FitchRatings

Banks
Universal Commercial Banks
Panama

Multibank, Inc.

Key Rating Drivers

Shareholder Support: Multibank, Inc.'s (Multibank) Issuer Default Ratings (IDRs), national and debt ratings are based on the potential support it would receive from its shareholder Banco de Bogota, S.A. (Bogota), if required, as reflected in the Shareholder Support Rating (SSR) of 'bb+'. The bank's Long-Term IDR and SSR are equalized to Bogota's Long-Term IDR, reflecting Fitch Ratings' assessment of the high propensity of support from its parent. The Stable Rating Outlook on Multibank mirrors that on the parent.

Parent's Ability to Support: Bogota's ability to provide support to Multibank is closely linked to its IDR of 'BB+' as well as the relevant size of Multibank, as it represents 17.9% of Banco de Bogota's consolidated assets.

Core Subsidiary: In Fitch's view, Multibank supports its group's regional franchise and market position and contributes to the group's business model and diversification strategy, providing key products and services in Panama, which is considered a core market for the group.

Reputational Risk and Integration: Growing integration with Bogota improves Multibank's local franchise, provides business model stability and benefits the subsidiary's business generation. Fitch also weighs with high importance the reputational risk that an event of default by Multibank would constitute to its shareholder, as it would constitute a huge damage to Bogota's reputation and franchise.

Viability Rating: Multibank's VR is primarily driven by its diversified business model, sound risk profile, pressured asset quality and broad funding access. Its business profile weighs the moderate four-year average total operating income of USD149 million, which is lower than international peers as well as diversified business model, that results in stable revenue generation and relevant market position in some lending segments.

Increased Credit and Market Risks: Fitch's assessment of Multibank's risk profile takes into account the growing integration with the parent's risk management structure, prudent underwriting practices and sound credit risk control framework. However, it also considers its less conservative loan loss allowances position than some of its peers, which are lower due to its highly collateralized portfolio. Its exposure to interest rate risk which, despite benefiting its net interest margin, have had a negative impact on its capital due to unrealized losses from securities fair-value.

Pressured Asset Quality: Multibank's asset quality still reflects post-pandemic relief applied to some loans, even though these loans have shown healthy payment behavior over the past six months. Thus, the bank's Stage 3 loans accounted for 8.3% of the gross portfolio at YE22, while its 90+ days past-due loans ratio was 2.7%. Fitch estimates that with the revision of its portfolio expected for 2Q23, its Stage 3 portfolio ratio will approach closer that of past-due loans. Collateral levels positively weigh on the agency's asset quality assessment as roughly 70% of its commercial portfolio is backed by guarantees; therefore, the reserve coverage of gross loans stood at a low 23.0% as of 2022.

Ratings

Foreign Currency	
Long-Term IDR	BB+
Short-Term IDR	B
Viability Rating	bb
Shareholder Support Rating	bb+

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

Sovereign Risk (Panama)	
Long-Term Foreign-Currency IDR	BBB-
Long-Term Local-Currency IDR	BBB-
Country Ceiling	A-

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

Applicable Criteria

National Scale Rating Criteria (December 2020)

Bank Rating Criteria (September 2022)

Related Research

Banco de Bogota, S.A. (December 2022)

Analysts

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Improving Profitability but Still Below Peers: Multibank's profitability trend at YE22 continued to improve due to a stronger net-interest income (NII) as the bank's loan growth continued with higher interest rates and the priority to reduce funding costs through customer deposits. Lower loan impairment charges (LICs) from high levels during the pandemic and cost efficiencies after BAC International Bank's spin-off (i.e. closure of banking branches and focus on digitalization) also benefited the profitability.

At YE22, Multibank's operating profit to risk weighted assets (RWA) ratio was 0.9% but still below peers and pre-pandemic levels. Despite the OE challenges, Fitch's considers Multibank's profitability will continue to show gradual improvements and will be maintained in line with the current rating level.

Ordinary Support Benefits Loss Absorption Capacity: The bank maintains lower loss absorption capacity compared with regional peers, which is offset by ordinary or extraordinary support from its ultimate shareholder, in case of need. Fitch also considers the lower than peers CET1-to-RWAs ratio and LLAs coverage of Stage 3 loans. At YE22, Multibank's CET1-to-RWAs ratio declined to 9.6% due to moderate earnings and the negative impact from the AFS portfolio due to the increased interest rates. Fitch also takes into account the additional loss absorption provided by regulatory countercyclical buffer (CCyB).

Fitch does not anticipate any significant changes in Multibank's overall capital structure. The agency expects the CET1 ratio to remain adequate below 11%, driven by moderate assets growth and improvement in earnings.

Sound Funding and Liquidity: Multibank's funding structure continues to rely on its stable customer deposit base, but lags in comparison with larger peers due to higher concentrations per depositor and to its deposit base concentrated in term deposits that highly influence the NIM. Fitch's assessment of funding and liquidity consider as positive the support from a strong regional group. The bank's strategy is to continue growing the deposit franchise. The loans to deposit ratio at YE22 was 123% (avg. YE21-YE18: 116.4%), reflecting sound loan growth. Fitch expects the core metric to be maintained below 120% due to the bank's moderate expected loan growth while the bank's liquidity position will remain sound.

Rating Sensitivities

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

- A downgrade of Multibank's IDR, SSR and National Ratings could result from a downgrade of Banco de Bogota's IDR or from a reduced propensity of Banco de Bogota to support its subsidiary, both of which are unlikely at present;
- Multibank's VR could be downgraded as a result of a sustained deterioration of profitability (operating profit to RWAs below 0.5%) and asset quality ratios that undermine the bank's financial performance, driving a decline in its CET1 ratio consistently below 10%.

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

- Positive rating actions on Multibank's IDRs, National Ratings, senior unsecured debt rating and SSR could be driven by positive rating actions on Banco de Bogota's IDR;
- Positive rating actions on Multibank's VR could be driven by the sustained strengthening of the Business Profile along with profitability ratios consistently above 2.5% and a CET1 of at least 15%.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior Unsecured: Long Term	BB+
Senior Unsecured: National LT	AA(pan)
Senior Unsecured: National ST	F1+(pan)
Subordinated: National LT	A+(pan)

Source: Fitch Ratings

Senior Unsecured Debt: The ratings of Multibank's outstanding short- and long-term senior unsecured obligations are at the same level as the issuer's ratings as the likelihood of default of the obligations is the same as that of Multibank.

Subordinated Debt: The subordinated debt issuance rating is two notches below Multibank's long-term national anchor rating of 'AA(pan)'. The discount is due to its subordination and the lower expected recovery of the subordinated debt in case of default.

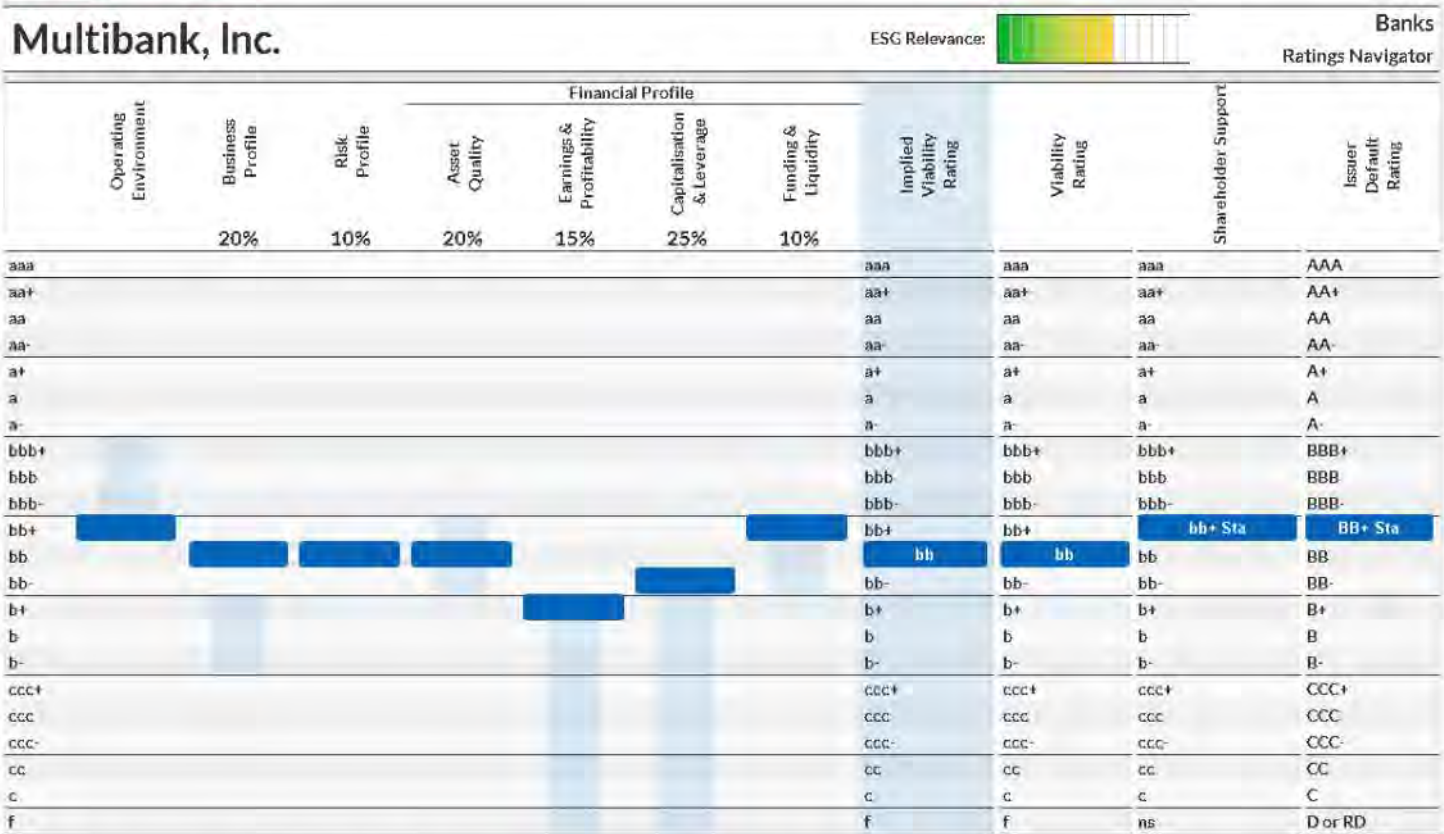
Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Multibank's senior unsecured debt would mirror any potential downgrade on its ratings;
- A downgrade in the subordinated debt national rating would be in the same magnitude as a negative action on Multibank's national ratings, as it would remain two notches below from the issuer's rating.

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

- Multibank's senior unsecured debt would mirror any potential upgrade on the bank's ratings.
- An upgrade in the subordinated debt national rating would come from a positive action on Multibank's long-term national ratings.

Ratings Navigator



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

VR - Adjustments to Key Rating Drivers

The Operating Environment score has been assigned at 'bb+', below the implied score of 'bbb' due to the following adjustment reasons: Reported and Future Metrics (negative);

The Business Profile score has been assigned at 'bb', above the implied score of 'b' due to the following adjustment reasons: Business Model (positive), Group Benefits and Risks (positive);

The Capitalization & Leverage score has been assigned at 'bb–', above the implied score of 'b' due to the following adjustment reasons: Capital Flexibility and Ordinary Support (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Stable OE, Threatened by Economic Deceleration and Interest Rate Risks

Fitch's 'bb+' assessment of the Panamanian banking system's operating environment (EO) weighs Panama's GDP per capita at around USD 16,700, as well as its stable ranking on the Fitch Solutions' Operational Risk Index, coupled with the challenges related to growth and quality of credit in an economic slowdown environment, with a GDP growth of 4.5% in 2023 from 10.8% in 2022, increasing interest rates and still weakened capacity of borrowers. The OE's stable trend reflects that Fitch does not expect relevant changes in Panama's OE in the short term.

In Fitch's view, the international environment uncertainty has increased liquidity risks, at a time when banks have financed part of their growth with the reduction of liquid assets and starts to face a funding costs increase, which could slow credit growth and increase the importance of deposit stability. Local interest rates are expected to sustain a moderate increase in 2023 but is limited by high competition and by the objective of not weakening customers' creditworthiness. The management of interest rate risk will be one of the main challenges in 2023 to prevent it from impacting the banks' current narrow interest rate and not halt the profitability improvement trend.

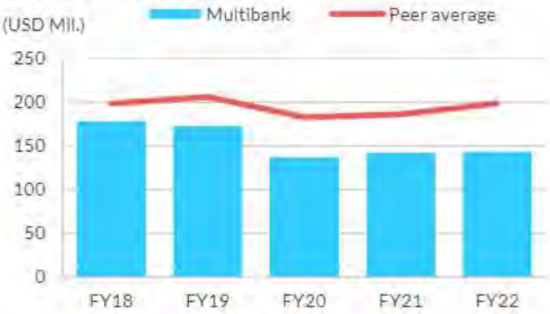
Business Profile

Fitch believes that Multibank's business profile benefits from the increasing integration to Bogota as reflected in growing, strong customer relationships and more robust risk management framework. Multibank's consistent business model is oriented toward universal banking, offering a broad range of financial services, mainly corporate, investment, retail banking and insurance services. Fitch also considers the bank's long track record of loan book diversification and well-balanced between midsized corporates and retail loans (52% and 48% of gross loans at YE22, respectively). Also, the retail portfolio is well diversified in consumer, mortgages and auto lending.

Multibank is the seventh largest bank in Panama, with market shares of 5.9% and 4.2% in local loans and local private deposits, respectively, as of February 2023. However, its franchise is particularly relevant in segments such as auto lending, in which its market share is 16.6%, construction (10.7%) and commerce (7.9%).

The bank's strategy for the next two years is to focus in profitability enhancement and organic growth with a goal to increase its loans market share to 7%.

Total Operating Income



Source: Fitch Ratings, Fitch Solutions, Multibank

Balance Sheet
Ended Dec. 2022

Source: Fitch Ratings, Fitch Solutions, Multibank

Risk Profile

Multibank's risk profile has been typically conservative, although credit and market risks have recently increased. Fitch believes the bank's underwriting practices and policies are stable and prudent, as reflected in a resilient financial performance through the last few periods. Underwriting practices are closely integrated with those of its parent company, however the bank has the flexibility to adapts to local market conditions. The bank has a fairly conservative risk appetite and low exposure to risky business and does not seek to increase it in sensible sectors.

The investment securities portfolio represented a low 18.0% of its total assets as of YE22. Around 75% of the portfolio is comprised of U.S. treasury bonds, U.S. government agencies and Panamanian sovereigns; the rest are corporate bonds. This structure is similar to that of other local entities and responds to liquidity and regulatory requirements. 84% of the portfolio is rated in investment grade. However, almost 90% of instruments are classified as available for sale at fair value which increases the interest rate risk. As of December 2022, increases in interest rates negatively affected the bank's capital; unrealized losses represented around 20% of common equity (2021: 5.4%).

The increase in impairment loans along with the negative effects in capital due to AFS securities resulted in a downgrade of Multibank's risk profile score to 'bb' from 'bb+'. Fitch believes the current level, which now aligns with its business profile and asset quality, still reflects its good loan underwriting standards and effective risk controls, commensurate with its business model and scale.

Financial Profile

Asset Quality

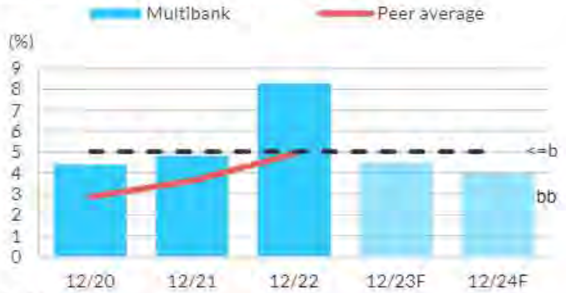
Fitch downgraded Multibank's asset quality score to 'bb' from 'bb+' with a stable trend. The agency believes that the 'bb' score better reflects the bank's adequate impairment ratios, modest borrower concentrations and relatively low reserve coverage compared to its peers.

As of December 2022, the bank maintained adequate control over the delinquency of its loan portfolio, reflected in a relatively stable 90+ day past-due loans / gross loans ratio of 2.7% (average 2019–2022: 2.1%). While stage 3 loans were at a high 8.3%, Fitch believes that the ratio will stabilize at around 4.5% given the expected revision of loans that were conservatively classified as Stage 3 and that have shown a stable performance.

Multibank's loan portfolio is moderately diversified by economic activities, with only two sectors having a concentration above 10% of total loans as of December 2022 (commerce 14% and construction 15%). Multibank's 20 largest borrowers, by economic group, accounted for around 1.3x equity, considered moderate by Fitch. Favorably, all major clients are rated in lower risk categories and have a long track record with the bank.

When compared to its peers, the bank's reserve coverage is relatively lower at around 20%. This is explained by its solid level of collaterals (around 70%) given its business model, which includes leasing operations and mortgages. Recently, the bank released reserves given the good performance of its portfolio, reducing its coverage ratio to 23% in 2022 from 47.0% in 2021, and 71% in 2020.

Impaired Loans/Gross Loans



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

Operating Profit/Risk-Weighted Assets

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

Earnings and Profitability

Multibank's profitability metrics have been improving but are still modest compared to its peers and more in line to a 'b+' assessment according to Fitch's criteria.

At YE22, the bank's core metric of operating profit to RWA increased to 0.86% from 0.51% at YE21, given improvements in net interest margin and loan impairment charges (LIC). Given the bank's good loan portfolio performance, the LIC / pre-impairment operating profit ratio improved to 56.9% from 74.8% in 2021. However, Fitch expects external pressures, such as high funding costs, to somewhat slow-up the positive trend hence the core metric will remain below 1.25%, which is Fitch's threshold for a 'bb' category assessment on earnings and profitability given Panama's OE of 'bb+'.

Capital and Leverage

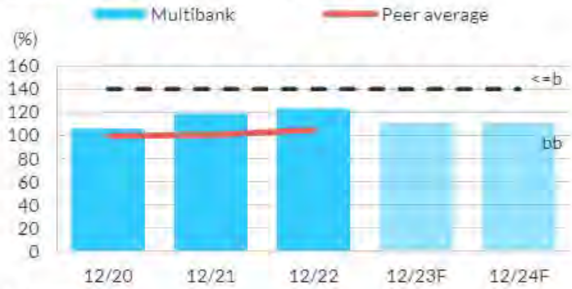
The tight capitalization remains Multibank's main financial weakness. As of December 2022, its CET1 to RWA ratio was 9.6% sharply declining from 11.3% in December 2021 due to portfolio growth, modest earning generation and AFS negative impact. Despite the low loss absorption capacity, Fitch assessment on Multibank's capitalization considers the support from Banco de Bogota. Also, the agency considers as positive the countercyclical buffer (CCyB) required by the authorities, which represents around 200 bps.

The regulatory capital adequacy is comfortably above minimum requirement, partially supported by Tier 2 capital notes (8% of regulatory capital) which Fitch considers of low loss absorption capacity. Fitch expects Multibank to maintain relatively tight capital metrics but with the consideration of potential support from its shareholder.

CET1 Ratio

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

Gross Loans/Customer Deposits



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

Funding and Liquidity

Multibank's funding relies on its stable customer deposit base. At YE22, the bank's core metric of gross loans to customer deposits ratio stood at 123% slightly increasing from 118% in 2021 (2019–2022: 117.8%). Customer deposits accounted for around 65% of non-equity funding while bilateral loans, senior and subordinated bonds represented 33.2% of total funding.

While the depositor base is stable, it shows some concentrations compared to its peers, specifically per customer and in type. As of December 2022, the top 20 depositors accounted for 19.3% of total deposits; also, term deposits represented around 70% of total deposits.

The liquidity position is sound as cash, deposits in banks and investment securities portfolio (adjusted from HTM securities) represented close to 35% of its customer deposits (YE21: 34%). The bank's growing deposit franchise along with its wholesale financing (debt issuances and interbank funding) allows for adequate liquidity mismatch management.

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 macro-economic 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 nonpublic information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these nonpublic 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' rating category. Light-blue columns represent Fitch's forecasts.

Peer average includes Banistmo S.A. (VR: bb+), Banesco (Panama), S.A., Banco Aliado, S.A., Global Bank Corporation (bb+), Credicorp Bank, S.A. (bb+). Financial year end of Banco Aliado, S.A., Global Bank Corporation, Credicorp Bank, S.A. is June 30. Latest average uses 1H23 data for Banco Aliado, S.A., Global Bank Corporation, Credicorp Bank, S.A.

Financials

Financial Statements

(Years ended Dec. 31)	2022 USD Mil. Unaudited	 PAB Mil. Unaudited	2021 PAB Mil. Audited - Unqualified	2020 PAB Mil. Audited - Unqualified	2019 PAB Mil. Audited - Unqualified
Summary Income Statement					
Net Interest and Dividend Income	106	106.0	99.1	90.9	116.0
Net Fees and Commissions	21	21.4	18.8	16.4	21.8
Other Operating Income	16	15.7	24.3	29.6	34.8
Total Operating Income	143	143.1	142.2	136.9	172.6
Operating Costs	87	86.9	84.2	86.4	92.8
Pre-Impairment Operating Profit	56	56.2	58.0	50.5	79.8
Loan and Other Impairment Charges	32	32.0	43.4	81.8	25.3
Operating Profit	24	24.2	14.6	-31.3	54.5
Other Non-Operating Items (Net)	N.A.	N.A.	N.A.	N.A.	N.A.
Tax	2	1.9	-0.6	-8.5	6.0
Net Income	22	22.3	15.2	-22.8	48.5
Other Comprehensive Income	-69	-69.4	-24.4	-12.1	19.6
Fitch Comprehensive Income	-47	-47.1	-9.2	-34.9	68.1
Summary Balance Sheet					
Assets					
Gross Loans	3,724	3,723.8	3,497.3	3,224.7	3,474.7
- of which impaired	308	308.1	168.2	141.4	64.4
Loan Loss Allowances	71	70.8	79.1	49.8	54.6
Net Loan	3,653	3,653.0	3,418.2	3,174.9	3,420.1
Interbank	195	194.7	161.7	182.2	231.2
Derivatives	0	0.1	0.3	9.6	N.A.
Other Securities and Earning Assets	925	924.8	918.3	1,058.9	697.2
Total Earning Assets	4,773	4,772.6	4,498.5	4,425.6	4,348.5
Cash and Due From Banks	26	25.6	22.0	20.6	23.9
Other Assets	328	328.2	357.3	432.7	369.2
Total Assets	5,126	5,126.4	4,877.8	4,878.9	4,741.6
Liabilities					
Customer Deposits	3,027	3,026.5	2,946.7	3,051.3	2,811.9
Interbank and Other Short-Term Funding	115	114.9	26.2	80.4	86.2
Other Long-Term Funding	1,503	1,503.0	1,312.1	1,017.1	1,028.3
Trading Liabilities and Derivatives	0	0.2	5.0	6.2	5.8
Total Funding and Derivatives	4,645	4,644.6	4,290.0	4,155.0	3,932.2
Other Liabilities	120	119.8	177.2	295.4	231.3
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	8.0	110.0
Total Equity	362	362.0	410.6	420.5	468.1
Total Liabilities and Equity	5,126	5,126.4	4,877.8	4,878.9	4,741.6
Exchange Rate		USD1 = PAB1	USD1 = PAB1	USD1 = PAB1	USD1 = PAB1

N.A. – Not applicable
Source: Fitch Ratings, Fitch Solutions, Multibank

Key Ratios

(%, Years ended Dec. 31)	2022	2021	2020	2019
Ratios (annualized as appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	0.9	0.5	-1.2	1.8
Net Interest Income/Average Earning Assets	2.3	2.2	2.1	2.6
Non-Interest Expense/Gross Revenue	60.7	59.2	63.1	53.8
Net Income/Average Equity	6.0	3.7	-5.2	10.9
Asset Quality				
Impaired Loans Ratio	8.3	4.8	4.4	1.9
Growth in Gross Loans	6.5	8.5	-7.2	0.5
Loan Loss Allowances/Impaired Loans	23.0	47.0	35.2	84.8
Loan Impairment Charges/Average Gross Loans	0.9	1.3	2.1	0.8
Capitalization				
Common Equity Tier 1 Ratio	9.6	11.3	12.2	13.0
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	N.A.	13.9	14.7	13.6
Tangible Common Equity/Tangible Assets	6.9	8.2	8.2	9.6
Basel Leverage Ratio	5.5	7.1	7.3	8.8
Net Impaired Loans/Common Equity Tier	88.5	27.5	28.0	2.5
Net Impaired Loans/Fitch Core Capital	N.A.	22.4	23.2	2.4
Funding and Liquidity				
Gross Loans/Customer Deposits	123.0	118.7	105.7	123.6
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Non-Equity Funding	65.2	68.8	73.4	69.7
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable
Source: Fitch Ratings, Fitch Solutions, Multibank

Support Assessment

Shareholder Support	
Parent IDR	BB+
Total Adjustments (notches)	0
Shareholder Support Rating	bb+
Shareholder ability to support	
Shareholder Rating	BB+/Stable
Shareholder regulation	1 Notch
Relative size	2+ Notches
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	1 Notch
Support record	1 Notch
Subsidiary performance and prospects	1 Notch
Legal commitments	2+ Notches

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

Multibank's SSR of 'bb+', which is equalized to Banco de Bogota's Long-Term IDR reflects Fitch's assessment of the high propensity of support from its parent. Bogota's ability to provide support to Multibank is closely linked to its IDR of 'BB+' as well as the relevant size of Multibank, as it represents 17.9% of Banco de Bogota's consolidated assets. In Fitch's view, Multibank supports its group's regional franchise and market position and contributes to the group's business model and diversification strategy, providing key products and services in Panama which is considered a core market for the group.

Environmental, Social and Governance Considerations

Multibank, Inc.

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

				Overall ESG Scale
Multibank, Inc. has 5 ESG potential rating drivers Multibank, Inc. 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.

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	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

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, either due to 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.

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.