FitchRatings

Banks
Universal Commercial Banks
France

Societe Generale S.A.

Key Rating Drivers

Diversified Business Model: Societe Generale S.A.'s (SG) ratings reflect a diversified company profile with a significant contribution from more volatile capital-market activities, moderate risk appetite, earnings that we expect to be affected by the coronavirus pandemic over the medium term, adequate capitalisation and a sound liquidity profile. Asset quality remains a rating weakness given the expected increase in impaired loans related to the economic downturn, although it had significantly improved at end-2019 compared with previous years.

Strategic Execution Challenges: SG was successful in scaling down its activities in 2019 as planned, notably by selling subsidiaries in eight eastern European countries, refocusing its fixed income, currency and commodities (FICC) business and closing its proprietary trading subsidiary Descartes Trading. These actions had a material positive one-off impact on the group's common equity Tier 1 (CET1) ratio, but negatively affected revenue generation.

SG's retained international retail and commercial banking businesses, insurance and leasing activities grew firmly in the past three years. However, the group recorded a more pronounced decline in revenue at its core French retail and commercial banking business than peers. Equity capital market revenue also declined and the announced simplification of the product range of structured-equity derivatives might weaken SG's leading global franchise, although lower product complexity is positive for risk appetite.

Earnings Materially Affected by Crisis: Fitch Ratings expects SG's operating profitability to be subdued in 2020 and to only partially recover in 2021 owing to lower revenue and high loan impairment charges (LICs). We nevertheless expect the group's diversification and moderate sensitivity to net interest income (less than 50% of 2019 revenue) to support a progressive recovery in profitability over the medium term.

Asset Quality to Deteriorate: Asset quality only slightly deteriorated in 1Q20 with a low volume of additional impaired loans. SG successfully managed down its stock of impaired loans in 2019 (minus 10%) and the impaired loans ratio was adequate at 3.6% at end-2019. Coverage by loan loss allowances also increased to a satisfactory 67%. We expect asset quality to deteriorate in the next two years, stemming mainly from loans to professionals and SMEs, which are most vulnerable to the downturn despite material state support.

Adequate Capital Buffers: SG guides to a 200bp-250bp margin over its CET1 ratio supervisory capital requirement at end-2020, which would be equivalent to an 11%-11.5% ratio based on current requirement. This would still position SG at the lower end of the global trading and universal banks (GTUBs) and most domestic peers.

Conservative Liquidity Management: Customer deposits account for less than 50% of SG's funding due to the size of its capital market activities. Nevertheless, SG has well-established market access and wholesale funding is diversified by tenor and instrument. The bank's liquidity management is conservative and high-quality liquid assets (HQLA) amply cover wholesale and structured funding coming due within a year.

Rating Sensitivities

Significant Rating Headroom: Following the recent one notch downgrade, we have assigned a Stable Outlook on SG's Long-Term IDR as we believe the bank has significant rating headroom before being downgraded to the 'BBB' category. Triggers for a downgrade would be a CET1 ratio significantly below 11%, with no credible plan to restore it above this level, combined with material and structural deterioration in profitability.

These could stem from a further pronounced deterioration in the group's operating environment linked to the pandemic or erosion of SG's competitive positions in key franchises.

Stronger Capitalisation and Asset Quality: A rating upgrade would require stronger capital ratios and lower impaired loans. A lower contribution from capital market to revenue and funding needs would also be positive for the ratings.

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	No Floor
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 IDRs	Negative

Applicable Criteria

Bank Rating Criteria (February 2020)
Non-Bank Financial Institutions Rating Criteria (February 2020)

Related Research

Large French Banks: 2019 Results (March 2020)
Coronavirus Rating Impact: Western European Banks (April 2020)
Large European Banks Quarterly Credit Tracker - 1Q20 (June 2020)

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Related Issuer Ratings

Rating Level	Rating
Compagnie Generale de Location d'Equipements S.A. (CGLE)	
Long-Term Foreign-Currency IDR	A-/Stable
Short-Term Foreign-Currency IDR	F1
Support Rating	1

Source: Fitch Ratings

The Issuer Default Ratings (IDRs) of French specialised lender CGLE are based on institutional support from SG. CGLE's IDRs are equalised with those of SG as we view this entity as having a key role within the group as a provider of car financing in France. We do not assign a Viability Rating (VR) to CGLE as it is a small entity compared to the size of the group (less than 1% of group assets), it is well integrated within the group and highly dependent on SG for its funding.

Debt Rating Classes

Rating Level	Rating	
Societe Generale S.A.		
Deposits	A/F1	
Senior preferred	A/F1	
Senior non-preferred	A-	
Subordinated Tier 2	BBB	
Additional Tier 1	BB+	
Societe Generale Acceptance N.V.		
Senior preferred	A	Guaranteed by SG
CGLE		
Senior preferred	F1	

Source: Fitch Ratings

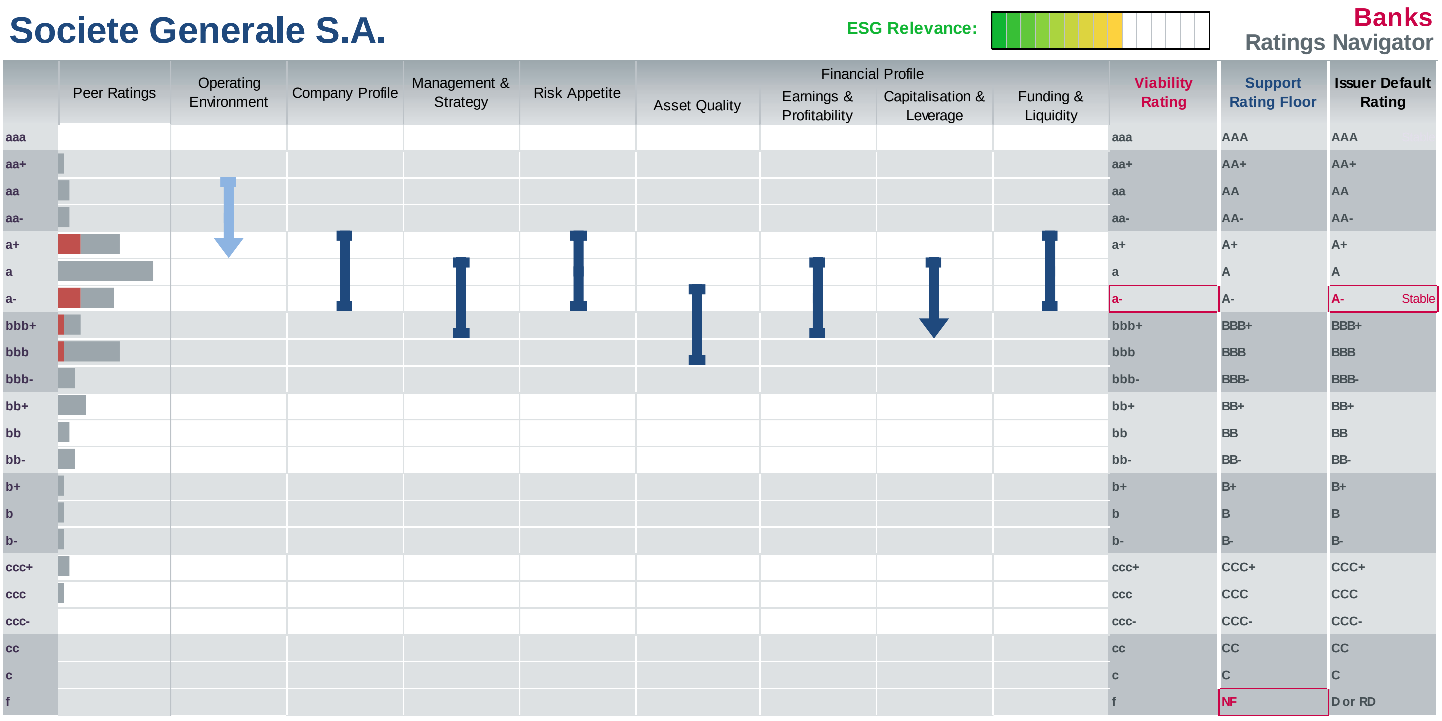
Fitch rates SG's long-term senior preferred debt and deposit ratings one notch above the bank's Long-Term IDR because of the protection that will accrue to senior preferred debt from debt and equity resolution buffers. Fitch expects SG to meet its total minimum requirement for own funds and eligible liabilities (MREL) without recourse to senior preferred debt within three to five years. SG already holds a buffer of subordinated and senior non-preferred debt in excess of 10% of risk-weighted assets (RWAs; 13% at end-2019).

The rating of senior debt notes issued by Societe Generale Acceptance N.V. and guaranteed by SG is aligned on SG's senior preferred debt. It reflects our expectation that the guaranteed notes would benefit from the protection provided by SG's buffer of subordinated and senior non-preferred debt. Our rating also reflects Fitch's view that SG is expected to honour its commitment as guarantor if required, as the guarantee is unconditional, irrevocable and timely.

Our ratings of subordinated debt and deeply subordinated debt issued by SG are all notched down from SG's VR in accordance with our assessment of each instrument's non-performance and relative loss severity risk profiles. We rate SG's subordinated Tier 2 debt two notches below the group's VR for loss severity as we expect recoveries to be poor for this type of debt in case of a failure or resolution of the bank.

We rate SG's deeply subordinated additional Tier 1 debt four notches below the group's VR. This corresponds to two notches for loss-severity and two notches for non-performance risk. Our assessment is based on SG operating with a CET1 ratio comfortably above coupon-omission point, on the presence of material distributable reserves and our expectation that this will continue.

Ratings Navigator



Significant Changes

Deterioration in Operating Environment

Fitch revised the outlook of the French operating environment to negative from stable in March 2020, in the context of the coronavirus outbreak and material downward revision in our GDP forecasts for France and the eurozone. We expect a significant deterioration in the conditions in which French banks operate in 2020, as for other western European banking systems. SG has some exposure to emerging markets but it is contained as a proportion of total group exposure at default (EAD; 11% at end-2019) and is offset by a significant level of geographical diversification.

Fitch forecasts a fall in GDP of about 9% for France and 8% for the eurozone in 2020 as a result of lockdown measures, followed by a 4.3% recovery in 2021 for France and 4.4% for the eurozone. Although we are starting to see some signs of stabilisation, risks remain on the downside. The final impact on GDP will depend on the length of the lockdown relaxation, which started being lifted in France in May after eight weeks.

The French government's support measures are substantial in relation to GDP (20%). Budgetary measures include full payment of temporary jobless indemnities up to 4.5x the minimum salary for employees of companies that have reduced or stopped their activities, the suspension of social contributions and corporate tax payments for businesses, and a fixed indemnity for self-employed people or small businesses facing significant declines in revenue.

The French state also guarantees up to 90% of ultimate credit losses on up to EUR300 billion of new loans originated by banks until end-2020 (close to 30% of loans to non-financial corporates at end-2019). About EUR100 billion had been originated by early June 2020.

We expect these measures to support SG's asset quality and cushion the increase in LICs in the short-to-medium term.

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

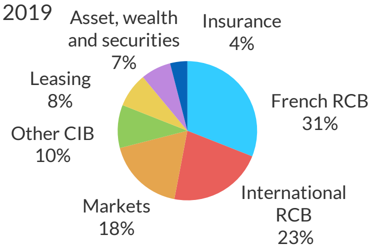
Diversified Bancassurance Business Model

SG is the third-largest French bank by total assets and the fourth-largest retail and commercial bank by market share (estimated at 9%-10% for loans and deposits). SG serves its clients through three channels: the SG-branded network, Credit du Nord S.A. (A-/Stable/bbb+/F1) through a network of nine regional banks, and Boursorama, the leading domestic online bank. SG is the fifth-largest savings life insurer in France (about EUR100 billion in assets under management (AuM)) and has a significant domestic private banking franchise (about EUR65 billion in AuM at end-March 2020).

Internationally, SG divested eight subsidiaries in Central and Eastearn Europe in 2019 to focus on the Czech Republic and Romania, where it ranks third, and Russia, where it is the second-largest foreign-owned bank. In Africa, SG's largest subsidiary is in Morocco, the fifth-largest local bank. The group also has notable market positions in Cote d'Ivoire, Senegal and Cameroon. SG has consumer finance subsidiaries in France, Germany and Italy mainly focused on auto loans and owns the second-largest fleet management company globally (ALD S.A.; BBB+/Stable/F1).

In corporate and investment banking (CIB), SG is a global leader in equity derivatives. The well-advanced integration of the Equity Markets and Commodities division of Commerzbank AG complements SG's franchise in this area. The contribution of capital markets activities to revenue is significant (about 20% in general), although lower than most GTUB peers. SG has a well-established franchise in EMEA syndicated loans (ranked fifth as a bookrunner in 2019 according to Refinitiv) and holds strong market positions in payments, cash management and trade finance.

Operating Income Per Business Line[a]
2019



[a] Excluding Corporate Centre
RCB stands for retail and commercial banking
Source: Fitch Ratings, SG
Total is not 100% due to rounding.

Strategic Execution Challenges

SG's 2017-2020 strategic plan aimed to improve the group's return on tangible equity (ROTE; 11.5% target) by increasing revenue (by more than 3% a year), improving operating efficiency (a cost/income ratio target of below 63%) and refocusing the bank on its strengths. Sub-scale or less profitable businesses were to be disposed (for a 50bp-60bp positive CET1 impact revised up to 80bp-90bp). Annual LICs were targeted at 35-40bp of gross loans. However, in March 2020, SG abandoned all of its financial objectives in light of the COVID-19 outbreak.

SG executed its refocusing and cost reduction programme well, but experienced revenue declines in two of its core businesses, which generally account for about 50% of revenue: French retail and commercial banking and capital markets activities. This negative performance has outweighed revenue growth from the diversification into other businesses such as international retail, insurance and leasing.

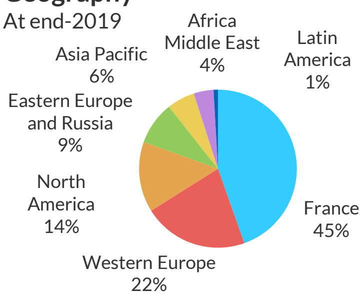
Prudent Underwriting in Eastern Europe

Group risk management and controls are centralised and robust. Underwriting standards for French housing loans are conservative. Lending is low-risk and based on borrower affordability. Loans generally have a fixed interest rate over their entire term and are fully amortising in line with the French market. Underwriting criteria for consumer loans, loans to professionals and corporates in the French networks are nevertheless only average compared with peers. Consumer loans of western European specialised lenders are of good quality as they mainly focus on car finance, the best-performing consumer loan segment.

Underwriting standards in the Czech Republic are conservative and have been significantly tightened in Romania. In Russia, SG focuses on large corporates and converted almost all of its housing loans denominated in foreign currencies into rubles. Africa presents higher risks, partly offset by good margins.

In CIB, SG follows an originate-to-distribute policy and sells a significant share of new loans. The bank's appetite for riskier asset classes such as leverage loans is generally below GTUB peers'. SG's investment policy is fairly prudent and essentially focused on fixed-income securities held for liquidity purpose.

Exposure at Default by Geography
At end-2019



Source: Fitch Ratings, SG
Total is not 100% due to rounding.

Material Exposure to Market Risk

SG has material exposure to market risk, and trades complex financial instruments. Nevertheless, its appetite for traded market risk is generally below that of several GTUB peers. Market risk management is of good quality. The bank's equity derivatives business was severely affected by markets dislocation in 1Q20, which increased hedging costs and bid-ask spreads but we do not view this as evidence of risk management deficiencies.

SG closed its proprietary trading subsidiary Descartes Trading in 2019 and aims to reduce the complexity and product range of its structured equity derivatives to render them more robust amid difficult market conditions. The acquisition of the listed equity derivative products of Commerzbank (notably warrants) is a step towards product simplification.

SG's value-at-risk (VaR, 99% confidence level, one-day holding period, one-year look-back period) remained moderate in 2019 (between EUR13 million and EUR36 million) with only one breach of hypothetical P&L. Average VaR was stable in 1Q20 compared to 4Q19 (EUR26 million compared to EUR28 million respectively). But the sharp increase in the maximum stressed VaR in the quarter to EUR108 million from EUR61 million in the previous quarter underlines the sharp increase in market volatility.

Non-trading market risk mainly arises from interest-rate risk in the banking book, notably from fixed rate housing loans. SG maintains conservative interest-rate sensitivity limits and has sophisticated interest-rate risk models. Interest-rate risk from SG's insurance activities is mitigated by a substantial 6% policyholder participation reserve at end-2019, and a low minimum guaranteed rate on the general account life insurance contracts, in line with the French market.

Summary Financials and Key Ratios

	31 Mar 20		31 Dec 19	31 Dec 18	31 Dec 17
	3 months - 1st quarter	3 months - 1st quarter	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Unaudited	Unaudited	Audited – unqualified (emphasis of matter)	Audited - unqualified	Audited – unqualified (emphasis of matter)
Summary income statement					
Net interest and dividend income	n.a.	n.a.	11,310.0	11,166.0	10,919.0
Net fees and commissions	n.a.	n.a.	5,257.0	5,524.0	6,823.0
Other operating income	5,669	5,174.0	7,975.0	8,571.0	6,357.0
Total operating income	5,669	5,174.0	24,542.0	25,261.0	24,099.0
Operating costs	5,125	4,678.0	17,727.0	17,931.0	17,838.0
Pre-impairment operating profit	543	496.0	6,815.0	7,330.0	6,261.0
Loan and other impairment charges	898	820.0	1,278.0	1,005.0	1,349.0
Operating profit	-355	-324.0	5,537.0	6,325.0	4,912.0
Other non-operating items (net)	88	80.0	-327.0	-208.0	226.0
Tax	-50	-46.0	1,264.0	1,304.0	1,708.0
Net income	-217	-198.0	3,946.0	4,813.0	3,430.0
Other comprehensive income	n.a.	n.a.	684.0	435.0	-2,352.0
Fitch comprehensive income	-217	-198.0	4,630.0	5,248.0	1,078.0
Summary balance sheet					
Assets					
Gross loans	505,922	461,775.0	441,430.0	432,586.0	416,752.0
- Of which impaired	n.a.	n.a.	15,976.0	17,818.0	20,642.0
Loan loss allowances	n.a.	n.a.	10,727.0	11,435.0	12,525.0
Net loans	505,922	461,775.0	430,703.0	421,151.0	404,227.0
Interbank	69,292	63,246.0	38,198.0	42,588.0	44,322.0
Derivatives	22,611	20,638.0	153,087.0	135,220.0	148,754.0
Other securities and earning assets	755,556	689,626.0	518,407.0	495,731.0	467,677.0
Total earning assets	1,353,381	1,235,285.0	1,140,395.0	1,094,690.0	1,064,980.0
Cash and due from banks	145,046	132,389.0	102,311.0	96,585.0	114,404.0
Other assets	153,419	140,032.0	113,597.0	118,153.0	95,744.0
Total assets	1,651,846	1,507,706.0	1,356,303.0	1,309,428.0	1,275,128.0
Liabilities					
Customer deposits	484,960	442,642.0	409,852.0	399,410.0	394,228.0
Interbank and other short-term funding	137,437	125,444.0	271,771.0	267,760.0	262,059.0
Other long-term funding	169,345	154,568.0	169,426.0	156,207.0	151,206.0
Trading liabilities and derivatives	511,605	466,962.0	200,234.0	197,854.0	195,722.0
Total funding	1,303,346	1,189,616.0	1,051,283.0	1,021,231.0	1,003,215.0
Other liabilities	274,527	250,572.0	236,450.0	222,388.0	207,876.0
Preference shares and hybrid capital	n.a.	n.a.	9,933.0	9,910.0	9,366.0
Total equity	73,973	67,518.0	58,637.0	55,899.0	54,671.0
Total liabilities and equity	1,651,846	1,507,706.0	1,356,303.0	1,309,428.0	1,275,128.0
Exchange rate		USD1 = EUR0.91274	USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382

Source: Fitch Ratings, Fitch Solutions, SG

Summary Financials and Key Ratios

	31 Mar 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	-0.4	1.6	1.7	1.4
Net interest income/average earning assets	n.a.	1.0	1.0	1.0
Non-interest expense/gross revenue	n.a.	71.9	71.1	74.3
Net income/average equity	-1.3	6.9	8.8	6.3
Asset quality				
Impaired loans ratio	n.a.	3.6	4.1	5.0
Growth in gross loans	4.6	2.0	3.8	-0.3
Loan loss allowances/impaired loans	n.a.	67.1	64.2	60.7
Loan impairment charges/average gross loans	0.7	0.3	0.3	0.2
Capitalisation				
Common equity Tier 1 ratio	12.6	12.7	11.0	11.6
Fully loaded common equity Tier 1 ratio	12.6	12.7	10.9	11.4
Tangible common equity/tangible assets	4.2	3.6	3.6	3.5
Basel leverage ratio	4.2	4.3	4.2	4.3
Net impaired loans/common equity Tier 1	n.a.	12.0	15.5	20.2
Funding and liquidity				
Loans/customer deposits	104.3	107.7	108.3	105.7
Liquidity coverage ratio	141.0	119.0	129.0	140.0
Customer deposits/funding	37.8	45.2	44.7	46.0
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, SG

Key Financial Metrics – Latest Developments

Asset Quality to Deteriorate

LICs rose materially in 1Q20 to an annualised 65bp of gross loans from 25bp in 2019 and SG expects 2020 LICs to be in the range of 70bp and 100bp (equivalent to a EUR3.5 billion to EUR5 billion charge). SG expects LICs to remain elevated in 2021 but to improve. We believe Stage 3 loans to only significantly increase in 2H20 and early 2021 when the government's support measures will be reduced and state-guaranteed loans start to amortise. We expect the increase to be most pronounced for professional and SME lending, which are financially more vulnerable than large corporates.

Exposure to higher-risk sectors is significant but manageable as it does not present major concentrations. The more vulnerable part of the oil and gas exposure (services and independent oil and gas producers) was about 15% of CET1 capital at end-2019 (about EUR6 billion EAD) and exposure to reserve-based lending, which could suffer the most, a manageable EUR1.5 billion. Exposure to hotels, leisure and restaurants was EUR5 billion or 11% of CET1, aircraft financing about 10% (EUR4.5 billion) and shipping 7% (EUR3 billion). Exposure to companies under LBOs is granular and contained at below EUR5 billion (or 11% of CET1), 60%/40% split between the retail and commercial banking networks and CIB.

Earnings Impacted by Crisis

SG's 1Q20 revenue declined materially owing to the principal guarantee cost of structured equity derivatives, which reduced equity capital markets revenue to close to zero for the quarter despite strong business flows. This followed dividend cancellations by many European corporates, higher bid-ask spreads affecting asset valuations, and the increased cost of hedging. In contrast, FICC performed well (+32% yoy), in line with most large European banks. Revenue from other businesses was globally resilient in the circumstances, with international retail banking growing slightly at constant scope and exchange rate (+3% yoy).

Costs declined by about 1% at constant scope and exchange rate yoy, owing to the bank's multi-year cost savings plan. This was nevertheless insufficient to offset the decline in revenue and LICs which were three times higher year-on-year. The group recorded an operating loss of about EUR320 million for the quarter, partly explained by some hedging inefficiencies (capital instruments not being eligible to hedge accounting). The bank confirmed its target to reduce costs over the year as it sought additional non-recurring cost savings of about EUR600 million-700 million in 2020 (3%-4% of the 2019 cost base).

Adequate Buffers over Solvency Requirements

SG's fully-loaded CET1 ratio was 12.6% at end-March 2020, down 60bp compared to end-2019 when adding back the cancelled 2019 dividend (54bp). The bank expects a CET1 ratio between 200bp-250bp above supervisory requirement at year-end. This corresponds to 11%-11.5% based on the current supervisory requirement of 9.05% following the cancellation of countercyclical buffers in several countries (including France and Czech Republic). It also reflects the split of the Pillar 2 requirement across the different capital stacks brought forward by the ECB.

The 1Q20 decline in CET1 mainly stems from higher RWAs (a mix of credit risk, market risk and regulatory impacts, mainly the new EU framework for securitisation transactions). The group's end of year CET1 target implies further increases in RWAs, potentially from the negative rating migration of borrowers. We expect a low contribution to RWAs from loan growth, as it will mainly come from government guaranteed loans, which have low risk-weighting.

Conservative Liquidity Management

SG has maintained its loans-to-deposits ratio at a satisfactory level over the past four years, between 105% and 110% and we expect it to remain in the same range. Access to markets is well established and diversified by tenor, currency and instrument. SG also uses private placements of structured notes. Short-term wholesale funding was a moderate about 5% of total funding at end-2019. SG had completed 45% of its annual wholesale funding programme by end-March 2020.

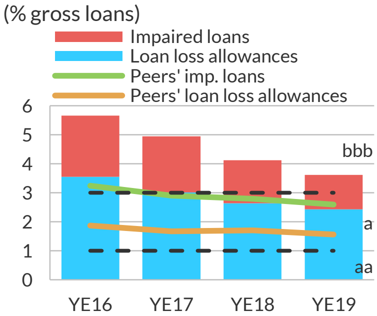
Note on Charts

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 like France.

Peer average includes SG (VR: 'a-'), BNP Paribas S.A. (a+/RWN), Groupe BPCE (a+/RWN), Barclays plc (a/RWN), Credit Suisse Group AG (a-), ABN Bank N.V. (a) and Deutsche Bank AG (bbb)

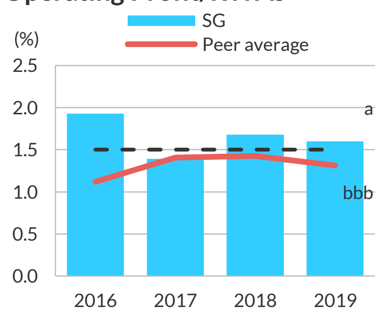
Asset Quality

(% gross loans)



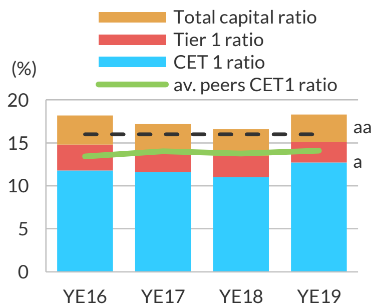
Source: Fitch Ratings, banks

Operating Profit/RWAs



Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

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		✓	

No reliance on sovereign support

SG's Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that, although possible, sovereign support cannot be relied on. In our view, legislative, regulatory and policy initiatives (including the implementation of the EU's Bank Recovery and Resolution Directive) have substantially reduced the likelihood of sovereign support for EU commercial banks in general.

This implies that senior creditors would probably be required to participate in losses, if necessary, instead of, or ahead of, the bank receiving sovereign support, despite SG's systemic importance.

Environmental, Social and Governance Considerations

FitchRatings **Societe Generale S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Societe Generale S.A. has 5 ESG potential rating drivers

- Societe Generale S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
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	E Scale
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	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
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	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				1

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 Priniciples 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.

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.

SG's highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.