FitchRatings

Santander UK Group Holdings plc

Key Rating Drivers

Low-Risk, Undiversified Business Model: Santander UK Group Holdings plc's (SGH) Viability Rating (VR) is equalised with that of Santander UK plc (San UK), reflecting SGH's role as a holding company and low double leverage. The VRs reflect the group's low-risk business model, conservative risk profile, healthy asset quality, strong capitalisation and stable funding and liquidity profiles. San UK's Long-Term Issuer Default Rating (IDR) is one notch above the VR because of available resolution debt buffers raised and downstreamed by SGH.

TSB Acquisition to Add Scale: San UK's planned acquisition of TSB Banking Group plc (TSB) will support the group's market position and consolidate it as the UK's fourth largest mortgage lender. However, the combined group will still be highly concentrated on the UK housing market and reliant on net interest income.

Conservative Risk Appetite; Integration Risks: SGH's risk profile is underpinned by its focus on low-risk residential mortgage lending, which is likely to continue to account for over 85% of total loans. The acquisition will involve moderate integration and execution risks, given TSB's size and the need to reposition minimum requirement for own funds and eligible liabilities (MREL) at TSB. SGH's plans for material cost synergies should help offset these challenges.

Asset Quality to Remain Strong: Fitch Ratings expects SGH's asset quality to remain strong after the acquisition, given the high share of low loan-to-value (LTV) mortgage lending at both entities. We forecast SGH's impaired loans ratio (end-1H25: 1.2%) will rise only slightly to about 1.5% by end-2027, following the addition of TSB's loan book, due primarily to loan seasoning and increased unsecured and commercial lending. We expect the group's cost of risk to be only slightly structurally higher, given its mainly secured loans.

Integration to Weigh on Profitability: Fitch expects SGH's operating profit/risk-weighted assets (RWAs; 2.3% in 1H25) to weaken to about 2% in 2026 as integration and restructuring costs related to the TSB acquisition weigh on profitability. However, the ratio should improve towards 2.5% from 2027 as synergies are gradually realised and the group's income is supported by larger scale and its structural hedge position. Earnings will remain undiversified, given TSB's similar income profile.

SGH has set aside a GBP295 million provision for redress costs related to historical motor finance commissions, and we expect an increase in provisions by early 2026 as the redress scheme is finalised, following similar actions by peers. However, we expect this to be easily absorbed by SGH's strong profitability.

Capital to Remain Commensurate: We forecast SGH's common equity Tier 1 (CET1) ratio (end-1H25: 15.3%; or 14.9% including accrued dividends) to fall below 14% by end-2026, due to the net effects of the TSB acquisition (expected to close by end-1Q26). However, we expect the ultimate impact to be mitigated by SGH's retained earnings and through ordinary capital support from Banco Santander S.A. (Santander; A/Stable), taking the CET1 ratio to about 14% by end-2027. We view this level as consistent with SGH's low-risk business.

Strong Funding and Liquidity: SGH is largely deposit-funded (end-1H25: 73% of funding) and the loans/deposits ratio remained stable at 110% at end-1H25, as both deposit and loan growth remained flat. Its funding and liquidity stability is supported by proven wholesale-funding access, ordinary support from its parent and access to the Bank of England's liquidity facilities. The TSB acquisition will strengthen SGH's current account and savings offering (CASA) and support its cost of funding.

Ratings

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

Sovereign Risk (United Kingdom)	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

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

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Major UK Banks Are Hedged Against Macroeconomic Risks (November 2025)

Fitch Affirms Santander UK Group Holdings at 'A'; Outlook Stable (November 2025)

UK Bank Motor Finance Redress Payouts to Be Lower than Expected (October 2025)

UK Major Banks - Peer Credit Analysis: 2025 (March 2025)

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Rating Sensitivities

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

SGH's ratings would come under pressure if material integration risks in relation to the TSB acquisition weighed on the group's strategic execution and financial performance.

Ratings would also come under pressure if risk appetite materially increased and resulted in material asset quality deterioration than our expectations, for example, if we expected the four-year average impaired loans ratio to increase above 2% on a sustained basis. This would have to be combined with a structural deterioration in operating profitability to consistently below 1.5% of RWAs. Acquisition impacts, rapid asset growth and weaker-than-expected profitability that resulted in the CET1 ratio falling materially below 13% and the UK leverage ratio sharply below 5%, without credible plans to swiftly restore them, would be negative for the ratings.

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

An upgrade of the VR is unlikely in the near term due to SGH's undiversified business model compared with that of higher-rated peers. In the long term, and with a successful integration of TSB, a significant strengthening of SGH's business profile (eg materially stronger revenue diversification), material improvements to operating profitability (to over 3% of RWAs), combined with healthy capital and liquidity buffers, could lead to a positive rating action.

Other Debt and Issuer Ratings

Rating level	SGH
Senior unsecured: long term/short-term	A/F1
Subordinated Tier 2	BBB+
Additional Tier 1	BBB-

Source: Fitch Ratings

The senior unsecured debt instruments of all entities are rated in line with their Long-Term IDRs.

San UK's Derivative Counterparty Rating is at the same level as the bank's Long-Term IDR because derivative counterparties have no preferential status over other senior obligations in a resolution under UK legislation.

The ratings of all subordinated debt and hybrid securities issued by SGH and San UK are notched down from their respective VRs, reflecting our expectation of below-average recoveries.

SGH's subordinated Tier 2 instruments are notched down twice from the VR to reflect poor recovery prospects in case of failure. Additional Tier 1 (AT1) capital securities are rated four notches below the group's VR to reflect above-average loss severity risk (two notches) and higher risk of non-performance as coupon payments are fully discretionary (two notches).

Legacy upper Tier 2 securities are rated three notches below San UK's VR (two for loss severity and one for non-performance). Legacy dated lower Tier 2 instruments are notched down twice from the VR for loss severity.

Legacy Tier 1 securities issued by San UK are rated four notches below the bank's VR to reflect higher loss severity risk (two notches) and higher risk of non-performance due to discretionary coupon payments (two notches).

Ratings Navigator

Santander UK Group Holdings plc

ESG Relevance: 

Banks
Ratings Navigator

	Operating Environment	Business Profile	Risk Profile	Financial Profile: Asset Quality	Financial Profile: Earnings & Profitability	Financial Profile: Capitalisation & Leverage	Financial Profile: Funding & Liquidity	Implied Viability Rating	Viability Rating	Shareholder Support	Issuer Default Rating
		20%	10%	20%	15%	25%	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 Sta
a-								a-	a-	a-	A-
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.

Company Summary and Key Qualitative Factors

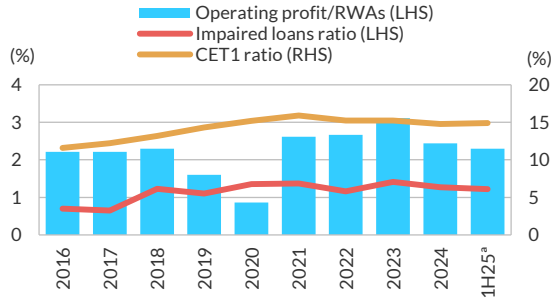
Business Profile

SGH is a leading UK-focused retail bank, and consolidates the UK subsidiaries of international banking group, Santander. The planned acquisition of TSB is expected to increase the group's mortgage lending market share to 12% from 10%. TSB will also add about GBP12 billion in current accounts, raising SGH's deposit market share to 7% from 6% and support a lower cost of funding. However, these segments remain highly competitive, and the intermediary driven nature of the UK mortgage market means that even large lenders have limited pricing power. SGH's commercial banking franchise remains smaller, despite growth efforts in recent years.

Business diversification has declined over the past decade, primarily due to the transfer of certain operations to the parent's London branch, in line with UK ringfencing requirements, and the sale of its 50% shareholding in PSA Finance Limited, an auto-finance joint venture, to other Santander entities in Europe. SGH increasingly leverages Santander's global capabilities and expects to benefit from synergies, such as mobile app development, through Santander's One Europe strategy, which involves collaboration between SGH and the group's other European banks. While TSB will bring scale to the group, diversification will not materially increase as the combined entity will continue to be highly concentrated on the UK mortgage market and revenue will still be highly reliant on net interest income (NII; over 90% of income).

SGH is focused on customer loyalty, improved efficiency and sustainable growth. This strategy has resulted in balance-sheet deleveraging in recent years to maintain strong profitability, particularly amid margin pressure on mortgage lending. The group has also increased automation and streamlined processes to improve cost efficiency.

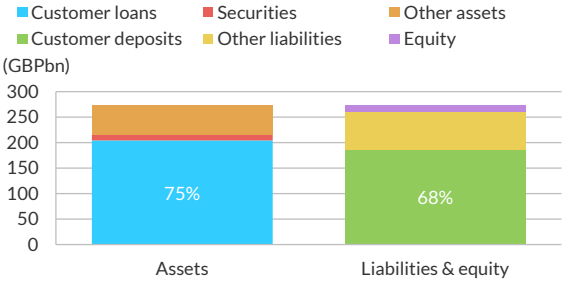
Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, SGH

Balance Sheet

End-June 2025



Source: Fitch Ratings, Fitch Solutions, SGH

Risk Profile

SGH's risk profile is conservative and broadly stable, with credit exposures largely comprised of low-risk mortgage lending with a lower appetite for riskier buy-to-let mortgages (end-1H25: 9% of mortgage loans). SGH has an appetite to increase SME and corporate and commercial lending but remains selective in its approach. Any growth in unsecured consumer loans (3% of gross loans) would be from a low base. Strong risk controls benefit from oversight and expertise provided by the Santander Group.

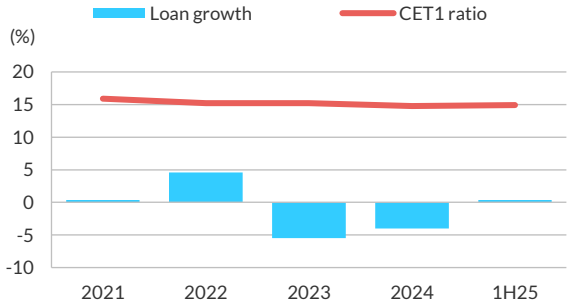
Average LTV ratios are broadly in line with other major UK mortgage lenders (new lending average: 63%; stock: 51%). Geographically, 58% of mortgages are on properties in London and the Southeast of England, which reflects the higher property prices in that area of the country and aligns with peers.

Loans remained broadly stable in 1H25 following two years of material contraction in mortgage lending (down about GBP20 billion in 2022-1H25), reflecting balance-sheet optimisation and tight mortgage margins. We expect loan growth to pick up in 2H25-2026 amid falling rates and improving consumer sentiment within the mortgage market. SGH's balance sheet will expand as it consolidates TSB, which will add about 20% to gross loans. The combined loan book will comprise mainly mortgage loans (85% of combined loans at end-2024).

Market risk mainly relates to interest-rate risk and is managed well using hedges. SGH has invested heavily to improve its anti-money laundering and risk controls in recent years. Residual value risk in auto finance has increased as used car prices soften, following recent years of strong growth, and as competition in the electric vehicle segment has intensified, putting pressure on prices.

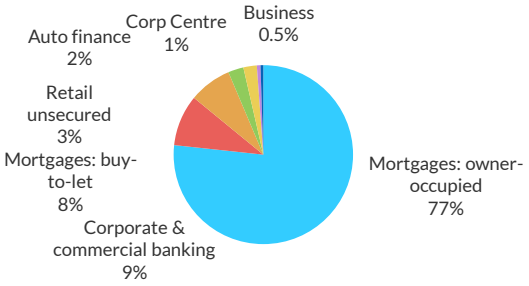
While we expect some execution risk from the planned integration of TSB, this should remain moderate given TSB's size (end-2024: GBP46 billion of total assets), SGH's strong profitability and as Santander plans for material synergies. Integration risks will also be mitigated by support from Santander, if needed.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, SGH

Customer Loans at End-1H25



Note: Total is not 100% due to rounding.
Source: Fitch Ratings, Fitch Solutions, SGH

Financial Profile

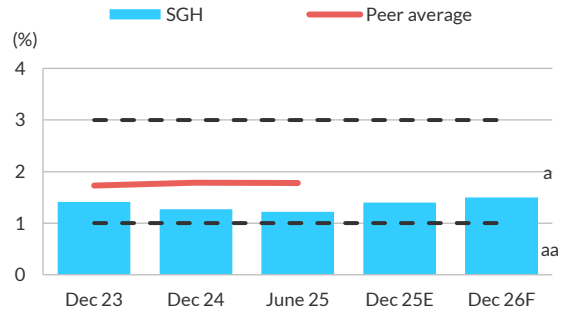
Asset Quality

Fitch expects the four-year average impaired-loans ratio to remain below 2% over the next two years due to SGH's sound underwriting standards largely to low-risk mortgage loans and TSB's relatively low impaired loans ratio. SGH's lower loan-loss allowances coverage of impaired loans of 33% compared with peers reflects the collateralised nature of its loan book. Overall, at least 87% of the loan book is secured, including mortgages and auto loans.

Stage 3 loans fell in nominal terms in 1H25; however, they increased as a share of portfolios, primarily in consumer finance (1.0% at end-1H25; end-2024: 0.8%) and credit cards (2.8%; up from 2.75%). Stage 2 balances fell to 9.4% of loans at end-1H25 (end-2024: 10.2%), reflecting the improved economic outlook and easing inflation. The largest decreases in Stage 2 loans were in corporate and commercial lending. Commercial real estate loans (3% of loans) are well diversified and performing well (Stage 3 ratio: 1.5% at end-2024; stock LTV: 46%).

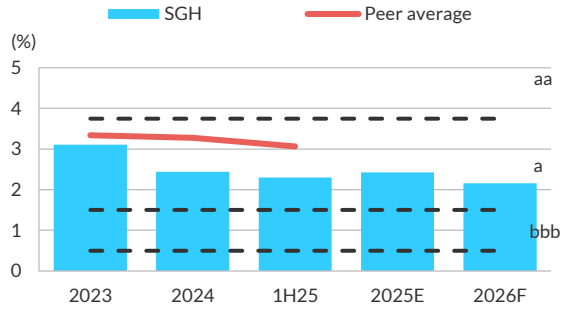
Loan impairment charges (LICs)/average gross loans increased to 11bp in 1H25 (2024: 4bp), reflecting write-offs, but remain low. We expect LICs to slightly increase structurally as TSB is consolidated and its provisioning policies are aligned with those of SGH, but this should be easily absorbable. SGH's average LICs/average gross loans ratio in 2017–2023 of 10bp compares well with that of large banks, reflecting the largely secured nature of loans, while TSB's is also similar.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

We expect SGH's operating profit/RWAs ratio to remain broadly flat in 2025 as strong structural hedge income, contained LICs and operating costs offset margin pressure from lower interest rates and competition. We expect the ratio to deteriorate in 2026 as San UK consolidates TSB and as the integration weighs on costs. SGH's parent, Santander, expect the TSB acquisition to result in GBP520 million of restructuring costs along with at least GBP400 million pre-tax cost synergies, most of which are expected by 2028. The parent expects the UK-focused subsidiary to reach 16% return on tangible equity by 2028. While we expect profitability to improve from 2027 onwards, we believe there are execution risks surrounding this target primarily in relation to realised synergies, keeping cost growth contained and mitigating net interest margin pressures from lower interest rates.

SGH's revenues are undiversified, as non-interest income has decreased over recent years and is not material, with NII representing 93% of gross revenue in 1H25. NII grew 5% yoy in 1H25 and was supported by structural hedge income, amid tight mortgage margins and high funding costs as the group priced competitively to grow deposits in 1H25.

Operating costs were affected by severance charges and provisions against property in 1H25, which led to a modest deterioration in the cost/income ratio to 64% in 1H25 (1H24: 62%). Cost efficiency, net of TSB acquisition-related costs, should improve in the next two years as the benefits of the transformation programme are fully realised and staff reductions are reflected in the cost base.

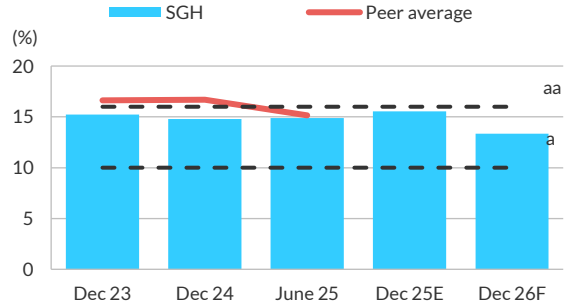
Capitalisation and Leverage

SGH's CET1 ratio of 14.3% at end-9M25, as published in their Pillar 3 report, reflects a moderate increase in RWAs despite flat loan book growth, although it does not include accrued profit generation given that the bank did not publish audited 3Q25 financial statements. SGH's reported CET1 ratio of 14.9% at end-1H25 improves to 15.3% when excluding the accrued dividends, which were cancelled in anticipation of the acquisition of TSB.

SGH's UK leverage ratio of 4.9% was strong at end-1H25 and adequately above its 4.3% minimum requirement. The bank has historically operated to about a 5% UK leverage ratio, given the loan book's low RWAs density. We do not expect the ratio to fall materially below this level following the TSB acquisition.

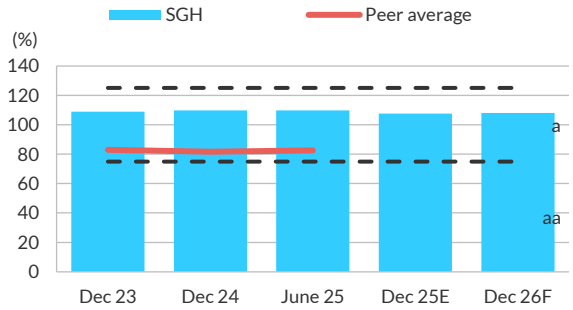
SGH is fully compliant with end-state minimum requirement for own funds and eligible liabilities (MREL) set by resolution authorities. SGH's MREL ratio (end-1H25: 35.3%) was comfortably higher than its requirement (29.5%). MREL mainly comprises CET1 and senior Holdco instruments and, to a lesser extent, AT1 and Tier 2. Our capitalisation assessment also considers the potential for ordinary support from Santander.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

SGH has a solid and granular retail deposit base, proven access to wholesale funding markets, and robust contingency funding plans. Similar to other Santander group banks in other international markets, SGH is expected by its parent to be self-sufficient in terms of funding, and has a well-developed debt issuance offering, with a range of capital and funding programmes, including residential mortgage-backed securities, covered bonds, unsecured senior and subordinated debt and structured notes.

SGH serves about 14 million active customers. Retail deposits, of which 78% are classified as 'stable' under the liquidity coverage ratio framework, are SGH's main source of funding. These are split between current accounts (33% of deposits at end-1H25), savings accounts (42%), business banking (5%; small and micro businesses) and other retail deposit accounts. Corporate deposits, including larger SMEs and deposits, were 12% of total deposits at end-1H25.

The group accesses short-term funding through San UK's certificate of deposit and commercial paper programmes and wholesale deposits. SGH issues secured and unsecured debt in wholesale markets in order to diversify its funding sources and to build up MREL buffers. A large stock of prime residential mortgages allows San UK to be an active issuer in RMBS and covered bonds. Wholesale funding, excluding Term Funding Scheme with additional incentives for SMEs (TFSME), was 15% of total funding at end-1H25. The group had GBP8.6 billion of TFSME outstanding (3% of total funding) at end-1H25, with about half planned to be repaid by October 2025 and the remainder largely to be repaid between 2027-2031 (GBP1.2 billion was repaid in July 2025).

Liquidity is prudently managed and supported by a large pool of high-quality liquid assets (GBP52 billion; 28% of end-1H25 customer deposits), resulting in a healthy consolidated liquidity coverage ratio of 162%. SGH also has access to the Bank of England's liquidity facilities, if required. The group also has good funding flexibility, including the ability to benefit from parental funding, if needed.

Additional Notes on Charts

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 'aa' category. Peer average includes NatWest Group plc, Lloyds Banking Group plc, Nationwide Building Society, Barclays plc, HSBC Holdings plc. Latest data used for Nationwide Building Society is for FY24. Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report. Financial year end of Nationwide Building Society is Mar 31.

Financials

Financial Statements

	31 Dec 22 12 months (GBPm)	31 Dec 23 12 months (GBPm)	31 Dec 24 12 months (GBPm)	30 Jun 25 1st half (GBPm)	31 Dec 25E 12 months (GBPm)	31 Dec 26F 12 months (GBPm)
Summary income statement						
Net interest and dividend income	4,472	4,667	4,326	2,215	-	-
Net fees and commissions	324	296	246	141	-	-
Other operating income	217	213	119	31	-	-
Total operating income	5,013	5,176	4,691	2,387	4,879	6,030
Operating costs	2,791	2,821	2,994	1,518	2,934	3,802
Pre-impairment operating profit	2,222	2,355	1,697	869	1,945	2,229
Loan and other impairment charges	321	206	72	105	249	396
Operating profit	1,901	2,149	1,625	764	1,697	1,832
Other non-operating items (net)	-7	-	-295	-	-	-
Tax	471	553	380	196	-	-
Net income	1,423	1,596	950	568	1,074	1,430
Other comprehensive income	-1,682	329	-289	473	-	-
Total comprehensive income	-259	1,925	661	1,041	-	-
Summary balance sheet						
Assets						
Gross loans	224,795	212,514	204,059	204,787	205,079	249,447
– of which impaired	2,600	3,000	2,600	2,500	-	-
Loan loss allowances	955	937	808	826	-	-
Net loans	223,840	211,577	203,251	203,961	-	-
Interbank	1,105	1,216	1,101	1,514	-	-
Derivatives	-215	842	526	703	-	-
Other securities and earning assets	14,214	21,610	23,190	22,929	-	-
Total earning assets	238,944	235,245	228,068	229,107	-	-
Cash and due from banks	46,635	40,523	33,067	37,245	-	-
Other assets	6,664	6,315	5,941	6,288	-	-
Total assets	292,243	282,083	267,076	272,640	270,499	323,929
Liabilities						
Customer deposits	197,313	195,149	185,775	186,517	190,791	230,857
Interbank and other short-term funding	41,250	16,059	16,124	17,000	-	-
Other long-term funding	33,683	51,224	46,991	49,145	-	-
Trading liabilities and derivatives	1,906	977	764	1,230	-	-
Total funding and derivatives	274,152	263,409	249,654	253,892	-	-
Other liabilities	3,036	3,160	2,781	3,138	-	-
Preference shares and hybrid capital	2,540	2,744	2,648	2,648	-	-
Total equity	12,515	12,770	11,993	12,962	-	-
Total liabilities and equity	292,243	282,083	267,076	272,640	270,499	323,929
Exchange rate	USD1= GBP0.8286	USD1= GBP0.7898	USD1= GBP0.7971	USD1= GBP0.7298	-	-

Source: Fitch Ratings, Fitch Solutions, SGH

Key Ratios

	31 Dec 22	31 Dec 23	31 Dec 24	30 Jun 25	31 Dec 25E	31 Dec 26F
Ratios (%; annualised as appropriate)						
Profitability						
Operating profit/risk-weighted assets	2.7	3.1	2.4	2.3	2.4	2.2
Net interest income/average earning assets	2.0	2.1	1.9	1.9	2.0	2.2
Non-interest expense/gross revenue	55.7	54.5	63.8	63.6	60.1	63.0
Net income/average equity	9.5	11.3	7.3	9.2	-	-
Asset quality						
Impaired loans/gross loans	1.2	1.4	1.3	1.2	1.4	1.5
Growth of gross loans	4.6	-5.5	-4.0	0.4	0.1	21.6
Loan loss allowances/impaired loans	36.7	31.2	31.1	33.0	29.7	30.5
Loan impairment charges/average gross loans	0.1	0.1	0.0	0.1	0.1	0.2
Capitalisation						
Common equity Tier 1 capital ratio	15.2	15.2	14.8	14.9	15.6	13.4
Fitch core capital ratio	-	-	-	-	-	-
Tangible common equity/tangible assets	3.8	4.0	3.9	4.2	-	-
Basel leverage ratio	4.4	4.4	4.3	4.3	-	-
Net impaired loans/common equity Tier 1	15.2	19.6	18.2	16.8	-	-
Net impaired loans/Fitch core capital	-	-	-	-	-	-
Funding and liquidity						
Gross loans/customer deposits	113.9	108.9	109.8	109.8	107.5	108.1
Gross loans/customer deposits + covered bonds	105.8	101.1	100.5	99.6	98.4	99.2
Liquidity coverage ratio	162.8	162.4	156.0	162.0	-	-
Customer deposits/total non-equity funding	71.6	73.6	73.9	73.1	-	-
Net stable funding ratio	136.8	138.1	136.0	136.0	-	-

Source: Fitch Ratings, Fitch Solutions, SGH

Support Assessment

Shareholder Support	
Parent IDR	A
Total Adjustments (notches)	-1
Shareholder Support Rating	a-
Shareholder ability to support	
Shareholder Rating	A/ Stable
Shareholder regulation	1 Notch
Relative size	1 Notch
Country risks	Equalised
Shareholder propensity to support	
Role in group	1 Notch
Reputational risk	Equalised
Integration	1 Notch
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	2+ Notches

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

The 'a-' Shareholder Support Ratings (SSR) of SGH and San UK are one notch below Santander's Long-Term IDR because we view Santander's ability to provide support as constrained by the UK entities' large relative size. In our view, Santander has a strong propensity to support both entities, given the strategic importance of the UK, as well as the high reputation risk Santander would face in the case of a default by its UK entities.

Santander Financial Services plc's (SFS) 'a' SSR is in line with SGH's IDR and reflects SGH's strong propensity to support SFS, given SFS's role in the group, and a strong ability to provide support, given SFS's small size. Fitch does not assign a VR to SFS as its business model and strong reliance on SGH prevent a meaningful standalone analysis of the entity. SFS's IDRs are based on support from SGH. We rate SFS's Long-Term IDR one notch above SGH's because we expect that the group's junior debt buffers will protect SFS's third-party senior creditors should the group fail.

Environmental, Social and Governance Considerations

FitchRatings **Santander UK Group Holdings plc**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Santander UK Group Holdings plc has 5 ESG potential rating drivers

- Santander UK Group Holdings plc 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.

			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

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

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

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 reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

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 www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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