300.1	323.0	298.7	281.4
Loan impairment charges/average gross loans	0.1	0.6	0.2	0.1	0.1	0.3
Capitalisation						
Common equity Tier 1 ratio	11.5	11.7	12.2	12.3	12.5	12.8
Fully loaded common equity Tier 1 ratio	-	-	-	-	-	-
Fitch Core Capital ratio	-	-	-	-	-	-
Tangible common equity/tangible assets	7.0	7.3	7.7	7.8	-	-
Basel leverage ratio	6.4	6.7	6.9	7.0	-	-
Net impaired loans/common equity Tier 1	-6.3	-5.8	-7.5	-7.2	-	-
Net impaired loans/Fitch Core Capital	-	-	-	-	-	-
Funding and liquidity						
Gross loans/customer deposits	70.1	75.4	75.2	77.6	77.3	79.5
Gross loans/customer deposits + covered bonds	-	-	-	-	-	-
Liquidity coverage ratio	131.0	124.0	123.0	130.0	-	-
Customer deposits/total non-equity funding	91.2	89.5	90.9	89.0	-	-
Net stable funding ratio	128.0	118.0	118.0	116.0	-	-

Source: Fitch Ratings, Fitch Solutions, Leumi

Support Assessment

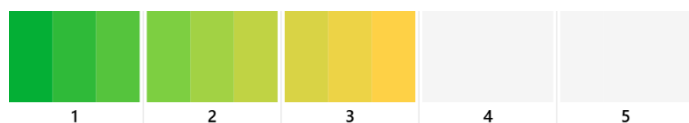
Government Support

Sovereign	Israel
Sovereign LT Issuer Default	● A/Negative
Total adjustment (notches)	-1
Typical D-SIB Government Support for sovereign's rating level	a- or bbb+
Actual jurisdiction D-SIB Government Support	a-
Government Support Rating	a-
Government ability to support D-SIBs	
Size of banking system	● Neutral
Structure of banking system	● Negative
Sovereign financial flexibility (for rating level)	● Positive
Government propensity to support D-SIBs	
Resolution legislation	● Neutral
Support stance	● Neutral
Government propensity to support bank	
Systemic importance	● Positive
Liability structure	● Positive
Ownership	● Neutral

The colours below indicate the influence of each support factor in our assessment.
Influence: Light blue = lower; Dark blue = moderate; Red = higher
Source: Fitch Ratings

Leumi's IDRs are underpinned by its 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 high, particularly given the Leumi's systemic importance in the country with a market share of about 30% of banking-sector assets.

Environmental, Social and Governance Considerations



Environmental Relevance Scores

General issues	Score	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



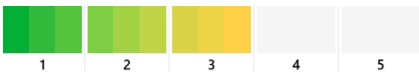
Social Relevance Scores

General issues	Score	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



Governance Relevance Scores

General issues	Score	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)



ESG Scoring	Credit-Relevant ESG Scale										
ESG relevance scores range from '1' to '5' based on a 15-level colour 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 general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.	<table><tr><td>5</td><td>Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to 'Higher' relative importance within the Navigator.</td></tr><tr><td>4</td><td>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 the Navigator.</td></tr><tr><td>3</td><td>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 the Navigator.</td></tr><tr><td>2</td><td>Irrelevant to the entity rating but relevant to the sector.</td></tr><tr><td>1</td><td>Irrelevant to the entity rating and irrelevant to the sector.</td></tr></table>	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 the 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 the 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 the Navigator.	2	Irrelevant to the entity rating but relevant to the sector.	1	Irrelevant to the entity rating and irrelevant to the sector.
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 the 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 the 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 the 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 www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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