

Wintrust Financial Corporation

Key Rating Drivers

Affirmation Reflects Strengths: The affirmation of Wintrust Financial Corporation's (WTFC) ratings reflects the company's consistent performance in 2022, marked by resilient asset quality, deposit growth, adequate capitalization and strong net interest income offsetting fee revenue pressures associated with higher interest rates. The rating reflects WTFC's strong company profile, characterized by stability and a low risk appetite.

Franchise Supports Rating: WTFC has a meaningful place in the Illinois market, where its community bank offerings have created a solid core franchise. Nationally, its premium finance and leasing businesses have allowed for broader geographic diversification. The longstanding management team has continually executed on strategies to expand and diversify the business.

Risk Management a Strength: Fitch views WTFC's conservative risk culture and prudent risk management practices as a ratings strength, marked by careful loan portfolio composition and diligent underwriting leading to low losses through the cycle.

Strong Credit Quality: WTFC's better than peers credit performance remains a ratings strength. Impaired loans as a percentage of gross loans have remained relatively stable and well below pre-pandemic levels, comparing favorably with peers. Fitch expects credit metrics to normalize throughout 2023 but remain manageable and supportive of the rating.

Business Mix Stabilizes Earnings: Net interest margin (NIM) expansion bolstered earnings through 2022 as noninterest income decreased slightly yoy on waning mortgage banking originations. WTFC's diverse revenue provides stability across shifting interest rate environments and led to net income growth over several years. Profitability has historically trended below the peer median, but Fitch views the diversity and stable growth of earnings over the longer term favorably.

Capital Levels Supported by Risk Profile: Fitch considers WTFC's capital management policies as commensurate with the rating. The common equity Tier 1 (CET1) ratio of 9.05% at YE22 is up from the prior year, primarily due to strong earnings growth that was accretive to capital. While WTFC's CET1 ratio is among the lowest in its peer group, Fitch views capital levels as adequate given the credit diversification in low loss business lines such as premium finance, as well as the overall conservative risk profile.

Increased Funding Costs Anticipated; Expected to be Manageable: Moderating deposit growth paired with strong loan growth over 2022 contributed to a higher loan-to-deposit ratio. Rising rates resulted in an increased cost of deposits and a lower share of noninterest-bearing deposits relative to 2021. WTFC's cost of total deposits in 2021 was in line with the peer median, but rose at a lower beta than peers, and at YE22 sat on the lower end of the peer group. In 2022, WTFC held more liquidity on its balance sheet than at YE21.

WTFC's Viability Rating (VR) is equalized with those of its operating companies and banks, reflecting its role as the bank holding company, which is mandated in the U.S. to act as a source of strength for its bank subsidiaries. Ratings are also equalized to reflect the very close correlation between holding company and subsidiary failure and default probabilities.

Additionally, WTFC's holding company VR is equalized with its operating companies' VRs due to sufficient liquidity management. While WTFC's double leverage rests modestly above 120%, mainly due to unrealized losses reflected in accumulated other comprehensive income (AOCI), Fitch does not believe it is indicative of a burdensome debt load at the holding company. The affirmation of the holding company VR reflects the view that WTFC will manage holding company liquidity higher in the near term and maintain levels of liquidity at the holding company to cover upcoming cash outflows.

Ratings

Foreign Currency

Long-Term Issuer Default Rating	BBB+
Short-Term Issuer Default Rating	F2

Viability Rating	bbb+
Government Support Rating	ns

Sovereign Risk (United States of America)

Long-Term Foreign Currency Issuer Default Rating	AAA
Long-Term Local Currency Issuer Default Rating	AAA
Country Ceiling	AAA

Rating Outlooks

Long-Term Foreign Currency Issuer Default Rating	Stable
Sovereign Long-Term Foreign Currency Issuer Default Rating	Stable
Sovereign Long-Term Local Currency Issuer Default Rating	Stable

Applicable Criteria

[Bank Rating Criteria \(September 2022\)](#)

Related Research

[Fitch's Small and Mid-Sized US Regional Bank Review \(May 2023\)](#)

[U.S. Banks' Near-Term Deposit Challenges to Pressure Profitability, Credit and Capital \(Wide Dispersion in Operating Performance Likely in 2023 as Regional and Community Banks Face Stiffer Challenges\) \(May 2023\)](#)

[Fitch Affirms Wintrust Financial Corporation's LT IDR at 'BBB+'; Outlook Stable \(April 2023\)](#)

[Global Economic Outlook – March 2023 \(March 2023\)](#)

[U.S. Banking Quarterly Comment: 4Q22 \(Deposit Flows/Costs in Focus with Net Interest Income Likely to Moderate in 2023\) \(January 2023\)](#)

Analysts

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Rating Sensitivities

Factors that could, individually or collectively, lead to negative rating action/downgrade

- Negative pressure could be placed on WTFC's ratings and/or Rating Outlook if the company's CET1 were to decline below 8% for several quarters without a credible plan to rebuild back above 8%, particularly in conjunction with rapid loan growth and/or signs of asset quality deterioration.
- Asset quality is viewed as a rating strength for WTFC. Evidence of deterioration in asset quality could pressure the ratings. Specifically, should the impaired loans/gross loans ratio rise above 2%, negative rating action would be considered. Moreover, while deterioration in the premium finance line would likely be the result of fraud and/or failed controls, should losses coalesce in this space, negative rating action could be taken.
- Fitch notes WTFC's extensive M&A history in the community bank space. While Fitch would consider acquisitions on a case-by-case basis, to the extent WTFC pursues M&A activity that does not fit its current business model and strategy, or materially alters the risk profile, negative rating action could be contemplated.

Factors that could, individually or collectively, lead to positive rating action/upgrade

- Over the medium to long term, a Positive Rating Outlook or higher rating could be achieved by consistently performing in line with higher rated peers without altering WTFC's risk appetite. Fitch believes this would most likely be achieved through consistently strong earnings, evidenced by operating profit to risk-weighted assets (RWA) in line with or exceeding peer medians on a sustained basis, as well as continued revenue diversity strength. Furthermore, upward momentum would be contingent on improvement in franchise strength as evidenced by market share gains within the footprint.

Other Debt and Issuer Ratings

Rating Type	Rating	Rating Outlook
Preferred: Long Term	BB	—
Subordinated: Long Term	BBB	—

Source: Fitch Ratings

Subordinated Debt and Other Hybrid Securities: WTFC's and its subsidiaries' subordinated debt is notched one level below its VR for loss severity. In accordance with Fitch's "Bank Rating Criteria," this reflects alternate notching to the base case of two notches due to Fitch's view of U.S. regulators' resolution alternatives for an entity such as WTFC, as well as early intervention options available to banking regulators under U.S. law.

Per Fitch's updated "Bank Rating Criteria," WTFC's preferred stock rating of 'BB' is notched four levels below WTFC's VR, encompassing two notches for loss severity and two notches for nonperformance.

These ratings are in accordance with Fitch's criteria and assessment of the instruments' nonperformance and loss severity risk profiles and have been affirmed due to the affirmation of the VR.

Long-Term and Short-Term Deposit Ratings: The long-term deposit rating of WTFC's bank subsidiaries is rated one notch higher than the bank's IDR and senior unsecured debt because U.S. uninsured deposits benefit from depositor preference. U.S. depository preference gives deposit liabilities superior recovery prospects in the event of default. Fitch rates WTFC subsidiaries' short-term deposits 'F2' in accordance with its "Bank Rating Criteria," in turn based on WTFC subsidiaries' long-term deposit ratings and Fitch's assessment of WTFC's funding and liquidity profile.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Subordinated Debt and Other Hybrid Securities: The ratings for WTFC and its operating companies' subordinated debt and preferred stock are sensitive to any negative change in the VR.

Long-Term and Short-Term Deposit Ratings: The long-term deposit ratings are sensitive to any negative changes to WTFC's Long-Term IDR. WTFC subsidiaries' short-term deposit ratings are sensitive to any negative change in the company's long-term deposit rating and Fitch's assessment of WTFC's funding and liquidity profile.

Factors that could, individually or collectively, lead to positive rating action/downgrade:

Subordinated Debt and Other Hybrid Securities: The ratings for WTFC and its operating companies' subordinated debt and preferred stock are sensitive to any positive change in the VR.

Long-Term and Short-Term Deposit Ratings: The long-term deposit ratings are sensitive to any positive changes to WTFC's Long-Term IDR. WTFC subsidiaries' short-term deposit ratings are sensitive to any positive change in the company's long-term deposit rating and Fitch's assessment of WTFC's funding and liquidity profile.

Ratings Navigator

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

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

VR – Adjustments to Key Rating Drivers

- The Asset Quality score of 'bbb+' has been assigned below the implied score of 'aa' due to negative adjustments for Growth and Concentrations.
- The Funding and Liquidity score of 'bbb+' has been assigned below the implied score of 'a' due to a negative adjustment for Contingent Access.

Company Summary and Key Qualitative Factors

Business Profile

Diverse Business Mix Supports Strong Franchise: WTFC is an Illinois-based financial services holding company with approximately \$53 billion in assets as of Dec. 31, 2022. Its franchise is diversified, comprising a strong community banking franchise, nationwide premium finance and leasing businesses, mortgage banking and wealth management. There are 15 nationally chartered banks operating under the WTFC holding company, several with niche businesses that work together to expand offerings to the entire customer base.

WTFC has historically been an acquisitive bank, acquiring community banks within the Illinois and Wisconsin footprint to absorb into existing charters or add new ones. Although WTFC has not completed a community bank acquisition since 2019, the company acquired approximately \$581.6 million of loans from The Allstate Corporation in November 2021 through a business combination. The transaction made WTFC the preferred provider of loans to Allstate agents and serves as an additional differentiator for the business. In November 2022 the company announced it would acquire the U.S. arm of Rothschild & Co, supplementing the current wealth management operation.

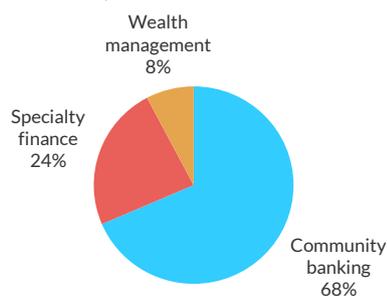
Fitch continues to view WTFC's business model as a differentiator relative to peers and supportive of its rating. This is largely attributable to the company's premium finance business, which comprises about one third of the loan book. The segment helps to diversify the portfolio's geographic orientation as the business is nationwide, hedging against WTFC's otherwise predominantly Chicago- and Wisconsin-based businesses. Fitch views this profile positively, especially given the record of low losses of the premium finance business.

Tenured Management Team Supportive of Rating: Fitch views WTFC's longstanding management team and continued execution of the company's strategy as supportive of the ratings. Management continues to methodically and strategically expand (and contract where appropriate) WTFC's community banking presence in its footprint via small bank acquisitions and expanded product offerings. This has allowed the bank to diversify revenue and continue to grow.

Execution on the strategy has been displayed via steady growth through the pandemic, driven in part by highly active participation in Paycheck Protection Program (PPP) lending. This program has led to new client banking relationships that have trickled into other segments, as well as bolstered deposit growth. Net income has expanded over the past two years. The wealth management segment continues to grow, with record revenue in 2022. Management's acquisition of a portion of the Allstate loan book helped to expand net interest income in the last few months of 2021, which was further bolstered by NIM expansion through rate hikes in 2022.

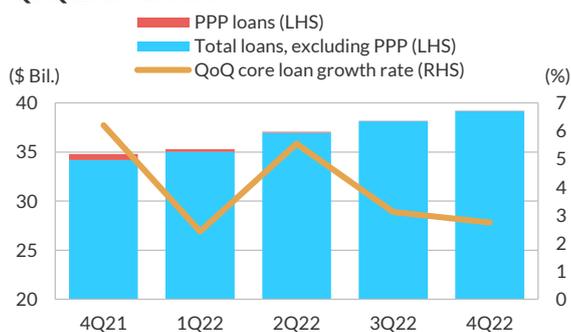
Segment Net Income Mix

Year-ended Dec. 31, 2022



Source: Fitch Ratings, WTFC

QoQ Loan Growth



Source: Fitch Ratings, WTFC

Risk Profile

Prudent Risk Management Supports Credit Quality: Fitch views WTFC's prudent risk appetite positively. While loan growth was slightly elevated in 2022 relative to the previous year, the company's rating reflects Fitch's view that WTFC maintains strong risk management practices, which have resulted in lower credit losses compared to peers over time. Additionally, Fitch continues to view WTFC's premium finance lending business favorably, providing geographic diversification and historically low credit losses.

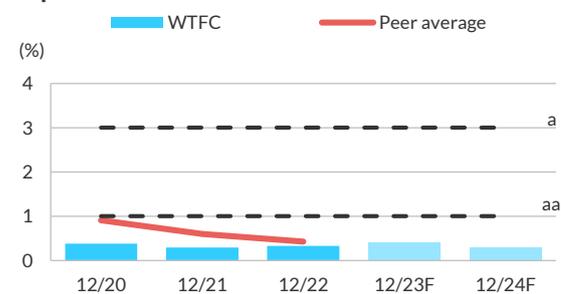
Financial Profile

Asset Quality

Asset Quality a Consistent Strength

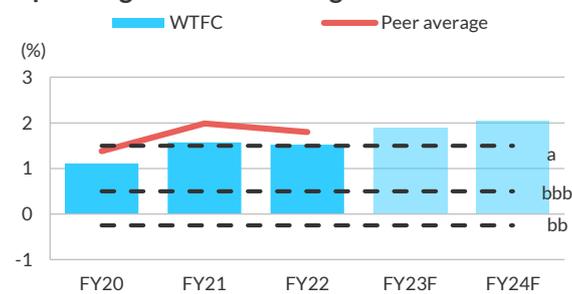
Similar to the banking industry as a whole, WTFC's asset quality remained resilient through 2022 despite continuing inflationary pressures and a worsening credit environment. Net chargeoffs continue to be benign, at 5 basis points (bps) of average gross loans for the year ended Dec. 31, 2022, compared to 6 bps in 2021. Through strong underwriting and a lower risk premium finance book, the bank has maintained low levels of impaired loans and NPLs, with an impaired loans ratio of 33 bps as of YE22, relatively stable from YE21 and comparing slightly favorably to a peer median of 35 bps at YE22. Although the bank maintains reserve coverage levels on the lower end of the peer average, this is not viewed as a ratings constraint due to the bank's stable credit quality history and strong underwriting standards. Fitch expects loan losses to tick upward across the sector throughout 2023 but believes any credit quality changes for WTFC will be manageable and remain supportive of the rating.

Impaired Loans/Gross Loans



F - Forecast
Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



F - Forecast
Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Diversified Business Mix Boosts Earnings

Despite rising interest rates pressuring noninterest income, WTFC's diversified business mix and growing loan book contributed to a solid earnings year for the bank. Net income for 2022 was strong at \$509.7 million (a 9.3% increase from 2021), partially offset by a reserve build of \$78.6 million in anticipation of normalizing asset quality. Net interest income increased over the past two years, reaching an all-time high of \$1.5 billion in 2022, driven by an expanding NIM as interest rates increased and growth in earning assets fueled by loan growth of 11% in 2022 and 7% in 2021.

WTFC's diversified business mix played a major part in the successful year. Despite origination volume and gain-on-sale margin being down from the prior year, mortgage banking continued to contribute to earnings, representing 8% of total revenue during the year. Wealth management revenues continued to grow, up 2% from 2021 and accounting for 8% of total revenue. In the event of rate cuts, Fitch expects that a ramp-up in the mortgage business could offset some of the earnings lost through NIM contraction. Fitch views WTFC as having adequate headroom at the current rating level.

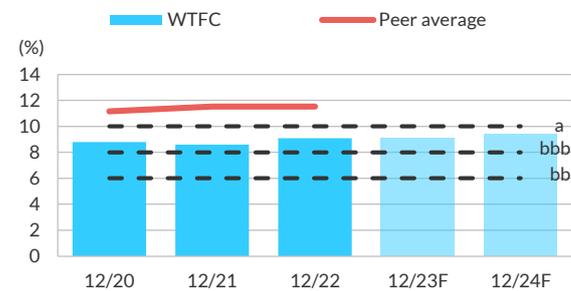
Capital and Leverage

Capital Up on Strong Earnings Retention

Fitch views WTFC's capital and leverage as adequate for its business and risk profile and supportive of the 'bbb' factor score. WTFC has historically managed capital levels on the lower end of peers. The company's CET1 ratio trended upward in 2022, reaching 9.05% at YE22 as earnings outpaced loan growth and the bank paused common stock repurchases.

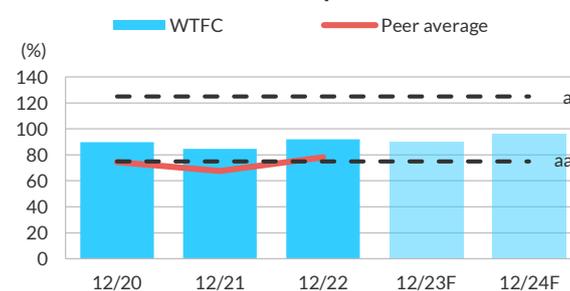
WTFC has demonstrated a willingness to raise capital in both private and public markets. The company successfully raised \$250 million in preferred stock in May 2020, which was used to bolster liquidity and support balance sheet growth through the pandemic. Wintrust also issued 3,450,000 shares of common stock in June 2022, resulting in net proceeds to the company of approximately \$286 million, to be used for general corporate purposes. While capital remains near the bottom of the peer group, Fitch views the lower level of capitalization relative to peers as adequate given the historically lower losses on the loan book relative to peers, as well as the lower degree of risk due to diversification and little to no loss nature of the premium finance segments. Should WTFC's CET 1 ratio fall below 8% for several quarters without a credible plan to build it back up, negative action could be taken.

CET1 Ratio



F - Forecast
Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



F - Forecast
Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

Deposit Growth Expected to Slow

WTFC experienced net deposit inflows in both 2021 and 2022, with particularly strong growth in noninterest-bearing deposits, which were up 104% over the three-year period ended Dec. 31, 2022. Deposit growth in 2020 and 2021 was largely driven by government stimulus but also benefited from franchise growth as the company's PPP lending attracted new customers. While sequential deposit growth is expected to continue to slow from 2020 levels, WTFC depositors have demonstrated sticky behavior, with high levels of deposits remaining at the bank.

The company maintains funding sources in addition to customer deposits, with Federal Home Loan Bank (FHLB) borrowings of \$1.5 billion on the balance sheet as of YE22. The liquidity profile is also strong, with the investment portfolio primarily comprising mortgage-backed securities, collateralized mortgage obligations and municipal bonds.

Additional Notes on Charts

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

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

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

The peer averages include BOK Financial Corporation (VR: a), Texas Capital Bancshares, Inc., East West Bancorp, Inc. (bbb), Synovus Financial Corp. (bbb) and UMB Financial Corporation (a).

Financials

Financial Statements

(USD Mil., Years Ended Dec. 31)	2022	2021	2020	2019	2018
Summary Income Statement					
Net Interest and Dividend Income	1,495.4	1,125.0	1,039.9	1,054.9	964.9
Net Fees and Commissions	274.5	249.3	163.8	147.2	152.6
Other Operating Income	187.3	339.6	442.1	258.2	198.9
Total Operating Income	1,957.2	1,713.9	1,645.8	1,460.3	1,316.4
Operating Costs	1,178.1	1,135.4	1,067.5	926.6	821.6
Pre-Impairment Operating Profit	779.1	578.5	578.3	533.7	494.8
Loan and Other Impairment Charges	78.6	-59.3	188.5	53.6	34.7
Operating Profit	700.6	637.8	389.8	480.1	460.1
Tax	190.9	171.6	96.8	124.4	117.0
Net Income	509.7	466.2	293.0	355.7	343.2
Other Comprehensive Income	-431.7	-11.3	50.1	42.2	-30.2
Fitch Comprehensive Income	78.0	454.9	343.1	397.9	313.0
Summary Balance Sheet					
Assets					
Gross Loans	39,529.9	35,648.9	33,381.0	27,201.3	24,097.4
- of which Impaired ^a	131.5	103.4	188.2	170.6	151.4
Loan Loss Allowances	270.2	247.8	319.4	156.8	152.8
Net Loans	39,259.8	35,401.1	33,061.7	27,044.5	23,944.6
Interbank	1,988.7	5,372.6	4,802.5	2,164.6	1,099.6
Derivatives	279.5	115.8	270.2	103.3	64.3
Other Securities and Earning Assets	7,152.4	6,219.4	3,881.2	4,480.4	3,377.8
Total Earning Assets	48,680.4	47,108.9	42,015.6	33,792.7	28,486.3
Cash and Due from Banks	490.9	411.2	322.4	286.2	392.1
Other Assets	3,778.4	2,622.1	2,742.3	2,528.8	2,366.4
Total Assets	52,949.6	50,142.1	45,080.3	36,607.7	31,244.8
Liabilities					
Customer Deposits	43,599.0	42,461.4	37,365.5	30,349.0	26,308.5
Interbank and Other Short-Term Funding	618.6	417.0	404.6	248.5	192.2
Other Long-Term Funding	3,074.6	2,034.9	2,081.2	1,854.9	1,103.3
Trading Liabilities and Derivatives	278.6	106.5	233.6	103.3	64.7
Total Funding	47,570.8	45,019.8	40,084.9	32,555.8	27,668.6
Other Liabilities	582.0	623.7	879.4	360.7	308.7
Preference Shares and Hybrid Capital	666.1	666.1	666.1	378.6	378.6
Total Equity (Excludes Preferred Shares)	4,384.3	4,086.2	3,703.5	3,566.3	3,142.6
Total Liabilities and Equity	52,949.6	50,142.1	45,080.3	36,607.7	31,244.8

^aImpaired loans per form FR Y-9C (past due loans > 90 days [still accruing] + nonaccrual loans + accruing troubled debt restructures – government guaranteed).
Source: Fitch Ratings, Fitch Solutions

Key Ratios

(%, Years Ended Dec. 31)	2022	2021	2020	2019	2018
Ratios (Annualized as Appropriate)					
Profitability					
Operating Profit/Risk-Weighted Assets	1.5	1.6	1.1	1.5	1.6
Net Interest Income/Average Earning Assets	3.1	2.6	2.7	3.4	3.6
Noninterest Expense/Gross Revenue	60.2	66.2	64.9	63.5	62.4
Net Income/Average Equity	11.0	10.8	7.5	10.2	11.0
Asset Quality					
Impaired Loans Ratio	0.3	0.3	0.6	0.6	0.6
Growth in Gross Loans	10.9	6.8	22.7	12.9	9.6
Loan Loss Allowances/Impaired Loans	205.4	239.8	169.7	91.9	100.9
Loan Impairment Charges/Average Gross Loans	0.1	-0.1	0.6	0.2	0.2
Capitalization					
Common Equity Tier 1 Ratio	9.1	8.6	8.8	9.2	9.3
Fitch Core Capital Ratio	7.6	8.1	8.4	8.8	8.8
Tangible Common Equity/Tangible Assets	6.7	6.6	6.6	7.8	8.0
Regulatory Leverage Ratio	8.8	8.0	8.1	8.7	9.1
Net Impaired Loans/Common Equity Tier 1	-3.3	-4.2	-4.3	0.5	-0.1
Net Impaired Loans/Fitch Core Capital	-4.0	-4.4	-4.5	0.5	-0.1
Funding and Liquidity					
Loans/Customer Deposits	90.7	84.0	89.3	89.6	91.6
Customer Deposits/Funding	91.4	93.7	92.8	93.2	94.9

Source: Fitch Ratings, Fitch Solutions

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Wintrust Financial Corporation has 5 ESG potential rating drivers ➔ Wintrust Financial Corporation 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	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	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	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.

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	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

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

Governance (G)

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

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

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

Unless otherwise disclosed in this section, the 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, due to either their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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