FitchRatings

Multibank, Inc.

Banks
Universal Commercial Banks
Panama

Key Rating Drivers

Shareholder Support: Multibank, Inc.'s Issuer Default Ratings (IDRs) 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 Outlook for Multibank mirrors that of the parent.

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.

Parent's Ability to Support: Bogota's ability to provide support to Multibank is closely linked to its IDR of 'BB+' and considers Multibank's relevant size, as it represents 13.7% of Bogota's consolidated assets.

Business Profile Reflects Low Revenue Generation: Fitch has revised Multibank's business profile assessment downward to 'bb-'/stable from 'bb'/stable. The downward revision reflects the bank's ongoing challenges with low total operating income (TOI) output and deteriorated asset quality. While the bank's business model and local franchise are somewhat established, they have not resulted in consistent business volumes and income generation, with TOI metrics more in line with banks assessed at 'b'; however, Fitch also considers the benefits that Multibank derives from being part of Grupo Aval driving the factor to 'bb-'. The downward revision in the bank's risk profile and asset quality is also in step with the adjusted business profile assessment.

Weakened Asset Quality Persists: Fitch has revised Multibank's asset quality and risk profile scores downward to 'bb-'/stable from 'bb'/stable. This follows the bank's consistently high Stage 3 loans ratios and reserve coverage levels that are lower than banks assessed in the 'bb' category. As of December 2023, Multibank reported a Stage 3 loan ratio of 7.7% and low reserve coverage (at 23%) compared to peers.

Additionally, the bank's top 20 debtors represent a significant concentration risk, amounting to 1.6x its common equity Tier 1 (CET1) capital, higher than that of its closest competitors. Nevertheless, Fitch recognizes that the credit portfolio risk is partially offset by the bank's collateral structure, as 72% of the loan portfolio is secured. However, given the challenging operating environment (OE) in Panama, Fitch anticipates that the bank will sustain a Stage 3 loan ratio above 5%, which is in line with the 'bb-' assessment of this factor.

Profitability Further Declines: Fitch has revised Multibank's earnings and profitability assessment downward to 'b'/stable from 'b+'/stable due to the sustained low profitability metrics. In 2023, the bank's core metric, the operating profit to risk-weighted assets (RWA) ratio, declined to 0.4% from the previous year's 1.2%. Moreover, the four-year average weakened even further to 0.2%, lagging considerably behind that of its peers.

Additionally, the bank faces a challenging landscape for improvement due to a challenging OE; hence, Fitch expects the core ratio to remain around 0.5%, in line with our 'b' assessment.

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	BB+
Country Ceiling	A+

Outlooks

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

Applicable Criteria

National Scale Rating Criteria (December 2020)

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Multibank's IDR at 'BB+'; Downgrades VR to 'bb-' (April 2024)

Banco De Bogota, S.A. (December 2024)

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Ordinary Support Benefits Loss Absorption Capacity: Multibank has a lower loss absorption capacity compared to its regional peers. However, this is counterbalanced by the potential ordinary support from its ultimate shareholder if necessary. Fitch also considers the bank's CET1 to RWA ratio and its loan loss allowances (LLAs) coverage of Stage 3 loans, which are lower than those of its peers. As of year-end 2023, Multibank's CET1-to-RWA ratio was below 10%, restrained by moderate earnings and the continued negative impact from the available-for-sale (AFS) portfolio originating in 2022.

Fitch positively assesses the additional loss absorption capacity provided by the regulatory countercyclical buffer (CCyB); the metric is 11.6% if included in the CET1 ratio. The agency does not expect any significant changes in the bank's capital structure. Fitch forecasts that the CET1 ratio will remain around 10%, influenced by moderate asset growth and modest earnings.

Institutional Funding Profile Impacts Performance: While Multibank's liquidity position is sound and its funding structure is diverse, including customer deposits, bilateral loans, and both local and international debt issuances, funding sources tend to have an institutional profile. This results in higher funding costs, contributing significantly to the bank's pressured profitability. Consequently, this has driven to our downward revision assessment of the funding and liquidity profile to 'bb'/stable from 'bb+'/stable. This score is also more in line with the bank's business profile.

Rating Sensitivities

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

- A downgrade of Multibank's IDR and SSR could result from a downgrade of Bogota's IDR or from a reduced propensity of Bogota to support its subsidiary, both of which are unlikely at present.
- Multibank's Viability Rating (VR) could be downgraded as a result of a sustained asset quality deterioration that further undermines the bank's financial performance and business profile.

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

- Positive rating actions on Multibank's IDRs, senior unsecured debt rating and SSR could be driven by positive rating actions on Bogota's IDR.
- Positive rating actions on Multibank's VR could be driven by the sustained strengthening of the business profile reflected in profitability ratios consistently around 2% and a CET1 ratio including CCyB of at least 13%.

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	AA-(pan)

Source: Fitch Ratings

Senior Unsecured Debt: The rating of Multibank's outstanding long-term senior unsecured obligation is at the same level as the issuer's rating 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 national long-term anchor rating of 'AA+(pan)'. The discount is due to its subordination and its lower expected recovery 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 of the same magnitude as a negative action on Multibank's national ratings, as it would remain two notches below the issuer's rating.

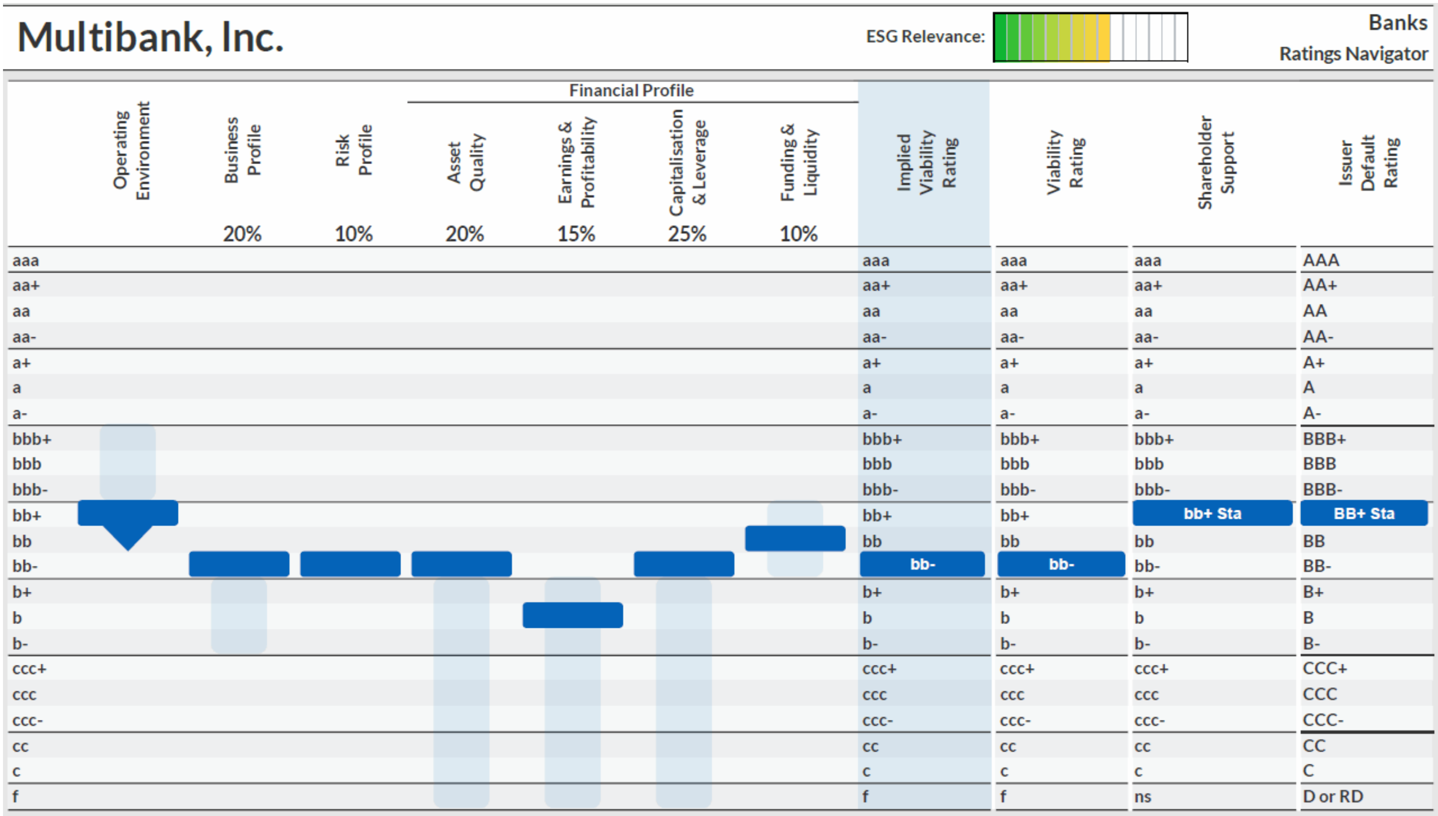
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- Multibank's senior unsecured debt would mirror any potential upgrade on the bank's ratings.
- An upgrade in the subordinated debt national rating would move in tandem with Multibank's long-term national ratings.

Significant Changes from Last Review

On May 2024, Fitch recalibrated Panama's national ratings to reflect changes in the relative credit quality among Panamanian issuers. This stemmed from the downgrade of Panama's sovereign rating to 'BB+' from 'BBB-' on March 28, 2024. The recalibration resulted in the revision of Multibank's long-term national rating to 'AA+(pan)'/Rating Outlook Stable (ROS) from 'AA(pan)'/ROS. Revisions to national ratings reflect changes in a particular country's national rating scale and relative risk levels. This recalibration is not related to changes in Multibank's financial profile.

Ratings Navigator



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 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: Group Benefits and Risks (positive).

The Asset Quality score has been assigned at 'bb-', above the implied score of 'b' due to the following adjustment reasons: Loan Classification Policies (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

Fitch has revised the trend of the OE score for Panama's banking system to negative from stable and affirmed the score at 'bb+', as the economic slowdown and fiscal, political and social uncertainty are expected to limit banks' business growth and pressure their financial performance. Fitch has revised its 2024 GDP growth forecast for Panama to 1.5% from 4.5%.

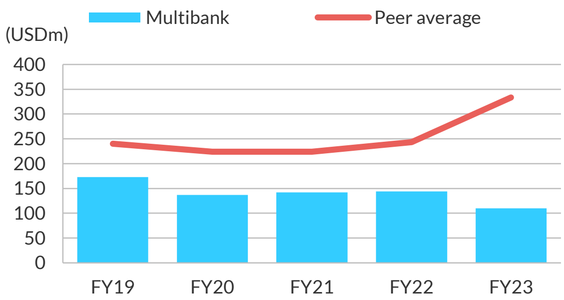
Also, the revised trend weighs a rising interest rate environment that pressures banks' funding costs, persistent pressures on loan quality stemming from clients' ongoing pandemic recovery and uncertainty related to the future government's ability to manage fiscal challenges, social security sustainability, the copper mine closure and the Panama Canal drought within a context of potential social unrest.

Business Profile

Fitch believes that Multibank's business profile benefits from its increasing integration with Bogota, evidenced by the development of robust customer relationships and a risk management framework becoming more aligned with its parent. Multibank operates as a universal bank, with its loan portfolio evenly divided between commercial and mid-size corporate loans and retail loans, each constituting 50%. However, this balanced portfolio has not translated into either strong asset quality or stable revenue streams. As of the end of 2023 (2023YE), the bank reported a total operating income of USD 109.8 million and a four-year average of USD 133 million. Performance is lagging compared to other mid-sized banks rated in the 'bb' category.

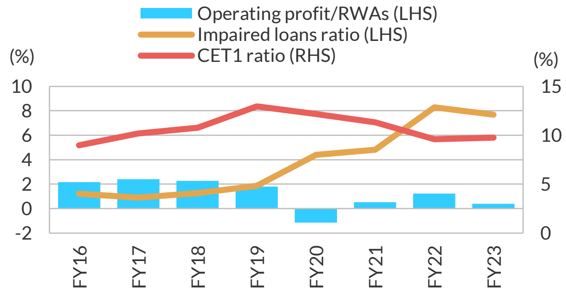
Fitch has revised Multibank's business profile downward to 'bb'/stable from 'bb-'/stable, reflecting deteriorated financial performance, particularly the bank's sustained high non-performing loan (NPL) ratio and weakened profitability metrics.

Total Operating Income



Source: Fitch Ratings, Fitch Solutions, banks

Performance Through the Cycle



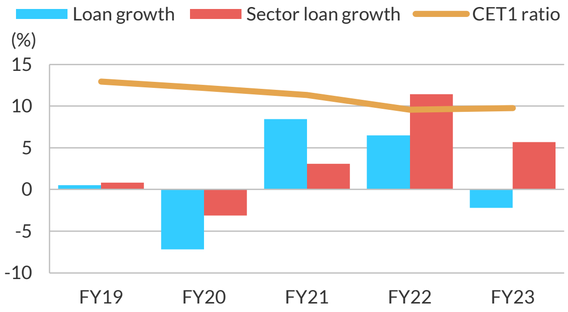
Source: Fitch Ratings, Fitch Solutions, Multibank

Risk Profile

Multibank's risk profile has traditionally been conservative, yet credit and market risks have been relatively high in recent years. Fitch acknowledges that, while the bank's underwriting practices and policies are prudent, they have not successfully reduced the bank's elevated Stage 3 loan ratio. These underwriting practices are somewhat aligned with those of its parent company, as the bank retains the flexibility to adjust to local market dynamics. Although the investment portfolio is allocated to assets of adequate quality, as of December 2023, approximately 90% was categorized as "available for sale," heightening the interest rate risk and effectively impacting capital through unrealized losses, as occurred in 2022 and that still affect the bank's capitalization.

In spite of a moderate appetite for risk and adequate risk control measures, the significant share of the loan portfolio within the bank's total assets and the persistent high NPL ratios drive Fitch has revised the risk profile score downward to 'bb-', aligned with its asset quality.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, Multibank

Financial Profile

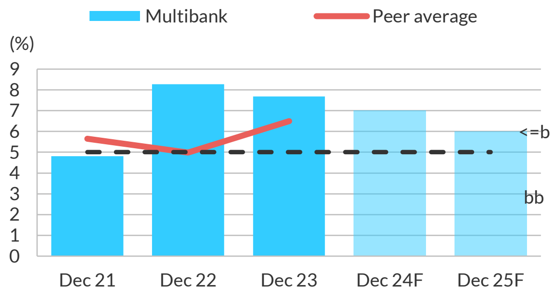
Asset Quality

As of December 2023, Multibank's Stage 3 loan ratio has improved modestly to 7.7% from 8.3% in 2022. Despite this improvement, the 4-year average ratio remains high at 6.3%. The persistent high metric, coupled with a low reserve coverage, drive our asset quality profile downward revision to 'bb-'/stable from 'bb'/stable.

Stage 3 loans are in vulnerable sectors, notably construction. These sectors are generally more susceptible to deteriorating economic conditions, which aligns with the current economic outlook in Panama. Also, Multibank's top 20 debtors account for a relatively high 1.6x its CET1 capital, higher than that of its nearest competitors. However, this concentration risk is somewhat mitigated by the collateral structure, as 72% of the loan portfolio is secured. Also, the NPL ratio (90+ days past due loans) remains adequate at around 2.5%.

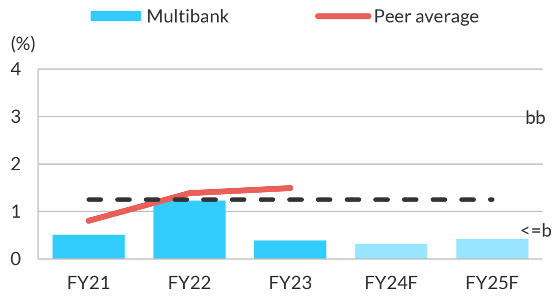
Fitch projects that the bank will maintain a Stage 3 loan ratio above 5%, particularly in light of the challenging OE in Panama; however, Multibank's loan classification policies are stricter than its peers as they adopt the group's standards. This is consistent with our 'bb-' assessment.

Stage 3 loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Fitch has revised Multibank's earnings and profitability assessment downward to 'b'/stable from 'b+'/stable due to the sustained low profitability metrics. In 2023, the bank's core metric, the operating profit to RWA ratio, declined to 0.4% from the previous year's 1.2%. Moreover, the four-year average weakened even further to 0.2%, lagging considerably behind that of its peers. Additionally, the bank faces a challenging landscape for improvement due to a challenging OE.

In 2023, the bank's business volume contracted and net interest margin (NIM) shrank by 70 basis points. This led to a decline in operating income, despite stable earnings from fees and commissions. The narrowing of the NIM reflects rising funding costs.

In Fitch's view, the bank's recovery trajectory may encounter significant headwinds. These include persistent elevated funding costs that adversely affect the NIM, limited potential for growth, and strain on loan quality.

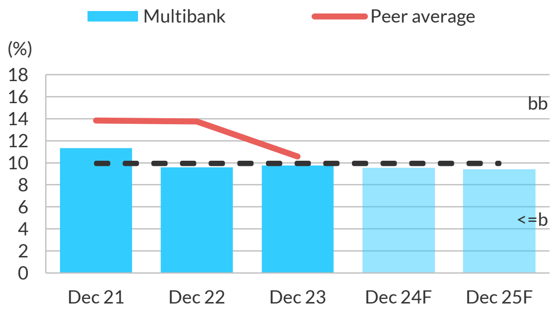
Capital and Leverage

Multibank's capital strength is relatively modest compared to other banks assessed at 'bb-'. As of December 2023, its CET1 to RWA ratio increased marginally to 9.8% from 9.6% in 2022. Despite this slight improvement, negative growth, weak earnings generation, and the adverse impact from AFS securities continue to pressure the bank's capitalization metrics.

Despite the relatively modest capacity to absorb losses, Fitch's assessment of Multibank's capitalization considers the potential support from its parent company, Bogota. Additionally, the CCyB mandated by regulatory authorities, in the form of dynamic provision, amounts to over 189 basis points, a positive factor. The CET 1 ratio including dynamic provisions is 11.6%.

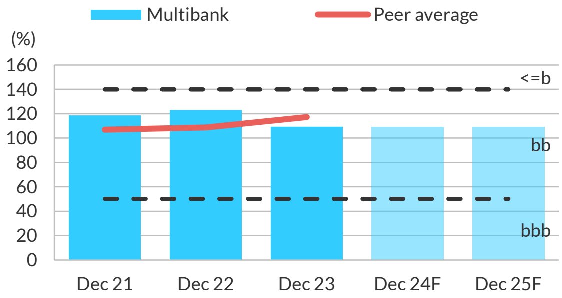
The bank's regulatory capital adequacy ratio remains comfortably above the regulatory minimum, bolstered in part by Tier 2 capital notes and no dividend payments since 2019. However, Fitch regards these notes as having a relatively low capacity to absorb losses. While Multibank will likely continue to operate with comparatively stringent capital metrics, Fitch also considers the bank's likelihood of receiving support from Bogota.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

While Multibank has a range of funding options, including customer deposits, bilateral loans, and both local and international debt issuances, its funding sources tend to have an institutional profile. This results in higher funding costs, significantly pressuring the bank's profitability. Consequently, this has led to Fitch's downward revision of the funding and liquidity profile assessment to 'bb'/stable from 'bb+'/stable. This score is also more in line with the bank's business profile.

Despite the improvement in the loans to deposits ratio in the 4Q23 to 109.3% from 123% in the 4Q22, this metric still lags banks assessed at 'bb+.' The depositor base is stable, although 65% of deposits are institutional, mostly consisting of term deposits. The concentration of the top 20 deposits is moderate, accounting for 13% of the total. The bank's liquidity position remains sound, as cash, bank deposits, and the investment securities portfolio (adjusted for held-to-maturity securities) represent close to 30% of its customer deposits (YE22: 35%). Multibank's growing deposit base and its access to wholesale financing, which includes debt issuances and interbank funding, provide for effective 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 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, Fitch considers such information as part of the rating process.

Black dashed lines represent boundaries for 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 Banistmo S.A. (VR: bb), Global Bank Corporation (bb) and Credicorp Bank, S.A. (bb+). Unless otherwise stated, financial year (FY) end is Dec. 31 for all banks in this report. FY-end for Global Bank Corporation and Credicorp Bank, S.A. is June 30. Latest average uses 1H24 data for Global Bank Corporation, and Credicorp Bank, S.A.

Financials

Summary Financials and Key Ratios

	Dec. 31, 2023		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
	Year end (USD Mil.)	Year end (PAB Mil.)	Year end (PAB Mil.)	Year end (PAB Mil.)	Year end (PAB Mil.)
	Unaudited	Unaudited	Unaudited	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	74	74.2	106.0	99.1	90.9
Net fees and commissions	23	22.9	21.4	18.8	16.4
Other operating income	13	12.7	16.3	24.3	29.6
Total operating income	110	109.8	143.7	142.2	136.9
Operating costs	80	79.9	86.8	84.2	86.4
Pre-impairment operating profit	30	29.9	56.9	58.0	50.5
Loan and other impairment charges	18	18.2	22.4	43.4	81.8
Operating profit	12	11.7	34.5	14.6	-31.3
Other non-operating items (net)	0	0.0	n.a.	n.a.	n.a.
Tax	3	3.0	4.2	-0.6	-8.5
Net income	9	8.7	30.3	15.2	-22.8
Other comprehensive income	18	17.6	-69.4	-24.4	-12.1
Fitch comprehensive income	26	26.3	-39.1	-9.2	-34.9
Summary balance sheet					
Assets					
Gross loans	3,642	3,641.7	3,723.8	3,497.3	3,224.7
- Of which impaired	280	279.8	308.1	168.2	141.4
Loan loss allowances	65	64.9	70.8	88.7	49.8
Net loans	3,577	3,576.8	3,653.0	3,408.6	3,174.9
Interbank	159	159.2	194.7	161.7	182.2
Derivatives	N.A.	N.A.	0.1	0.3	9.6
Other securities and earning assets	891	891.4	924.8	918.3	1,058.9
Total earning assets	4,627	4,627.4	4,772.6	4,488.9	4,425.6
Cash and due from banks	25	24.7	25.6	22.0	20.6
Other assets	272	272.1	323.9	354.6	432.7
Total assets	4,924	4,924.2	5,122.1	4,865.5	4,878.9
Liabilities					
Customer deposits	3,334	3,333.5	3,026.5	2,946.7	3,051.3
Interbank and other short-term funding	42	42.1	114.9	26.2	80.4
Other long-term funding	1,046	1,046.4	1,503.0	1,312.1	1,017.1
Trading liabilities and derivatives	n.a.	n.a.	0.2	5.0	6.2
Total funding and derivatives	4,422	4,422.0	4,644.6	4,290.0	4,155.0
Other liabilities	118	118.2	119.8	177.2	295.4
Preference shares and hybrid capital	N.A.	N.A.	N.A.	N.A.	8.0
Total equity	384	384.0	357.7	398.3	420.5
Total liabilities and equity	4,924	4,924.2	5,122.1	4,865.5	4,878.9
Exchange rate		USD1 = PAB1	USD1 = PAB1	USD1 = PAB1	USD1 = PAB1

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

Summary Financials and Key Ratios

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
Ratios (%, annualized as appropriate)				
Profitability				
Operating profit/risk-weighted assets	0.4	1.2	0.5	-1.2
Net interest income/average earning assets	1.6	2.3	2.2	2.1
Non-interest expense/gross revenue	72.8	60.4	59.2	63.1
Net income/average equity	2.4	8.2	3.7	-5.2
Asset quality				
Impaired loans ratio	7.7	8.3	4.8	4.4
Growth in gross loans	-2.2	6.5	8.5	-7.2
Loan loss allowances/impaired loans	23.2	23.0	52.7	35.2
Loan impairment charges/average gross loans	0.5	0.6	1.3	2.1
Capitalization				
Common equity Tier 1 ratio	9.8	9.6	11.3	12.2
Fully loaded common equity Tier 1 ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital ratio	N.A.	N.A.	13.5	14.7
Tangible common equity/tangible assets	7.6	6.8	7.9	8.2
Basel leverage ratio	6.3	5.5	7.1	7.3
Net impaired loans/common equity Tier 1	73.6	88.5	24.5	28.0
Net impaired loans/Fitch Core Capital	N.A.	N.A.	20.6	23.2
Funding and liquidity				
Gross loans/customer deposits	109.3	123.0	118.7	105.7
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	75.4	65.2	68.8	73.4
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 colors indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Multibank's SSR of 'bb+', which is equalized to 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 13.7% of 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

FitchRatings **Multibank, Inc.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

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.

			ESG Relevance to Credit Rating
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

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
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

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 reflect a negative impact unless indicated with a '+' sign for positive impact.h 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.

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.

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.

SOLICITATION & PARTICIPATION STATUS

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.