

BOK Financial Corporation

Key Rating Drivers

Ratings Affirmed, Rating Outlook Stable: The affirmation of BOK Financial Corporation's (BOKF or the company) ratings in May 2021 reflected the company's strong company profile, deposit franchise in key markets and revenue diversification that differentiates BOKF from its peers. The revision of the Rating Outlook to Stable from Negative reflected increased confidence in a U.S. recovery, reducing the likelihood of the downside scenario contemplated at the time of Fitch's Negative Rating Outlook revision in May 2020.

Business Model Differentiates from Peers: BOKF's business model and franchise are ratings strengths, supporting a rating above peers. In addition to the core traditional banking franchise, the company offers trust, insurance, brokerage and investment banking services, which contribute to fee income. Brokerage and mortgage origination volumes in 2020 and into 2021 offset much of the negative impact of a narrow net interest margin (NIM) on earnings.

Solid Asset Quality: BOKF's impaired loans to gross loans have been elevated over the past year due to its outsized exposure to oil and gas lending. Much of the run-up occurred during the energy market price dislocations in Spring 2020. BOKF's conservative approach has historically led to heightened impaired loans, but the bank's actual credit losses remain low.

Capital Profile Supports Rating: Despite expectations early in the pandemic, BOKF accreted additional capital over the course of the past five quarters. At 2Q21, BOKF's CET1 stood at 11.95%, a 56 bp increase from 1Q20 despite resuming share repurchases in 4Q20.

Stable Funding Profile: Similar to the industry as a whole, BOKF experienced a significant influx in deposits over the course of the year, improving the bank's funding profile and allowing for continual reduction in its cost of funds. Additionally, the bank has access to solid levels of contingent liquidity, primarily \$8.6 billion in borrowing capacity.

Rating Sensitivities

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

Negative pressure could be placed on BOKF's ratings should there be further deterioration in asset quality. Pressure could emerge if impaired loans to gross loans were to meaningfully exceed 3% and be expected to remain above that threshold for an extended period. Fitch notes that at 2Q21, this ratio stood at 1.10%. Additionally, if Fitch were to observe outsized losses relative to peers, especially in the energy portfolio, it could result in downward rating action.

Outsized deterioration in the level and volatility of earnings, relative to peers, could drive negative rating action. A failure to maintain an implied earnings rating of 'a', as demonstrated by a ratio of operating profits to RWA of 1.5% or higher, could warrant a ratings downgrade. Furthermore, the bank's rating would be at risk if CET1 were to approach or ultimately dip below 10%, Fitch's lower bound for a Capitalization and Leverage factor score of 'a', and remain there for multiple quarters absent a credible plan to build levels back above this threshold.

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

Fitch sees limited upside potential for BOKF's ratings as the company is already comparatively higher rated in the context of the bank's company profile. Over the long term, upward rating momentum would be predicated on BOKF reducing concentrations in the loan portfolio in volatile industries, as well as increasing operating scale and footprint, with a leading franchise in multiple business segments or geographies, in line with larger regional banks. This would need to occur while maintaining the revenue diversification that differentiates BOKF from its peers.

Ratings

Foreign Currency

Long-Term IDR	A
Short-Term IDR	F1

Local Currency

Viability Rating	a
Support Rating	5
Support Rating Floor	NF

Outlooks

Long-Term Foreign Currency IDR ^a	Stable
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^aRevised from Negative on May 18, 2021.

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

[Fitch Affirms BOKF at 'A'; Outlook Revised to Stable \(May 2021\)](#)

[Prolonged, Elevated Inflation a Risk for U.S. Bank Credit, Earnings \(June 2021\)](#)

[Rating Outlooks for Financial Institutions Begin to Stabilise \(April 2021\)](#)

[Pressure on US Banks' Loan Growth, Revenue in 2021 Post 1Q Upside \(April 2021\)](#)

[U.S. Bank Energy Lending Evolving \(Industry Volatility, ESG Focus Driving Potential Long-Term Bank Lending Changes\) \(September 2021\)](#)

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Issuer Ratings (Including Main Issuing Entities)

Rating Level	Rating
Long-Term Foreign-Currency IDR	A
Short-Term Foreign-Currency IDR	F1
Viability Rating	A
Support Rating	5
Support Rating Floor	NF
Outlook/Watch	Stable

Source: Fitch Ratings.

Debt Rating Classes

Rating Level	Rating
Long-Term Deposits (BOKF, N.A.)	A+
Short-Term Deposits (BOKF, N.A.)	F1
Subordinated Debt	A-

Source: Fitch Ratings.

Subordinated Debt

BOKF's subordinated debt rating is notched one level below BOKF's VR for loss severity. In accordance with the Bank Rating Criteria, this reflects alternate notching to the base case of two notches due to our view of U.S. regulator's resolution alternatives for an entity like BOKF, as well as early intervention options available to banking regulators under U.S. law.

Long- and Short-Term Deposit Ratings

BOKF's uninsured deposits are rated one notch higher than the bank's IDR because U.S. uninsured deposits benefit from depositor preference. U.S. depositor preference gives deposit liabilities superior recovery prospects in the event of default.

Holding Company

BOKF's VR is equalized with that of its operating company, 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. The ratings are also equalized reflecting the very close correlation between holding company and subsidiary failure and default probabilities.

Ratings Navigator

BOK Financial Corporation

ESG Relevance: 

Banks
Ratings Navigator

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+
a										a	A	A Stable
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc+										ccc+	CCC+	CCC+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Significant Changes

Stabilization of U.S. Operating Environment

The U.S. economic outlook has been relatively stable over the past several months with the implementation of highly effective vaccines where more than 70% of Americans have received at least one dose. Although the Delta strain of the coronavirus has caused a third wave of cases in the U.S., direct impact of the pandemic on economic activity is declining. While hospitalization has risen back to close to January 2021 peaks, mobility and other high-frequency data have been holding up well. Compared with the June Global Economic Outlook, Fitch revised down the US GDP growth forecast for 2021 by 0.6% to 6.2% as supply-side constraints weighed on production and as a larger-than-expected share of demand expansion fed into price increases. However, GDP grew by 1.6% (or 6.6% annualized) in 2Q21, taking economic activity 0.8 pp above its pre-pandemic (4Q19) level. Near-term inflation pressures have intensified. The Fed is still expected to wait until 2023 before raising interest rates. Fitch's forecasts show U.S. unemployment remaining above 4%, the Fed's estimate of its midcycle equilibrium rate, until 4Q22.

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

Brief Company Summary

Strong Company Profile Supports Rating

BOKF is a \$47 billion financial holding company that was incorporated in the state of Oklahoma in 1990 after its predecessor bank, Bank of Oklahoma, failed during the savings and loan crisis of the 1980s and 1990s. The remnants of Bank of Oklahoma were purchased by Tulsa businessman George Kaiser, who retains a majority ownership interest today. The company's loans and deposits are primarily based in the Midwest and Southwest U.S. BOKF also has national lending platforms, including its mortgage operation.

Given the company's exposure to Oklahoma and Texas, as well as Kaiser's strong affinity for the energy sector, BOKF's loan book has a natural concentration in energy-related loans, representing approximately 14% of the loan portfolio as of June 30, 2021. Fitch believes BOKF's level of expertise in energy lending, as well as Kaiser's strong ties to the industry, provide uplift to BOKF's franchise and company profile. However, the current economic downturn has caused extreme dislocation in the oil and gas markets, which, if extended, could lead to outsized losses for BOKF.

Revenue Diversity Distinguishes Bank from Peers

BOKF also differentiates itself from its mid-tier regional peers through revenue diversity. In addition to its core banking franchise, the company offers trust, brokerage, insurance, transaction processing and investment banking services, all of which contribute to solid fee income. Fee income composed approximately 37% of total revenues through June 30, 2021, helping to offset a degree of the earnings pressure brought on by NIM compression due to continued low interest rates. BOKF is well established in these business lines, especially brokerage and trading, a somewhat unique position for an institution of its size.

BOKF is also among the top 10 ATM networks in the U.S. by way of its 2,400 TransFund ATM machines. This network provides a solid source of fee revenue from both credit/debit card transactions (\$87 million in 2019) and electronic funds transfers for members (\$77 million).

Key Person Risk Present

Key person risk, associated with Chairman of the Board Kaiser, somewhat offsets the positive influence of BOKF's ownership structure on the overall credit profile. Through his personal contacts and reputation in the oil and gas industry, as well as in the community through philanthropic work, Kaiser is able to attract lending opportunities to BOKF. The importance of this network is difficult to quantify but remains fundamental to the bank's business model. Fitch would consider a significant ownership change a rating sensitivity and would need to closely evaluate any event that resulted in Mr. Kaiser's ownership being significantly diluted or divested.

In April 2021, BOKF announced that President and CEO Steven Bradshaw would retire, effective April 1, 2022, and in August the company named Stacy Kymes as his replacement in both roles. Mr. Kymes has been with BOKF for 25 years, most recently served as COO. In Fitch's view, this announcement reflects an appropriate level of succession planning.

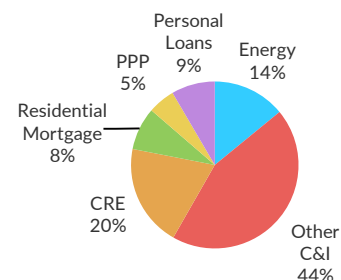
Appropriate Risk Appetite and Risk Controls

BOKF's underwriting is considered appropriate relative to its rating. The company has over 100 years of experience underwriting energy-related loans. Furthermore, reserve-based credits, which typically result in lower losses relative to other forms of energy lending, make up the vast majority of the bank's exposure.

Risk controls are considered strong and have supported the bank's credit performance over time. BOKF has appropriate concentration limits in place and adheres to them closely.

Loan Composition

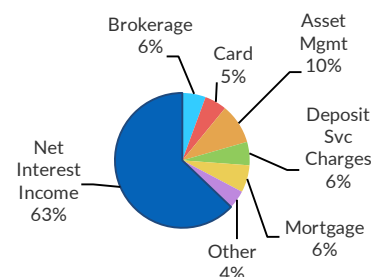
(As of June 30, 2021)



Source: BOK Financial Corp.

Differentiated by Revenue Diversification

(For Six Months Ended June 30, 2021)



Source: Fitch Ratings, BOK Financial Corp.

Summary Financials and Key Ratios

	June 30, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Summary Income Statement					
Net Interest and Dividend Income	560.7	1,108.4	1,112.9	984.9	841.7
Net Fees and Commissions	331.6	810.3	702.2	643.6	674.5
Other Operating Income	34.2	13.6	-28.7	-50.2	0.9
Total Operating Income	916.0	1,932.3	1,786.4	1,578.3	1,517.1
Operating Costs	573.7	1,145.8	1,111.5	1,004.8	1,005.8
Pre-Impairment Operating Profit	342.3	786.5	674.9	573.5	511.3
Loan and Other Impairment Charges	(60.0)	222.6	44.0	8.0	-7.0
Operating Profit	402.3	563.9	630.9	565.5	518.3
Other Non-Operating Items (Net)	N.A.	N.A.	N.A.	N.A.	N.A.
Tax	90.9	128.8	130.2	119.1	182.6
Net Income	311.4	435.1	500.7	446.4	335.7
Other Comprehensive Income	(109.1)	230.9	177.5	(33.7)	-18.7
Fitch Comprehensive Income	202.3	666.0	678.2	412.7	317.0
Summary Balance Sheet					
Assets					
Gross Loans	21,617.3	23,259.8	21,933.3	21,806.0	17,374.8
- of which impaired	238.8	314.6	207.2	178.6	192.7
Loan Loss Allowances	311.9	388.6	210.8	207.5	230.7
Net Loan	21,305.4	22,871.2	21,722.5	21,598.5	17,144.1
Interbank	580.5	381.8	523.0	401.7	1,714.6
Derivatives	1,701.4	810.7	323.4	320.9	220.5
Other Securities and Earning Assets	19,433.1	18,688.7	15,136.0	12,178.5	10,637.8
Total Earning Assets	43,421.6	42,752.4	37,704.9	34,499.6	29,717.0
Cash and Due From Banks	679.0	798.8	735.8	741.7	602.5
Other Assets	3,053.8	3,119.9	3,731.3	2,779.2	1,952.7
Total Assets	47,154.4	46,671.1	42,172.0	38,020.5	32,272.2
Liabilities					
Customer Deposits	37,439.9	36,143.9	27,621.2	25,263.8	22,061.3
Interbank and Other Short-Term Funding	737.8	912.5	8,335.7	7,118.4	5,674.9
Other Long-Term Funding	1,743.6	2,836.8	213.5	229.3	179.6
Trading Liabilities and Derivatives	612.3	405.8	251.1	362.3	172.0
Total Funding	40,533.6	40,299.0	36,421.5	32,973.8	28,087.8
Other Liabilities	1,195.2	1,008.5	814.6	532.7	666.1
Preference Shares and Hybrid Capital	N.A.	72.0	72.0	71.0	N.A.
Total Equity	5,354.6	5,291.6	4,863.9	4,443.0	3,518.3
Total Liabilities and Equity	47,154.4	46,671.1	42,172.0	38,020.5	32,272.2
Exchange Rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

N.A. - Not applicable.
 Source: Fitch Ratings.

Summary Financials and Key Ratios

	June 30, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Ratios (Annualized as Appropriate)					
Profitability					
Operating Profit/Risk-Weighted Assets	2.4	1.7	2.0	1.8	2.0
Net Interest Income/Average Earning Assets	2.6	2.7	3.1	3.2	2.9
Non-Interest Expense/Gross Revenue	62.6	59.3	62.2	63.7	66.3
Net Income/Average Equity	11.8	8.5	10.7	11.9	9.8
Asset Quality					
Impaired Loans Ratio	1.1	1.4	0.9	0.8	1.1
Growth in Gross Loans	(7.1)	6.1	0.6	25.5	0.5
Loan Loss Allowances/Impaired Loans	130.6	123.5	101.7	116.2	119.7
Loan Impairment Charges/Average Gross Loans	(0.5)	0.9	0.2	0.0	0.0
Capitalization					
Common Equity Tier 1 Ratio	12.0	12.0	11.4	10.9	12.1
Fully Loaded Common Equity Tier 1 Ratio	N.A.	0.0	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	12.1	N.A.	N.A.	9.8	10.9
Tangible Common Equity/Tangible Assets	8.9	8.9	8.6	8.9	9.6
Basel Leverage Ratio	8.6	8.3	8.4	9.0	9.3
Net Impaired Loans/Common Equity Tier 1	(1.8)	(1.9)	(0.1)	(0.9)	(1.2)
Net Impaired Loans/Fitch Core Capital	N.A.	N.A.	N.A.	(1.0)	(1.4)
Funding and Liquidity					
Loans/Customer Deposits	57.7	64.4	79.4	86.3	78.8
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Funding	93.6	90.4	76.2	77.3	79.0
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable.
Source: Fitch Ratings.

Key Financial Metrics – Latest Developments

Asset Quality

BOKF experienced modest asset quality deterioration over the past five quarters but not to the extent Fitch had anticipated early in the pandemic. Impaired loans to gross loans (defined as nongovernment guaranteed non-accruals plus 90 days past-due loans still accruing plus accruing troubled debt restructures) increased to 1.11% at 2Q21 from 0.94% at YE19. The four-year average of impaired loans to gross loans of 1.06% continues to benchmark in the 'a' category in line with its Asset Quality factor score of 'a-'. BOKF has historically trended high compared to peers in this metric because the credit culture within BOKF has always been quick to identify and work problem loans, in Fitch's view. The latter has led to higher classifieds over time, but the bank's credit costs have generally compared favorably to mid-tier peers. Fitch expects moderation in the bank's impaired loans to gross loans ratio as the bank completes a new round of borrowing base redeterminations with recovered energy prices.

Net charge offs to average loans (NCO) was 30 bps for 2020 and 28 bps in 1H21, which while higher than recent periods, are manageable in the context of the bank's earnings and capital. Oil and gas lending comprise approximately 14% of total loans as of June 30, 2021, giving BOKF the highest energy concentration among Fitch-rated U.S. banks. Fitch views BOKF's expertise in the energy market favorably and believe this expertise adequately mitigates the risks associated with the category. However, should the extreme price dislocations of early 2020 reoccur and become prolonged, significant portfolio losses could result.

Earnings and Profitability

BOKF experienced meaningful earnings headwinds during 2020, including lower interest rates and elevated provisioning. BOKF's benchmark operating profit to risk weighted assets (RWA) of 1.74% during 2020 is slightly lower than the bank's performance over the past four years of 1.90% but remains above the peer median. On a net income basis, following the lower levels in 1H20 due to the increased provisioning, the bank returned to pre-pandemic levels in 2H20, largely due to strong noninterest income performance throughout 2020 and into 1H21. Fitch expects this performance to continue into 2022.

Fitch continues to view BOKF's revenue diversity as a credit positive, illustrated by the bank's strong fee income offsetting some of the earnings pressure throughout the pandemic. Brokerage income led the way during this time, driven by the low interest rate environment and increased market volatility. Fitch expects BOKF's earnings to continue to receive support in 2H21 from its active participation in the SBA's Paycheck Protection Program (PPP). As these loans continue to receive approval for forgiveness in 2H21, the fee revenue is recognized, providing a backstop to earnings.

Capital Levels Sound but Likely to Be Pressured

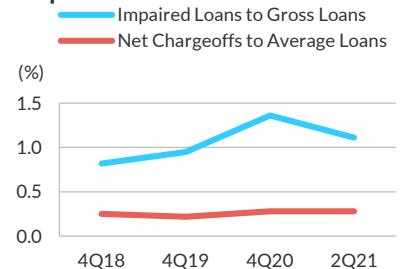
BOKF's capital profile remains in line with the mid-tier regional bank peer group through 2020 and into 2021. In 1Q20, the rise in RWAs pushed the CET1 ratio down to 10.98%. This largely subsided by 2Q20 when CET1 rebounded to 11.44%. The bank's CET1 ratio currently stands at 11.95%, representing a 51 bp increase YoY. Fitch views BOKF's higher than peer capitalization and leverage factor score of 'a' as vulnerable over the ratings horizon.

Strong Liquidity Profile Supports Rating

Fitch considers BOKF's funding and liquidity to be a rating strength. The bank's 2Q21 loans-to-deposits ratio was 57.55%, making it one of the most liquid banks in the mid-tier regional peer group, and Fitch expects the ratio to remain below the peer median. This is largely attributable to BOKF's strong deposit franchise within its core operating markets, which could assist in maintaining a lower cost of funds over time.

BOKF has ample secondary sources of liquidity, including capacity with the Federal Home Loan Bank (FHLB). While BOKF has a slightly elevated usage of wholesale funding, much of this represents repo transactions for its brokerage segment.

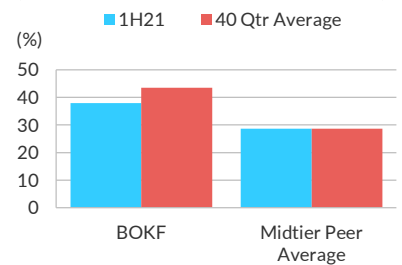
Credit Costs Stable Despite Impaired Loan Trend



Source: Fitch Ratings, FedFIS.

Consistently Greater Revenue Diversity Than Peers

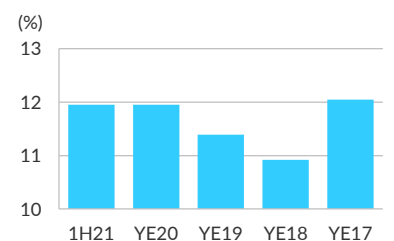
(Non-Interest Income to Total Revenue)



Source: Fitch Ratings, FedFIS.

Continual Capital Accretion Through Earnings

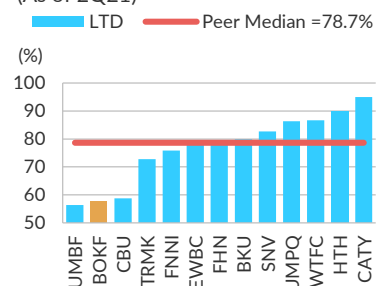
(CET1 Ratio)



Source: Fitch Ratings, FedFIS.

Loan-to-Deposit Ratio

(As of 2Q21)



Source: FedFIS.

Sovereign / Institutional Support Assessment

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

BOKF has a Support Rating (SR) of '5' and a Support Rating Floor (SRF) of 'NF', reflecting Fitch's assessment of the likelihood of governmental support, if needed, as unlikely. BOKF's IDRs and VR do not incorporate the possibility of any support.

Environmental, Social and Governance Considerations

FitchRatings BOK Financial Corporation

Banks
 Ratings Navigator

Credit-Relevant ESG Derivation

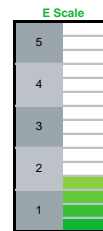
BOK Financial Corporation has 5 ESG potential rating drivers

- ➔ BOK 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.

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
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



How to Read This Page

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

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

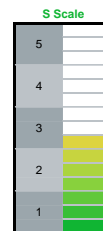
The **Credit-Relevant ESG Derivation table** shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

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

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

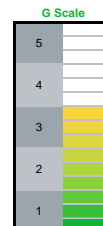
Social (S)

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



Governance (G)

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



CREDIT-RELEVANT ESG SCALE

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

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

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