

Belfius Bank SA/NV

Key Rating Drivers

Sound Domestic Franchise: Belfius Bank SA/NV's (Belfius) ratings reflect the bank's good retail and commercial banking franchise and adequate insurance business in Belgium, sound asset quality, solid risk-weighted capitalisation and a healthy funding and liquidity profile. Its moderate profitability is a rating weakness and Fitch Ratings expects it to be pressured in the near term from the economic and financial fallout from the pandemic.

Stable Outlook Despite Economic Downturn: The Stable Outlook reflects Fitch's view that Belfius's ratings have sufficient headroom to absorb significant shocks under our updated assessment of various downside scenarios to our baseline economic forecast. This primarily reflects our assessment of the bank's asset quality (a/negative), capitalisation (a/stable) and funding and liquidity (a/stable) profile, which we all score above the bank's Viability Rating (VR).

Asset Quality to Moderately Deteriorate: Belfius's asset quality compares well with those of domestic peers, underpinned by a large proportion of low-risk loans including residential mortgage and public sector lending. Loan performance has been resilient over the long term with an impaired loan ratio consistently below 3%. We expect higher inflows of impaired loans in 2021 arising from the corporate loan book as temporary support measures will gradually phase out. However, we expect asset quality to remain commensurate with the current 'a' score.

Negative Outlook on Profitability: Belfius's profitability is adequate and improved in recent years. Growth in corporate banking, adequate cross-selling between banking and insurance and cost containment contributed to an improved earnings generation. We expect loan impairment charges (LICs) to remain above the ten-year average of 14bp of loans in the near term and to weigh on profit. However, profitability should remain in line with the bank's 'bbb+' score in our base case, with the negative outlook reflecting downside risks to our baseline.

Solid Capital Ratios: Belfius's sound common equity Tier 1 (CET1) ratio of 15.5% at end-June 2020 is a rating strength. Our assessment of the bank's capitalisation also factors in its sound leverage ratio. The bank's large CET1 capital buffer of almost 600bp above its CET1 Supervisory Review and Evaluation Process requirement provides headroom to absorb higher credit losses and risk-weighted assets (RWAs) inflation. We expect Belfius to continue to operate with a CET1 ratio above its temporarily revised internal minimum operational target of 12.5%-13.5%.

Diversified Funding, Robust Liquidity: Belfius's large and predominantly retail customer deposit base underpins its healthy funding profile. The bank also benefits from good access to wholesale-market funding. Belfius increased its large liquidity reserve to almost EUR35 billion at end-June 2020, about 20% of total assets excluding insurance assets. Its regulatory liquidity coverage ratio and net stable funding ratio are comfortably above regulatory requirements.

Rating Sensitivities

Severe Pressure on Financial Profile: Belfius's ratings have sufficient headroom to withstand various downside scenarios to our baseline. However, they could be downgraded in the event of sustained severe pressure on the bank's asset quality and earnings, and ultimately on capital. We could downgrade the ratings if the bank's impaired loan ratio remains above 2.5% over a prolonged period, if its operating profit/RWAs ratio does not recover to the upper end of the 1%-1.5% range by 2022, or if the CET1 ratio falls below 15% on a sustained basis.

Structural Improvement in Profitability: An upgrade of Belfius's ratings is unlikely in the near term given the risks posed by the coronavirus crisis. In the longer term, an upgrade could result from a sufficient record of significant and structural improvement in the bank's profitability metrics.

Ratings

Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1

Derivative Counterparty Rating A-(dcr)

Viability Rating a-

Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Long-Term Foreign and Local-Currency IDRs	AA-
Country Ceiling	AAA

Outlooks

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

Applicable Criteria

[Bank Rating Criteria \(February 2020\)](#)

Related Research

- [Fitch Revises Belfius's Outlook to Stable; Affirms Long-Term IDR at 'A-' \(October 2020\)](#)
- [Major Benelux Banks: 1H20 Results \(September 2020\)](#)
- [Global Economic Outlook \(September 2020\)](#)

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Debt Rating Classes

	Belfius Bank SA/NV	Belfius Financing Company SA
Senior preferred debt	A-/F1	A-/F1
Junior subordinated debt	BBB	

Source: Fitch Ratings

The ratings of senior preferred debt issued by Belfius are aligned with its IDRs. This is because Belfius is expected to use senior preferred debt to meet its minimum requirement for own funds and eligible liabilities (MREL) over the medium term, and buffers of subordinated and senior non-preferred debt are unlikely to exceed 10% of RWAs on a sustained basis.

The junior subordinated notes of Belfius rank below its plain-vanilla Tier 2 subordinated obligations but above its additional Tier 1 debt, and are notched down twice for loss severity because of their deep subordination. Fitch does not apply additional notching for incremental non-performance risk relative to the VR given that the junior subordinated notes would absorb losses only if the bank reached the point of non-viability.

Belfius Financing Company SA is a financing vehicle wholly-owned by Belfius. Its senior preferred long and short-term debt ratings are aligned with those of its parent, based on Fitch's expectation that Belfius will honour the unconditional and irrevocable guarantee provided to holders of the notes issued by the vehicle.

Ratings Navigator

Belfius Bank SA/NV

ESG Relevance:

Banks
Ratings Navigator

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
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-										a-	A-	A- Stable
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	NF	D or RD

Significant Changes

Operating Environment Outlook on Negative

Fitch revised the outlook of the Belgian operating environment to 'aa-/negative' from 'aa-stable' in March 2020 reflecting downside risks to the banks' credit profiles because of the economic and financial fallout from the pandemic. In the near term, the most likely trigger for a downgrade of the operating environment score is the downgrade of the sovereign rating (AA-/Negative).

Economic activity declined sharply in the first two quarters of the year due to the restrictions introduced to contain the spread of the pandemic. Fitch forecasts a fall in GDP in Belgium of about 8.8% in 2020, followed by a 5.1% recovery in 2021 and a further increase of 2.5% in 2022. There are downside risks to this forecast, which would materialise if the current economic recovery slows down due to a resurgence of the virus and the renewed lockdown measures.

Temporary government support measures have so far mitigated the impact from the coronavirus pandemic on banks' asset quality. The unemployment rate increased only marginally from 5.1% to 5.5% in July. The EUR8 billion-EUR10 billion fiscal package accounting for about 2% of GDP includes the deferral of tax and social security contributions, higher allowances for temporary unemployed workers, and the deferral of income tax for companies and private individuals.

The government has also introduced a guarantee scheme amounting to EUR50 billion to cover losses on new bank loans granted to small and medium-sized enterprises (SME) of which EUR10 billion will cover all new loans of up to 36 months provided until the end of December (the rest being dedicated to shorter loans, up to 12 months). The take-up of the new state guaranteed loans had been low at only EUR737 million by mid-June 2020.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

- ↑ Positive ↓ Negative
- ↕ Evolving □ Stable

Company Summary and Key Qualitative Assessment Factors

Good Retail and Commercial Banking Franchise in Belgium

Belfius principally operates in Belgium where it has a sound retail banking franchise and a clear leading position in public sector banking. It is the third largest domestic bank by assets after BNP Paribas Fortis SA/NV (A+/Negative) and KBC Group NV (A/Negative). The bank had around 16%-17% market share in new production of corporate and mortgage loans in 2019, and a 12% share in savings and investment products. Belfius also has an adequate franchise in insurance and operates through its subsidiary Belfius Insurance (the fifth largest insurer in Belgium) with estimated market shares of 7% in life and 6% in non-life.

Belfius operates a simple and stable bancassurance business model focused on the retail and public sector segments that results into moderate credit risk. Its main source of revenue is net interest income (NII, about 75% of revenue) complemented by recurrent and growing fee income (23% of revenue in 2019) arising from its private banking, asset management and insurance activities. Belfius's operations include two main business lines: Retail and Commercial (RC: about 70% of profit before tax in 2019), and Public and Corporate (PC, about 27%).

Successful Expansion in Corporate Banking

The bank's strategy is geared towards strengthening profitability and has been consistent since 2011 when Belfius became a state-owned bank. The bank has no plans to grow internationally and is focusing on capitalising on its national franchises. Belfius has been expanding in corporate banking which has higher return prospects than the retail and public sector segments. It also targets growth in private banking and asset management as a way to diversify away from lending-driven interest income. Digitalisation is another key focus and implies ongoing investments although the bank is already a frontrunner along with KBC Group NV with a good digital offering. Similar to peers, cost containment remains one of the bank's priorities.

Execution has been strong since the takeover from Dexia. Belfius's expansion into corporate banking has been successful so far, reflected in the increase in its market share in corporate banking to 16% at end-2019 from 8% in 2015. Further improvement in corporate banking market penetration might be delayed by the current crisis, although commercial momentum was still strong in 1H20. We do not expect the partial privatisation process (postponed in 2018) to resume in the near term.

Prudent Underwriting Standards, Diversified Corporate Loan Book

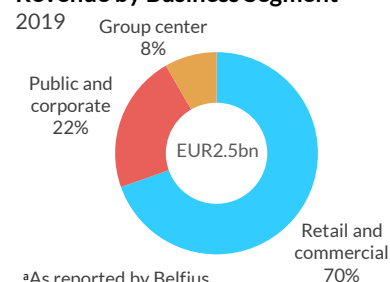
Underwriting standards are low risk supported by the focus on residential mortgage loans (27% of full exposures at default (FEAD) at end-June 2020) and public sector lending (32%). Origination of residential mortgage loans is overall prudent. Loans are typically amortising and most of them have a fixed rate for the entire life of the loan. Belfius has moderately loosened underwriting in recent years, particularly reflected in a higher proportion of high loan-to-values loans (LTV, above 90%). The average LTV is adequate at about 63% at end-June 2020 providing some headroom to absorb potential collateral devaluation. The potential for further loosening is limited in our view by the caps imposed by the National Bank of Belgium on the share of production with high LTV and debt service-to-income since January 2020.

Loans to corporates (including SMEs) accounted for 37% of FEAD at end-June 2020 versus 29% at end-2014. Underwriting of corporate loans has remained prudent despite the growth of the portfolio in recent years. Lending is focused on the domestic market and limits on sector and single name concentration translate into a well diversified portfolio.

Dexia Derivative Book Continues to Reduce

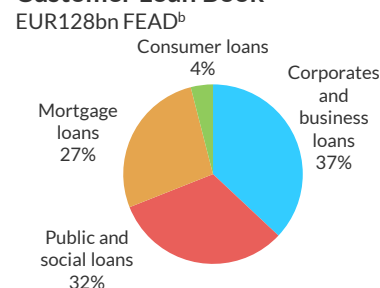
Belfius' legacy business has largely been de-risked but still includes a significant derivative exposure to Dexia (EUR12 billion of notional value or EUR17 million exposure at default at end-June 2020), which is fully hedged externally. The need to service the derivative contracts exposes Belfius to operational risk with a significant portion cleared at LCH Clearnet. The related collateral requirements also create balance-sheet volatility as the fair value of the large derivative book and the related cash collateral increase when interest rates go down.

Revenue by Business Segment^a



^aAs reported by Belfius
 Source: Fitch Ratings, Belfius

Customer Loan Book



^b Full Exposures at Default at end-June 2020
 Source: Fitch Ratings, Belfius

Summary Financials and Key Ratios

	30 Jun 20		31 Dec 19	31 Dec 18	31 Dec 17
	6 months - interim	6 months - interim	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed - unqualified (Emphasis of matter)	Reviewed - unqualified (Emphasis of matter)	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	1,133	1,011.6	1,970.5	1,942.5	2,024.6
Net fees and commissions	349	311.5	579.6	555.7	552.7
Other operating income	51	45.5	161.6	37.5	165.4
Total operating income	1,533	1,368.6	2,711.7	2,535.7	2,742.7
Operating costs	1,061	947.8	1,682.3	1,649.8	1,748.5
Pre-impairment operating profit	471	420.8	1,029.4	885.9	994.2
Loan and other impairment charges	442	395.1	111.4	66.4	31.7
Operating profit	29	25.7	918.0	819.5	962.5
Other non-operating items (net)	0	0.0	0.0	47.4	0.0
Tax	5	4.9	251.9	216.9	357.0
Net income	23	20.8	666.1	650.0	605.5
Other comprehensive income	-230	-205.8	248.9	-263.3	119.2
Fitch comprehensive income	-207	-185.0	915.0	386.7	724.7
Summary balance sheet					
Assets					
Gross loans	110,776	98,925.2	93,736.6	89,540.1	90,267.5
- Of which impaired	2,186	1,952.5	1,858.6	1,863.5	1,821.6
Loan loss allowances	2,008	1,793.6	1,515.9	1,483.8	1,462.5
Net loans	108,768	97,131.6	92,220.7	88,056.3	88,805.0
Interbank	14,130	12,617.9	282.9	229.3	767.5
Derivatives	21,895	19,553.0	18,186.5	17,358.4	24,023.8
Other securities and earning assets	42,178	37,665.6	52,722.0	48,115.1	42,133.5
Total earning assets	186,971	166,968.1	163,412.1	153,759.1	155,729.8
Cash and due from banks	20,949	18,707.5	6,716.0	8,314.3	10,236.7
Other assets	3,131	2,795.6	2,311.4	2,091.8	1,992.7
Total assets	211,050	188,471.2	172,439.5	164,165.2	167,959.2
Liabilities					
Customer deposits	103,553	92,474.3	85,434.0	79,626.1	76,213.2
Interbank and other short-term funding	25,750	22,994.8	14,049.8	12,956.1	14,648.7
Other long-term funding	17,156	15,320.3	16,087.0	17,243.0	19,397.9
Trading liabilities and derivatives	32,399	28,933.1	27,205.6	25,317.6	30,261.7
Total funding	178,857	159,722.5	142,776.4	135,142.8	140,521.5
Other liabilities	20,512	18,317.4	18,997.7	18,903.4	17,565.7
Preference shares and hybrid capital	737	658.4	656.5	656.5	350.6
Total equity	10,944	9,772.9	10,008.9	9,462.5	9,521.4
Total liabilities and equity	211,050	188,471.2	172,439.5	164,165.2	167,959.2
Exchange rate			USD1 = EURO.893017	USD1 = EURO.89015	USD1 = EURO.873057 USD1 = EURO.83382

Source: Fitch Ratings, Fitch Solutions, Belfius

Summary Financials and Key Ratios

	30 Jun 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	0.1	1.6	1.6	1.9
Net interest income/average earning assets	1.2	1.2	1.3	1.3
Non-interest expense/gross revenue	69.4	62.2	65.1	63.9
Net income/average equity	0.4	6.9	6.9	6.5
Asset quality				
Impaired loans ratio	2.0	2.0	2.1	2.0
Growth in gross loans	5.5	4.7	-0.8	1.0
Loan loss allowances/impaired loans	91.9	81.6	79.6	80.3
Loan impairment charges/average gross loans	0.8	0.2	0.1	0.0
Capitalisation				
Common equity tier 1 ratio	15.5	15.9	16.0	16.1
Fully loaded common equity tier 1 ratio	15.5	15.9	16.0	15.9
Tangible common equity/tangible assets	4.9	5.6	5.6	5.5
Basel leverage ratio	5.6	6.0	6.0	5.5
Net impaired loans/common equity tier 1	1.8	3.9	4.6	4.4
Funding and liquidity				
Loans/customer deposits	107.0	109.7	112.5	118.4
Liquidity coverage ratio	134.0	130.0	135.0	130.0
Customer deposits/funding	66.3	68.6	67.5	63.8
Net stable funding ratio	122.0	116.0	116.0	116.0

Source: Fitch Ratings, Fitch Solutions, Belfius

Key Financial Metrics – Latest Developments

Increased LICs Reflect Future Pressure on Asset Quality

Belfius has entered the crisis with a sound impaired loan ratio and high loan loss reserve coverage ratio. We believe the bank's significant exposure to resilient residential mortgage loans and public sector loans makes it less vulnerable to the economic downturn relative to domestic peers. Under our baseline assumptions we expect the four-year average impaired loan ratio to remain below 3%. Belfius's Stage 3 loan ratio was stable at 2% at end-June 2020, but Stage 2 loans increased to 12% of gross loans at end-June 2020 from 8% at end-2019 due to management overlays for sectors directly affected by the current economic downturn.

In 1H20 Belfius materially increased provisions by EUR393 million, mainly reflecting the bank's expectations of future asset quality deterioration in the context of the pandemic. Belfius has set aside EUR311 million for performing Stage 1 and Stage 2 loans, or 79% of LICs in 1H20. The bank has also granted credit repayment deferrals on EUR6.8 billion loans or about 7% of the loan book at end-June 2020 (excluding the EUR818 million credit relief on leases to SMEs and corporates). This is slightly below peers for which payment deferrals varied between 8%-11% of gross loans at end-June 2020.

Belfius has strengthened monitoring on sectors directly affected by social distancing and lockdown measures. The bank's exposure to these specific sectors, including aviation, hospitality, transportation and travel is moderate and represented about 5.4% of the corporate and business loans exposure at default at end -June 2020.

Positive Trend in Profitability to Revert Due to Pandemic

Belfius's profitability has slowly improved in recent years through stronger revenue generation and good cost containment. However, profitability still lags behind peers due to its lower risk and less profitable business model. The net interest margin remains thin although it has been improving thanks to corporate loan growth where margins are higher and lower carry cost from the run-off of legacy bonds. Belfius's adequate earnings' capacity is adequate but still leaves it exposed to unexpected shocks.

The bank runs with a relatively high cost base compared with peers. Belfius continues to invest in its franchise in corporate banking and wealth management, and the bank also faces necessary investments in IT and digitalisation. The bank's cost-to-income ratio improved to a 10-year low of 62% in 2019, but there is a weaker revenue outlook in the short-term due to the coronavirus pandemic. Continued investment in growth provides limited scope for further improvements in costs in the near term.

Sound Capitalisation

Belfius's sound capitalisation puts the bank in a good position to face the economic downturn. The bank cancelled the payment of its final dividend for 2019 and has suspended its potential interim dividend for 2020 which provides relief to an already high capital base. The group applies the "Danish compromise" for the calculation of its regulatory capital ratios which implies a risk weighting of 370% of the equity stake in its insurance subsidiary. Belfius Insurance had a solid Solvency II ratio (after the dividend) of 215% end-June 2020.

Healthy Funding and Liquidity

Belfius benefits from a healthy, deposit-driven funding profile. Belfius's loan-to-customer deposits ratio was at 107% at end-June 2020 or at 92% if we include saving certificates and retail bonds which represent an additional stable source of funding. The bank also has good access to wholesale-market funding. Belfius's long-term central bank funding almost tripled in 1H20 as it drew an additional EUR10.2 billion under the ECB's TLTRO programme.

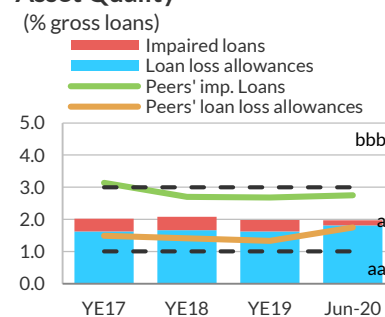
The large derivatives book continues to weigh on the bank's liquidity needs. Total assets encumbered for securitisations, covered bonds issuance, repo transactions, loans granted by central banks, assets given under bond lending transactions and collateral posted for derivatives transactions represented a still relatively high 26% of total assets at end-June 2020.

Note on Charts

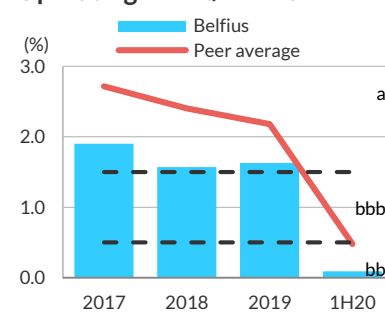
Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

Peer average includes ABN AMRO Bank N.V (VR: a), BNP Paribas Fortis SA/NV (a), ING Belgium NV/SA (a-), and KBC Group NV (a).

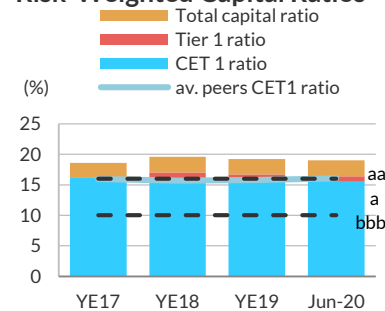
Asset Quality



Operating Profit/RWAs



Risk-Weighted Capital Ratios



Sovereign Support Assessment

Support Rating Floor		Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)		A or A-		
Actual country D-SIB SRF		NF		
Support Rating Floor:		NF		
Support Factors	Positive	Neutral	Negative	
Sovereign ability to support system				
Size of banking system relative to economy			✓	
Size of potential problem	✓			
Structure of banking system			✓	
Liability structure of banking system		✓		
Sovereign financial flexibility (for rating level)	✓			
Sovereign propensity to support system				
Resolution legislation with senior debt bail-in			✓	
Track record of banking sector support		✓		
Government statements of support			✓	
Sovereign propensity to support bank				
Systemic importance		✓		
Liability structure of bank		✓		
Ownership		✓		
Specifics of bank failure		✓		
Policy banks				
Policy role				
Funding guarantees and legal status				
Government ownership				

Belfius's Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that senior creditors can no longer rely on receiving full extraordinary support from the sovereign in the event that Belfius becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that is likely to require senior creditors participating in losses, instead of, or ahead of, a bank receiving sovereign support.

Environmental, Social and Governance Considerations

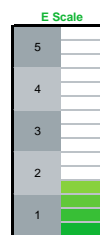
FitchRatings Belfius Bank SA/NV

Credit-Relevant ESG Derivation

Belfius Bank SA/NV has 5 ESG potential rating drivers ➤ Belfius Bank SA/NV 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.	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)

General Issues	E 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	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

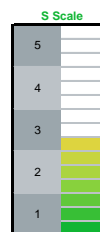
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with 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) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

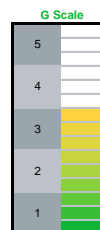
Social (S)

General Issues	S 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	Company Profile; Management & Strategy; Risk Appetite
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; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
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	Company Profile; Financial Profile



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



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.

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