

Credicorp Bank, S.A.

Key Rating Drivers

Intrinsic Performance: Credicorp Bank, S.A.'s (Credicorp) international and national ratings are underpinned by its intrinsic creditworthiness, captured in its Viability Rating (VR). The bank's creditworthiness is defined by a prudent risk profile that results in good asset quality while considering strong capitalization. On the other hand, the bank's profitability is moderate and showing relevant recovery in the last fiscal year. The business profile is sustained by a consolidated business model, albeit a modest franchise in the local banking system.

Stable Operating Environment: Fitch Ratings maintains the Panamanian banking system's operating environment (OE) assessment at 'bb+'/stable outlook; this level is below its implied 'bbb' score, capturing the main risks and headwinds to Panamanian banks' financial performance in an environment of rising interest rates and a moderate recovery in employment. In addition, this reflects Fitch's view that GDP per capita and the operating risk index (ORI) metrics evolution, along with the banks' low exposure to sovereign debt and limited expected impact of the government's fiscal pressures on the entity's financial performance, and will be commensurate with the 'bb+' OE assessment.

Consolidated Business Profile: Fitch considers the bank's business profile consolidated, as reflected in its financial performance, offsetting the limitations of a modest franchise and market position. The business profile is underpinned by a proven business model focused on the retail segment, which comparatively is better than the metrics of most of its medium to small sized local peer banks. In addition, the bank has demonstrated a good capacity to achieve financial goals and recover from downturn cycles. For the risk profile, Fitch believes the institution has shown good capacity to manage reputational risks, which has resulted in steady financial performance.

Good Asset Quality: Reflecting the effective risk profile and conservative underwriting standards, Credicorp's asset quality is good compared to most local peers with loan portfolios less exposed to retail. As of June 2023, Stage 3 loans represented 2.2% of total gross loans, exhibiting an improving trend in the past two years. Fitch expects them to remain at similar levels for the foreseeable future. Coverage is reasonable with a 101.8% ratio and largest debtor concentrations are low at 8.7% of total loans and 0.3x of total capital. The securities portfolio is of good quality, comprising mostly investment-grade instruments.

Recovery of Profitability: As of June 2023, the operating profitability to risk-weighted assets (RWA) ratio was 2.3%, showing fast recovery from 0.7% in YE22. More stable asset quality and corresponding reduction in credit costs helped support the recovery, while revenue from associates were restored to traditional levels. With lower levels of uncertainty in market conditions than in 2022, Fitch projects profitability will remain at the current level with mild improvement possible, in line with 'bb' score.

Strong Capital: The bank's capital is its main financial strength, with a CET1 ratio of 20.9% as of June 2023. This level is underpinned by the historical good internal capital generation, giving the bank cushion to absorb potential losses. Fitch believes the capital level would remain sound in the foreseeable future sustained by reasonable credit growth and moderate dividend payout.

Stable Funding Structure: Credicorp has a stable funding structure based on clients' deposits, representing 85.9% of total funding, complemented by diversified wholesale funding sources. As of June 2023, the loans to deposit ratio was 93.4%, in line with the four-year average ratio of 93.1%. In Fitch's opinion, concentration from the 20 largest depositors is high.

Ratings

Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B

Viability Rating	bb+
Government Support Rating	ns

National Rating

National Long-Term Rating	AA(pan)
National Short-Term Rating	F1+(pan)

Sovereign Risk (Panama)

Long-Term Foreign-Currency IDR	BBB-
Country Ceiling	AA-

Outlooks

Long-Term Foreign-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Negative

Applicable Criteria

[National Scale Rating Criteria \(December 2020\)](#)

[Bank Rating Criteria \(September 2023\)](#)

Related Research

[Latin American Banks: 2023 Midyear Outlook](#)

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Rating Sensitivities

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

- Ratings could be downgraded due to a deterioration in Fitch's assessment of the OE.
- A sustained operating profit-to-RWA ratio below 1.5% or a CET1 ratio below 15.0%.

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

- Upward movements in Credicorp's IDR, national ratings and VR are unlikely in the ratings horizon. In the long term, positive actions could result from an improvement of the OE. In addition, strengthening of the business profile could result in a positive action, materially improving the bank's franchise and market position and resulting in material improvement of the generation of the total operating income while maintaining consistently strong financial performance.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior Unsecured	AA(pan)

Source: Fitch Ratings

Senior Unsecured Debt

Credicorp's senior unsecured debt is rated at the same level as the bank's long-term national rating; in Fitch's view, the likelihood of default on the debt is the same as that for Credicorp.


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

- Credicorp's senior unsecured debt rating would be downgraded in the event of negative rating action on the bank's long-term national rating.

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

- Credicorp's senior unsecured debt rating would be upgraded in the event of positive rating action on the bank's national rating.

Ratings Navigator

Credicorp Bank, S.A.							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
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+
a							a	a	a	A
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+ Sta
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied Viability Rating (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 OE score of 'bb+' has been assigned below the 'bbb' implied score due to the following adjustment reason: Reported and Future Metrics (negative).

The Business Profile score of 'bb' has been assigned above the 'b' implied score due to the following adjustment reasons: Business Model (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Stable OE, but Headwinds are Strengthening

Fitch affirmed the Panamanian banking system's OE at 'bb+'/stable following [Panama's Sovereign Outlook Revision to Negative from Stable](#) as the government's fiscal pressures are not expected to weaken the recovery of banks' financial profile. However, Panamanian banks still face challenges related to growth and quality of credit in an economic slowdown environment, with expected GDP growth of 4.5% in 2024 compared with 6.5% forecast for 2023, higher interest rates and still recovering capacity of borrowers.

Furthermore, a continuation of social unrest or increased uncertainty from the May 2024 presidential election that significantly and negatively affects the economy and the financial performance of banks could pressure the OE. In Fitch's view, social and political uncertainty, as well as sovereign fiscal pressures, could limit the potential benefits of reduced risk and improved investor confidence and bank financing conditions resulting from the recent removal of the country from the Financial Action Task Force (FATF) gray financial crime watch list.

Business Profile

In Fitch’s opinion, the bank’s business profile is a key factor in its good financial performance. Credicorp is a medium sized bank specialized in retail banking, with consumer loans and mortgages as the main product line in the loan book, representing close to 71% of total loans. Fitch views the bank’s business model as consolidated; this is reflected in its strong knowledge of the segment, which has allowed Credicorp to maintain good asset quality through the cycles. This compares well with the local industry despite a business mix that is prone to higher deterioration. Additionally, the business profile is underpinned by the bank’s strategy and execution, reflecting its capacity to reach finance goals and restore performance after downturn cycles.

In terms of market position, Credicorp has a modest franchise in the local banking system. As of June 2023, the bank had 1.6% market participation in terms of assets, with loans and deposits at the same level of participation. By loans, the bank is ranked eighth in consumer loans with 4.6% market participation and 11th in residential mortgages with 1.8% participation. The bank complements its business model with diversification in associates that represents close to one-third of net income. As of June 2023, the bank had a four-year average total operating income of USD70 million.

Risk Profile

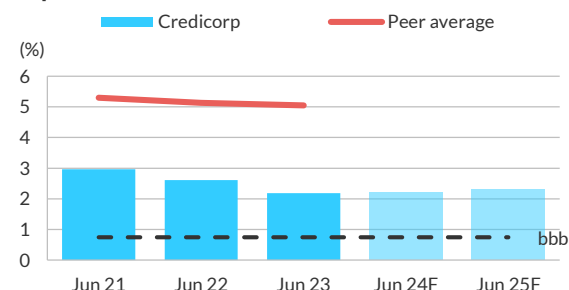
The risk appetite of the bank is moderate with a risk control framework that is prudent considering Credicorp’s business model. The effective risk management is evidenced in the bank’s good asset quality, level of collateralization and reserve coverage. Investment policies are prudent while operational risk is controlled, with losses non-material for YE23. Additionally, market risk exposure is moderate and similar to that of the local industry, with few operations in foreign currency and moderate exposure to interest rate fluctuations. On the other hand, credit growth has been low in the past two years, but in 2023, this reverted and is expected to be more dynamic in the coming years; given the relatively small size of the bank and risk management capacity, projected growth can be adequately achieved at least in the ratings horizon.

Financial Profile

Asset Quality

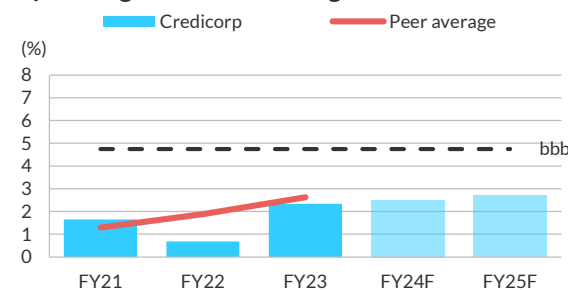
Fitch considers the bank’s asset quality good, with favorable performance over the past two years after the high level of YE21 during the early months of Covid-19. As of June 2023, the Stage 3 ratio was 2.2%, down from 2.6% as of June 2022; the 90 days past due ratio was 1.6%. In Fitch opinion, delinquency levels are low in light of the mostly retail nature of the loan portfolio, which compares better to most local peers with higher levels of corporate and trade finance credits that traditionally have lower deterioration prospects. Allowance is reasonable with 101.8% coverage of Stage 3 loans, the highest level of the past five years. Concentrations are naturally low, with the 20 largest debtors representing 8.7% of total gross loans and 0.3x of total capital. Restructured loans are reasonable, representing 5.3% of total loans, and chargeoffs are low, with only a 0.6% ratio by YE23. The second largest earning asset, the securities portfolio (13.2%), has a good credit quality with 88% rated investment grade and only 1.7% is allocated in Panamanian sovereign. In Fitch’s opinion, the bank’s asset quality should remain good in the ratings horizon given the stable outlook of the OE and the bank’s conservative underwriting standards.

Impaired Loans/Gross Loans



F – Forecast
 Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



FY – Fiscal year. F – Forecast.
 Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Profitability in the YE23 has showed a better than expected recovery sustained by a reduction in credit costs and improvement in revenue from associates, factors that impacted the revenue generation in the fiscal year 2022. As of

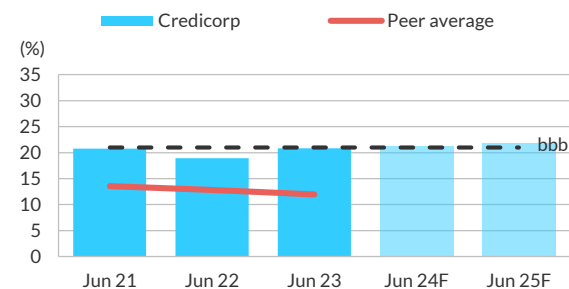
June 2023, the profitability core metric of the bank was 2.3% (YE22: 0.7%), approaching pre-pandemic periods, while the 4-year average was 1.7%. The cost of credit, measured by loan impairment charges to pre-impairment profits, was 10%, below YE22, with 57% the highest of the past five years; the finalization of relief measures and absorption of real deterioration were reflected in this metric. On the other hand, the diversification of revenue derived from the insurance associate was also impacted by non-recurring securities losses. That said, traditional good levels of profitability returned for YE23, with associates representing almost one-third of the bank's total net income. In Fitch's opinion, the bank's profitability should remain at the current level in the next fiscal year, even with mild improvement possible; this is supported by more solid asset quality and associates performance and a generally stable market price environment compared to 2022.

Efficiency is moderate with a ratio of non-interest expense to gross revenues of 67.6% as of June 2023, above the local industry average, influenced by the retail nature of the bank. Credicorp's strategic objectives include improved efficiencies, but their benefits will take time to materialize, in the agency's view. A small improvement in margins last fiscal year reflected the evolution of the interest rates; however, further improvement will likely be limited by the bank's low pricing power in Fitch's opinion and high competition of the Panamanian banking system.

Capital and Leverage

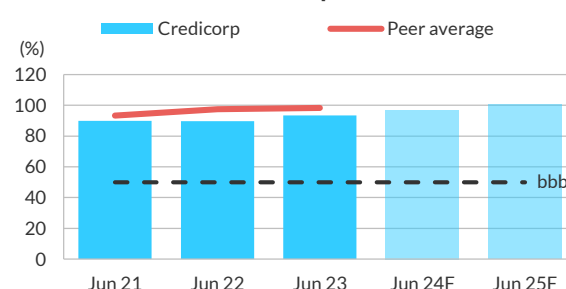
The bank's capital levels represent its main financial profile strength, with a CET1 ratio of 20.9% as of June 2023. In Fitch's opinion, Credicorp's capital levels allow it to absorb losses and are better than peers' allowance coverage. Including the dynamic reserves (countercyclical capital buffer [CCyB]) to the CET1 ratio, this indicator reaches 22.6%. Fitch considers the CCyB to have a good loss absorption capacity. Capital adequacy as of June 2023 was 23.85% and incorporates subordinated debt. The average dividend payout of the last four years was 15% and is expected to remain similar in the ratings horizon. Capital should remain at good levels similar to those recently observed in the ratings horizon given the sound internal capital generation and moderate credit growth.

CET1 Ratio



F - Forecast
 Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



F - Forecast
 Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

The bank's funding structure is stable, comprising mostly client deposits that represent 85.9% of total funding. As of June 2023, the loans to deposit ratio was 93.4%, in line with the 4-year average ratio of 93.1%; this metric is commensurate with Credicorp's rating level. In addition to deposits, the bank's other funding sources (14% of total funding) offer reasonable financial flexibility, with 16 wholesale funding providers, including multilaterals. The other funding sources is complemented by debt issued in the local capital market. In Fitch's view, given the bank's size, credit growth via retail deposits is feasible in the short term but will eventually require additional sources. Given the limited franchise of the company, Fitch views the 20 largest depositors concentration as high.

The bank's liquidity remains reasonable, with liquid assets (cash and equivalents, investment portfolio excluding repos) representing 29.7% of total customer deposits as of June 2023.

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, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalizations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch 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 that Fitch scores in the 'bb' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Global Bank Corporation (VR: bb+), Banco Aliado, S.A., Banistmo S.A. (bb), Multibank, Inc. (bb), Banco Nacional de Panama (bbb-) and Banco General S.A. (bbb-). The financial year end of Credicorp Bank, S.A., Global Bank Corporation, Banco Aliado, S.A. is June 30. Latest average uses 1H23 data for Banistmo S.A., Multibank, Inc., Banco Nacional de Panama and Banco General S.A.

Financials

Summary Financials

(Year End as of June 30, Audited)	2023		2022	2021	2020
	USD Mil.	PAB Mil.	PAB Mil.	PAB Mil.	PAB Mil.
Summary Income Statement					
Net Interest and Dividend Income	54	53.7	52.6	52.5	54.2
Net Fees and Commissions	16	16.0	11.9	10.9	13.8
Other Operating Income	18	18.0	3.4	18.7	12.1
Total Operating Income	88	87.6	67.9	82.1	80.1
Operating Costs	51	50.9	45.6	42.2	43.9
Pre-Impairment Operating Profit	37	36.8	22.3	39.9	36.2
Loan and Other Impairment Charges	4	3.7	12.7	17.6	10.6
Operating Profit	33	33.1	9.6	22.3	25.6
Other Non-Operating Items (Net)	N.A.	N.A.	N.A.	N.A.	N.A.
Tax	2	2.2	0.4	1.2	2.5
Net Income	31	30.9	9.2	21.1	23.1
Other Comprehensive Income	1	1.4	-13.7	0.6	0.3
Fitch Comprehensive Income	32	32.2	-4.5	21.7	23.4
Summary Balance Sheet					
Assets					
Gross Loans	1,251	1,250.8	1,193.8	1,219.0	1,244.5
- of which impaired	27	27.3	31.1	36.1	32.6
Loan Loss Allowances	26	26.2	28.5	29.4	17.2
Net Loan	1,225	1,224.6	1,165.3	1,189.6	1,227.3
Interbank	140	139.6	217.1	244.4	213.5
Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.
Other Securities and Earning Assets	463	463.0	383.4	385.2	325.9
Total Earning Assets	1,827	1,827.3	1,765.8	1,819.2	1,766.7
Cash and Due From Banks	19	18.9	21.5	21.5	23.6
Other Assets	105	105.2	105.4	115.0	95.4
Total Assets	1,951	1,951.3	1,892.7	1,955.7	1,885.7
Liabilities					
Customer Deposits	1,341	1,341.5	1,332.8	1,357.9	1,248.2
Interbank and Other Short-Term Funding	N.A.	N.A.	N.A.	N.A.	N.A.
Other Long-Term Funding	220	220.0	201.0	252.6	297.8
Trading Liabilities and Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.
Total Funding and Derivatives	1,561	1,561.4	1,533.8	1,610.5	1,546.0
Other Liabilities	71	70.8	71.2	47.7	60.4
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	319	319.1	287.7	297.5	279.3
Total Liabilities and Equity	1,951	1,951.3	1,892.7	1,955.7	1,885.7
Exchange Rate		USD1 = PAB1	USD1 = PAB1	USD1 = PAB1	USD1 = PAB1

N.A. - Not applicable
Source: Fitch Ratings, Fitch Solutions, Credicorp

Key Ratios

(%, as of June 30)	2023	2022	2021	2020
Ratios (annualized as appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	2.3	0.7	1.7	1.9
Net Interest Income/Average Earning Assets	3.1	2.9	2.9	3.1
Non-Interest Expense/Gross Revenue	67.6	69.6	62.2	61.7
Net Income/Average Equity	10.0	3.1	7.3	8.6
Asset Quality				
Impaired Loans Ratio	2.2	2.6	3.0	2.6
Growth in Gross Loans	4.9	-2.1	-2.1	2.8
Loan Loss Allowances/Impaired Loans	101.8	91.6	81.4	52.8
Loan Impairment Charges/Average Gross Loans	0.3	1.0	1.5	0.8
Capitalization				
Common Equity Tier 1 Ratio	20.9	18.9	20.8	19.3
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	N.A.	N.A.	N.A.	19.8
Tangible Common Equity/Tangible Assets	15.8	14.7	14.7	14.8
Basel Leverage Ratio	15.8	14.3	14.8	14.1
Net Impaired Loans/Common Equity Tier 1	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	N.A.	N.A.	N.A.	5.8
Funding and Liquidity				
Gross Loans/Customer Deposits	93.4	89.6	89.8	99.7
Gross Loans/Customer Deposits + Covered Bonds	N.A.	N.A.	N.A.	N.A.
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Non-Equity Funding	85.9	86.9	84.3	80.7
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.

N.A. - Not applicable

Source: Fitch Ratings, Fitch Solutions, Credicorp

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bbb- to bb
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	BBB-/ Negative
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Negative
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Neutral

The colors indicate the weighting of each KRD in the assessment.
■ Higher Influence ■ Moderate Influence ■ Lower Influence

The Government Support Rating (GSR) of 'ns' reflects Fitch's view that, although possible, external support cannot be relied on, given the banking system's large size regarding the economy and weak support stance due to Panama's lack of a lender of last resort.

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Credicorp Bank, S.A. has 5 ESG potential rating drivers ➔ Credicorp Bank, 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.	key driver	0	issues	5	
	driver	0	issues	4	
	potential driver	5	issues	3	
	not a rating driver	4	issues	2	
		5	issues	1	

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5) and provides a brief explanation for the score.

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

Social (S) Relevance Scores

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

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance	CREDIT-RELEVANT ESG SCALE	
					How relevant are E, S and G issues to the overall credit rating?	
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	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.
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	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.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	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.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2	Irrelevant to the entity rating but relevant to the sector.
				1	1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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