FitchRatings

Banks
Wholesale Commercial Banks
Panama

Banco Latinoamericano de Comercio Exterior, S.A.

Key Rating Drivers

Ratings Based on Standalone Performance: Banco Latinoamericano de Comercio Exterior, S.A.'s (Bladex) Issuer-Default Ratings (IDRs) and national scale ratings are driven by its 'bbb' Viability Rating (VR), which reflects Bladex's broad geographic diversification, sound business and funding profiles, with a conservative risk appetite, leading to a resilient financial performance with outstanding asset quality, improving profitability and good capitalization. Bladex's broad jurisdictional diversification, along with its inherently strong creditworthiness, will continue to support its VR to be above Panama's sovereign rating of 'BB+' with a Stable Outlook, as Fitch considers this should offset the impact of the country's operating environment (OE) risks.

Highly Diversified Operating Environment: Bladex has demonstrated a solid ability to effectively manage the various OEs in which it operates, and to relatively quickly redirect its portfolio to markets with more opportunity and less risk. The bank stands out for its geographically diversified operations, with exposure to more than 25 jurisdictions. Fitch assesses Bladex's blended OE by weighting total earning assets according to where they are allocated, resulting in a 'bbb-' score as of March 2024, a level that has been largely consistent in recent years. In the agency's view, the benefits of diversification allow Bladex's credit profile to be resilient to adverse events in the jurisdictions in which it has a presence, mitigating the downside risks prevailing in the OE.

Solid and Steady Business Profile: Bladex's highly recognized regional franchise has been underpinned by its robust and well-developed business model, sound corporate governance and an experienced senior management team, giving it a relevant position in the market it serves, which compares well with regional entities.

The bank's long track record of effectively executing its low-risk strategy, which allocates its portfolio to high-quality assets in defensive countries and sectors, is reflected in a resilient financial performance, despite its inherent concentration by debtor, and allowing it to withstand difficulties in the OE. Fitch believes these factors offset the small four-year average total operating income (TOI) of USD159 million, relative to peers.

Consistently Strong Loan Quality: Bladex's asset quality reflects its consistent and robust underwriting standards and solid risk management framework, which Fitch expects will continue to support loan quality at levels similar to those recently observed over the rating horizon.

As of March 2024, the Stage 3 loan-to-gross loan ratio remained sound at 0.1%, the same as in 2023, and below 0.3% on average from 2020 to 2022, while the reserve coverage was a high 590.1%. The high concentration per debtor the bank's business model entails, although reduced, remains a potential credit loss risk in the agency's view.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Viability Rating	bbb
Government Support Rating	ns
National Rating	
National Long-Term Rating	AAA(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

Bank Rating Criteria (March 2024)

National Scale Rating Criteria (December 2020)

Related Research

Latin American Banks Outlook 2024 (December 2023)

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Sustained Enhanced Profitability: Fitch revised Bladex's profitability factor score to 'bbb-' from 'bb+' based on improvement in the bank's performance, which suggests that it will remain consistent with this score for the foreseeable future. The operating profit to risk-weighted assets (RWA) ratio was 2.3% as of March 2024, and 1.9% in 2023. Fitch expects profitability to stabilize and steadily maintain a four-year average above 1.5%. This will be supported by a well-managed net interest margin (NIM), stable loan impairment charges (LICs) in line with expected robust loan quality, and increased operational efficiency.

Capitalization with Upward Trend: Fitch expects the common equity Tier 1 (CET1) ratio to remain at around 16%, considering moderate loan growth and consistent internal capital generation, also supported by improved profitability, and despite the quarterly dividend payment. As of March 2024, the CET1 to RWA ratio is 16.3% (2023: 15.4%), consistent with the 'bbb' capitalization score, which gives Bladex room to absorb potential unexpected losses.

Notable Funding and Liquidity Profiles: Bladex's differentiated and greatly diversified financing structure continued to strengthen as of 1Q24, providing it greater flexibility to meet the challenges of the different OE. It is characterized by a short-term balance structure, a very high quality deposit base, which is complemented by ample financing options and broad access to diverse sources in international markets, including contingent resources.

As of 1Q24, the deposits accounted for 52.7% of total funding. Fitch's liquidity assessment weighs heavily the bank's high-quality liquid balance sheet and easily realizable assets, mitigating potential headwinds in the OE.

Rating Sensitivities

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

- Bladex's ratings could be downgraded if the risks of the OE materially increase, resulting in a significant deterioration in loan portfolio quality and profitability that pressures the CET1 to RWA ratio to a level consistently below 13.0%;
- A change in the bank's risk profile resulting in an increased exposure to riskier countries or sectors that weakens Fitch's assessment of its OE would trigger a downgrade of its ratings;
- Given that the GSR is the lowest level on the scale, there is no downside potential for this rating.

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

- Bladex's ratings could be upgraded if its asset diversification strategy leads to a sustained improvement in the OE weighted score, which in turn keeps profitability (operating profit to RWA) consistently above 1.5% and the CET1 to RWA ratio steadily above 17%;
- A significant reduction in concentrations per debtor, along with a consistent improvement in the OE weighted score, could also improve Fitch's assessment of the bank's asset quality and risk profile, benefiting the VR;
- Bladex's national ratings are at the highest level of the national rating scale and therefore have no upside potential;
- As Panama is a dollarized country with no lender of last resort, Bladex's GSR is unlikely to be upgraded.

Other Debt and Issuer Ratings

Rating level	Rating
Panama: Long-Term Senior Unsecured Debt	AAA(pan)
Panama: Short-Term Senior Unsecured Debt	F1+(pan)
Mexico: Long-Term Senior Unsecured Debt	AAA(mex)
Mexico: Short-Term Senior Unsecured Debt	F1+(mex)

Source: Fitch Ratings

Senior Debt - Panama: The bank's senior unsecured bonds (*bonos corporativos rotativos*) issued in the Panamanian market are rated at the same level as Bladex's national ratings because, in Fitch's view, the probability of default is equal to that of the rest of the bank's senior unsecured obligations. These bonds are a direct and unsubordinated obligation for Bladex.

Senior Debt - Mexico: Bladex has debt issuances in Mexico, rated at 'AAA(mex)' and 'F1+(mex)' by Fitch. This debt is unguaranteed and therefore, it ranks as equal with Bladex’s other debt. The bank's senior unsecured debt national ratings reflect Bladex's intrinsic creditworthiness compared to other rated entities in the Mexican market.

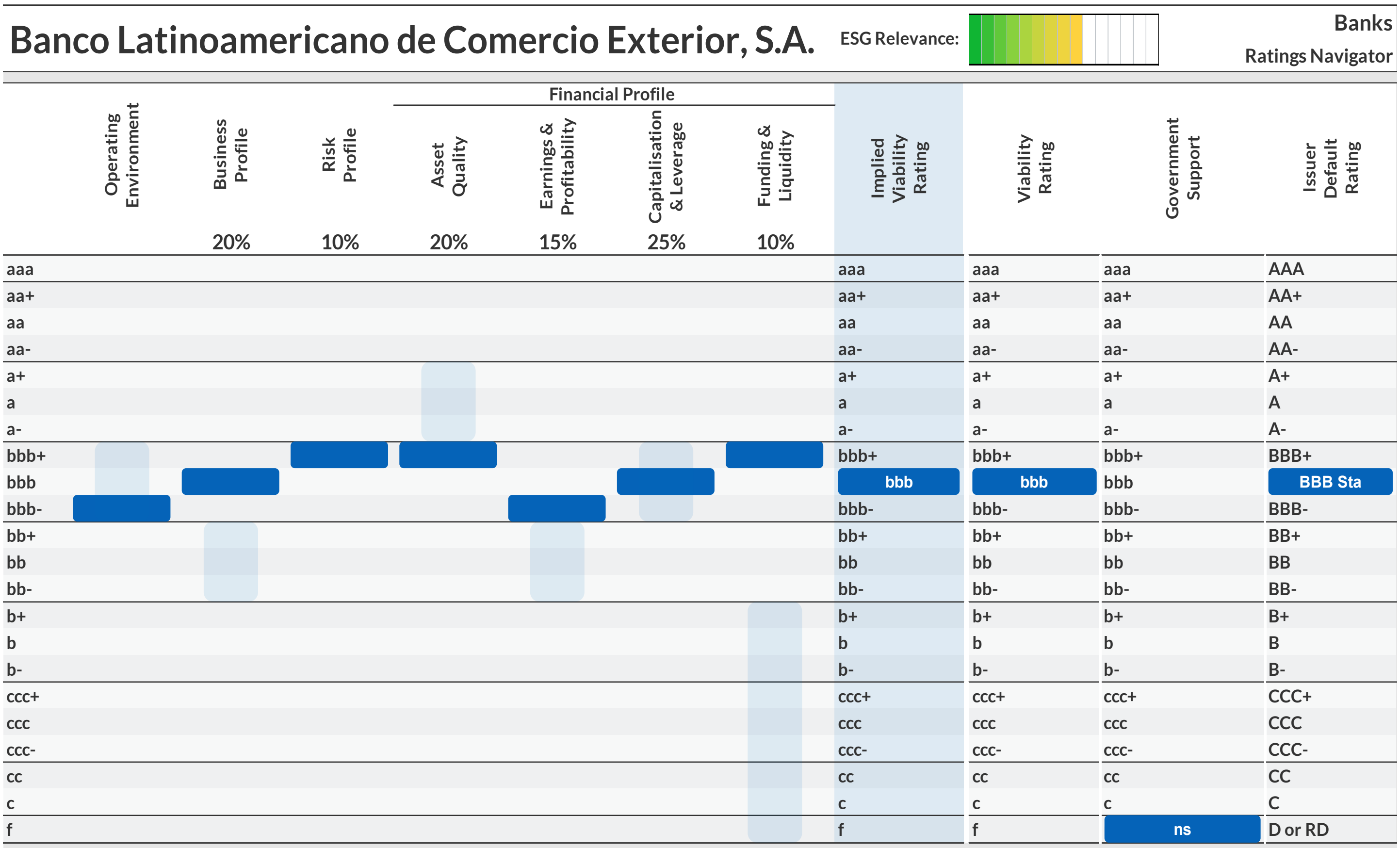
Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- The senior unsecured debt National Ratings in Panama would reflect any downgrade of Bladex's national ratings;
- The senior unsecured debt National Long-Term Rating in Mexico could potentially be downgraded in the event of a downgrade of Bladex's Long-Term IDR, while the National Short-Term Rating could decrease by a multi-notch downgrade of Bladex's IDR. National ratings indicate credit quality relativities within a jurisdiction, which in this case are relative to other debt issuers in Mexico.

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

- There is no upside potential of the senior unsecured debt national ratings in either Panama or Mexico, as the debt ratings are at the highest level of the national rating scale.

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 Business Profile Score of 'bbb' has been assigned above the 'bb' category implied score due to the following adjustment reasons: Business Model (positive), Market Position (positive) and Strategy and Execution (positive).

The Asset Quality Score of 'bbb+' has been assigned below the 'a' category implied score due to the following adjustment reason: Concentrations (negative).

The Earnings and Profitability Score of 'bbb-' has been assigned above the 'bb' category implied score due to the following adjustment reason: Historical and Future Metrics (positive).

The Funding and Liquidity Score of 'bbb+' has been assigned above the 'b & below' category implied score due to the following adjustment reasons: Liquidity Coverage (positive) and Non-Deposit Funding (positive).

Company Summary and Key Qualitative Factors

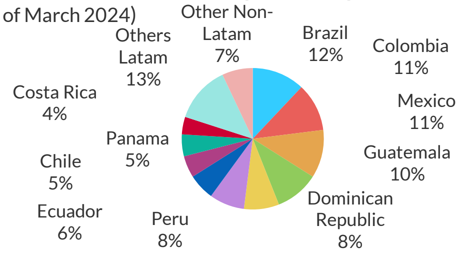
Operating Environment

The bank has effectively managed the various OEs, adhering to its low-risk strategy and maneuvering through regional economic conditions and international trade headwinds, while maintaining a resilient financial profile. This is supported by the nature of its short-term operations, with 73% of the commercial portfolio maturing within one year as of March 2024. In 2024, the Latin America's foreign trade development is expected to be favorable, which could further benefit the bank's execution and strengthen its performance.

Bladex's wide geographic diversification allows it to have access to the dynamics, macroeconomic conditions and development of different financial markets, obtaining more advantages and achieving a larger franchise and economies of scale, compared to other specialized institutions that depend on a single jurisdiction or have less geographic coverage. As of March 2024, Brazil, Colombia and Mexico were the countries with the highest exposure, while the U.S. accounted for 22% of earning assets, a portion of which corresponded to deposits at the Federal Reserve Bank of New York. In Fitch's view, the entity's regulatory and legal framework is more robust than that of most of its peers in the region.

Commercial Portfolio by Country

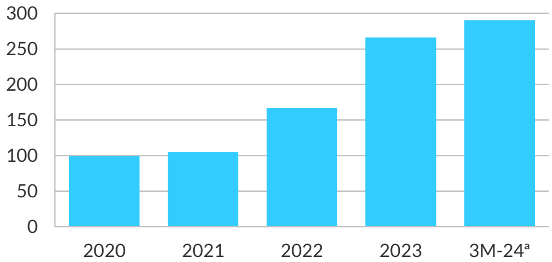
(As of March 2024)



[a] Other Latam: Argentina, Bolivia, El Salvador, Honduras, Jamaica, Paraguay, Trinidad & Tobago, Uruguay. [b] Other Non-Latam: United States of America, Canada, European and Asian-Pacific countries.
Source: Bladex.

Total Operating Income (TOI)

($ Mil.)



[a] Annualized
Source: Fitch Ratings, Fitch Solutions, Bladex

Business Profile

Bladex's specialized and well-developed business model, essentially focused on short-term loans to top-tier clients, has underpinned its broad geographic diversification. This has resulted in a relevant position and high recognition in the market, which also gives it comparative advantages. Its solid track record has fostered privileged and long-lasting relationships with large institutions on both sides of the balance sheet, positively impacting its business profile. Its distinctive model is also reflected in strong asset quality, a small TOI, although with relative earnings stability, which has resulted in a consistent performance through the economic cycles, providing flexibility to adapt to the different OEs in which it operates.

Bladex's proven execution capacity, rebalancing the portfolio composition relatively quickly and efficiently, in line with existing commercial opportunities and risks, has translated into a more robust business profile. In addition, by complementing its credit portfolio with liquid and high quality investments, the entity generates a risk diversification tool outside the Latam region. The structural concentration by debtor and depositor, which further exposes Bladex's performance to regional economic conditions, has been satisfactorily managed as the bank continues to expand its base and sources of income, without changing its risk profile. As of 1Q24, loans to corporations increased their share of the commercial portfolio (46%) compared to 1Q23, as opposed to loans to financial institutions (36%).

Bladex has a robust corporate governance framework and a solid senior management team commensurate with its model and operational complexity. Its senior management have great experience, depth and credibility, which is consistent with a regional institution. In recent years, the bank has reinforced its structure and staff, as well as its technological tools and platforms, automating processes to achieve greater efficiency and prepare for further expansion, which should continue to positively impact its performance for the foreseeable future.

Risk Profile

The bank's conservative risk appetite is evident in its performance, while maintaining a high-quality customer profile and supported by a sound risk framework. Its underwriting standards, together with ad hoc lending processes and portfolio management, have resulted in a remarkable loan quality in recent years, which is expected to remain the same in the near future. The entity´s risk control framework is robust and consistent with its operations, with an infrastructure that has allowed it to monitor and evaluate the risks in the OEs and mitigate them to a certain extent, focusing its exposures according to its strategy and testing its effectiveness in adverse moments of foreign trade.

In 1Q24, credit growth was low (2.2%), although more dynamic compared to 1Q23 (around 10%). The agency estimates that growth will be moderate in 2024. The entity uses derivative instruments to reduce its exposure to market risk, reflecting the bank's prudent management. Sensitivity to interest rate movements has been effectively managed, supporting NIM and keeping this risk under control. Investment price fluctuation risk is low as the majority of the portfolio is held to maturity for interest income rather than trading purposes. Foreign exchange risk is mitigated as almost all loans are denominated in dollars.

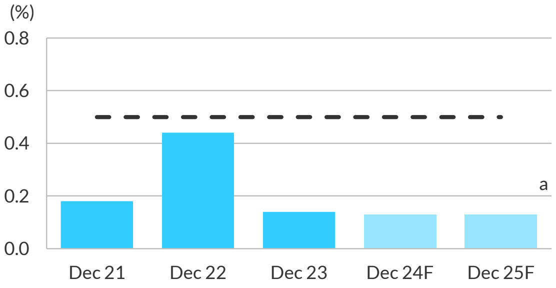
Financial Profile

Asset Quality

Bladex's sound loan quality is underpinned by consistent and robust underwriting standards. This is also supported by optimal portfolio monitoring and effective collection capabilities, as well as the granting new loans with better conditions and the timely reallocation of its exposures. As of March 2024, the non-performing loans (NPL) ratio was 0.1% and reserves for impaired loans was 590.1% (2023: 588.1%), which Fitch expects to remain stable over the rating horizon.

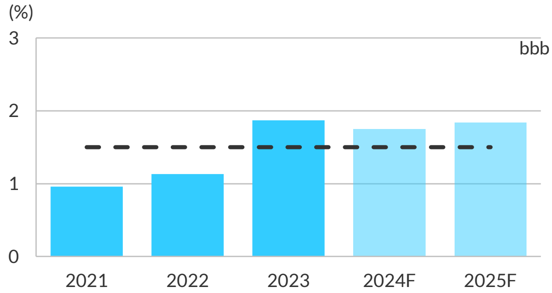
Although the bank's credit portfolio is geographically diversified, its business model involves a high concentration per debtor, which, although slightly reduced in recent years, is considered as a potential risk of credit losses. As of March 2024, the investment portfolio represented 10.4% of total assets, increasing the bank's diversification towards higher credit quality instruments in countries outside of Latam and investment grade instruments with short and medium maturities. This highlights Bladex's philosophy of maintaining high-quality assets.

Impaired Loans/Gross Loans



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

Operating Profit/Risk-Weighted Assets



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

Earnings and Profitability

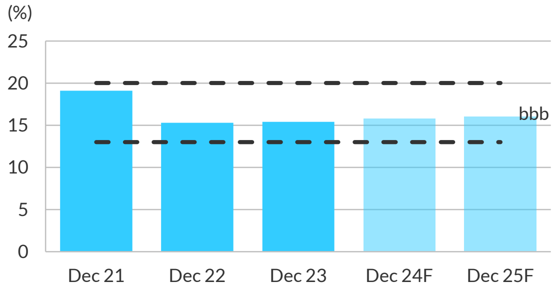
As of March 2024, profitability continued its improving trend, showing outstanding results, as in 2023. The operating profit to RWA metric reached 2.3%, higher than the average of 1.3% from 2020 to 2023. Fitch estimates this performance to be sustained in the near future, with this ratio remaining above 1.5%. The bank's strategic initiatives have maintained the momentum of interest income, positively impacting profitability and NIM. As of 1Q24, the NIM was 2.4% versus an average of 1.7% from 2020 to 2023, demonstrating effective interest rate management and an optimal risk/return mix. To some extent, fees have also encouraged profitability, being a growing potential income in the future.

As of March 2024, operational efficiency maintained its favorable trend despite higher expenses related to the bank’s strategic plan. Non-interest expenses represented 25.2% of gross revenues as of March 2024 (2023: 27.2%). The agency expects this indicator to stabilize, supported by strict expense control and the gradual materialization of the measures implemented in recent years. As of 1Q24, the LICs relative to pre-impairment operating profit continues to improve, registering 5.5% compared to 14.2% in 2023. The agency anticipates that LICs will normalize, due to the moderate credit growth and expectations of steady loan quality.

Capital and Leverage

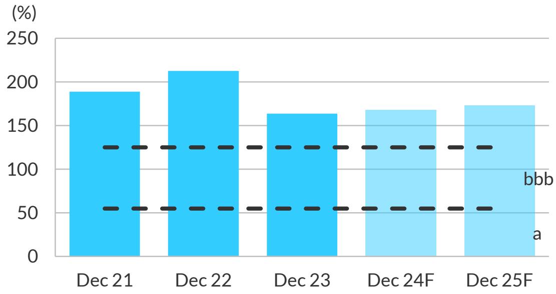
The agency forecasts that the CET1 to RWA ratio will remain similar to recent percentages, taking into account moderate loan growth and steady internal capital flow, which is supported by improved profitability, as well as quarterly dividend payments. As of March 2024, the CET1 to RWA ratio shows an upward trend, reaching 16.3%, compared to 15.4% on average in 2022 and 2023. This was driven by moderate loan and RWA growth, as well as higher internal capital generation related to outstanding results in recent periods, favorably reflected in equity levels. The capital adequacy ratio showed a relatively similar trajectory, reaching 13.7% in 1Q24 and 13.6% in 2023, providing a cushion above the regulatory minimum.

CET1 Ratio



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

Gross Loans/Customer Deposits



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

Funding and Liquidity

Bladex's strong franchise and great recognition in the markets have favored its highly diversified funding profile. The bank complements its funding options and raises funds in the capital markets, including issues in countries like Mexico and Panama. The bank also continues to increase deposits and expand its depositor base to reduce the concentration risk per depositor inherent in its funding structure. The agency considers that this risk is mitigated by the stability and nature of depositors, as well as by the entity's broad access to resources. In addition, it is backed by available credit lines, access to contingent liquidity, and long-term relationships with a large number of correspondents and multilateral institutions around the world.

In 1Q24, customer deposits' growth slowed down (7.3%), but was still significant year-on-year (YoY; 33%), increasing its share in funding. As of March 2024, the lower growth in credit relative to deposits supported the improvement in the loans-to-deposits ratio, registering 155.8% (2023: 163.6%), which the agency considers consistent with the peculiarity of its financing structure. The bank's liquidity profile has been consistent with its operations, providing it with flexibility and advantages in the existing global context. As of 1Q24, liquid assets made up 17% of assets and 38% of deposits, and the LCR was 210.4%, higher than the regulatory requirement. These assets are mainly placed in the Federal Reserve (87%), and are complemented by a portfolio of high quality bonds. The asset/liability mix has contributed to a narrower maturity mismatch.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view of 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 differ materially from the guidance provided to the market by the rated entity.

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.

The 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 'bbb' category. The light-blue columns represent Fitch's forecasts.

Financials

Summary Financials and Key Ratios

	31 Mar 24	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
	3 months - 1st quarter	Year end	Year end	Year end	Year end
	(USD Mil.)	(USD Mil.)	(USD Mil.)	(USD Mil.)	(USD Mil.)
	Unaudited	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net Interest and Dividend Income	62.9	233.2	148.0	86.8	92.5
Net Fees and Commissions	9.5	32.5	19.8	18.3	10.4
Other Operating Income	0.2	0.4	-1.1	-0.2	-3.4
Total Operating Income	72.6	266.1	166.7	104.9	99.5
Operating Costs	18.3	72.4	55.1	39.8	37.3
Pre-Impairment Operating Profit	54.3	193.7	111.6	65.1	62.2
Loan and Other Impairment Charges	3.0	27.5	19.6	2.4	-1.4
Operating Profit	51.3	166.2	92.0	62.7	63.6
Other Non-Operating Items (Net)	n.a.	n.a.	n.a.	n.a.	n.a.
Tax	n.a.	n.a.	n.a.	n.a.	n.a.
Net Income	51.3	166.2	92.0	62.7	63.6
Other Comprehensive Income	-0.3	-0.7	19.7	-11.8	2.0
Fitch Comprehensive Income	51.0	165.5	111.7	50.9	65.6
Summary balance sheet					
Assets					
Gross Loans	7,443.1	7,279.9	6,815.6	5,739.9	4,916.3
- Of which impaired	10.1	10.1	30.1	10.6	10.6
Loan Loss Allowances	59.6	59.4	55.2	41.5	41.2
Net Loan	7,383.5	7,220.5	6,760.4	5,698.4	4,875.1
Interbank	1,717.5	2,044.1	1,233.7	1,249.5	859.5
Derivatives	183.2	157.3	68.2	10.8	27.8
Other Securities and Earning Assets	1,110.4	1,022.2	1,023.7	831.9	401.3
Total Earning Assets	10,394.6	10,444.1	9,086.0	7,790.6	6,163.7
Cash and Due From Banks	8.8	3.3	7.9	3.5	4.3
Other Assets	284.4	296.4	190.0	244.0	120.9
Total Assets	10,687.8	10,743.8	9,283.9	8,038.1	6,288.9
Liabilities					
Customer Deposits	4,777.2	4,451.0	3,205.4	3,037.5	3,138.8
Interbank and Other Short-Term Funding	1,510.4	2,034.8	2,494.7	2,009.6	391.6
Other Long-Term Funding	2,786.6	2,627.4	2,222.3	1,722.1	1,585.3
Trading Liabilities and Derivatives	36.3	40.6	33.8	28.5	9.2
Total Funding and Derivatives	9,110.5	9,153.8	7,956.2	6,797.7	5,124.9
Other Liabilities	339.4	386.2	258.4	248.6	126.1
Preference Shares and Hybrid Capital	n.a.	n.a.	n.a.	n.a.	n.a.
Total Equity	1,237.9	1,203.8	1,069.3	991.8	1,037.9
Total Liabilities and Equity	10,687.8	10,743.8	9,283.9	8,038.1	6,288.9
Exchange Rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

n.a. – Not applicable.
Source: Fitch Ratings, Fitch Solutions, Bladex

Summary Financials and Key Ratios

	31 Mar 24	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (annualized as appropriate)					
Profitability					
Operating Profit/Risk-Weighted Assets	2.3	1.9	1.1	1.0	1.2
Net Interest Income/Average Earning Assets	2.4	2.4	1.7	1.3	1.4
Non-Interest Expense/Gross Revenue	25.2	27.2	33.1	37.9	37.5
Net Income/Average Equity	16.9	14.7	9.0	6.1	6.2
Asset Quality					
Impaired Loans Ratio	0.1	0.1	0.4	0.2	0.2
Growth in Gross Loans	2.2	6.8	18.7	16.8	-16.6
Loan Loss Allowances/Impaired Loans	590.1	588.1	183.4	391.5	388.7
Loan Impairment Charges/Average Gross Loans	0.0	0.4	0.2	0.0	0.0
Capitalization					
Common Equity Tier 1 Ratio	16.3	15.4	15.3	19.1	26.0
Fully Loaded Common Equity Tier 1 Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital Ratio	n.a.	n.a.	n.a.	n.a.	20.0
Tangible Common Equity/Tangible Assets	11.6	11.2	11.5	12.3	16.5
Basel Leverage Ratio	10.1	9.7	9.7	10.8	14.1
Net Impaired Loans/Common Equity Tier 1	-4.5	-4.6	n.a.	n.a.	n.a.
Net Impaired Loans/Fitch Core Capital	n.a.	n.a.	n.a.	n.a.	-3.0
Funding and Liquidity					
Gross Loans/Customer Deposits	155.8	163.6	212.6	189.0	156.6
Gross Loans/Customer Deposits + Covered Bonds	n.a.	n.a.	n.a.	n.a.	n.a.
Liquidity Coverage Ratio	210.4	205.8	167.5	199.2	249.0
Customer Deposits/Total Non-Equity Funding	52.7	48.8	40.5	44.9	61.4
Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.	n.a.

n.a. – Not applicable.
Source: Fitch Ratings, Fitch Solutions, Bladex

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bb+ or bb
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	BB+/ Stable
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	Negative
Ownership	Negative

The colours indicate the weighting of each KRD in the assessment.
Higher influence   Moderate influence   Lower influence

Bladex's 'ns' GSR denotes that external support, while possible, cannot be relied upon, due to Fitch's view of Panama's limited ability to support the banking system's large size relative to the local economy and weak support stance due to Panama's lack of a lender of last resort.

Environmental, Social and Governance Considerations

FitchRatings **Banco Latinoamericano de Comercio Exterior, S.A.** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Banco Latinoamericano de Comercio Exterior, S.A. has 5 ESG potential rating drivers

- Banco Latinoamericano de Comercio Exterior, 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.

			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 https://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.

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