FitchRatings

Banks
Universal Commercial Banks
Colombia

Banco Davivienda S.A.

Ratings

Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B

Local Currency

Long-Term IDR	BB+
Short-Term IDR	B
Viability Rating	bb+
Government Support Rating	bb

National

National Long-Term Rating	AAA(col)
National Short-Term Rating	F1+(col)

Sovereign Risk

Long-Term Foreign-Currency IDR	BB+
Long-Term Local-Currency IDR	BB+
Country Ceiling	BBB–

Outlooks

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

Applicable Criteria

Bank Rating Criteria (November 2021)

Related Research

Fitch Ratings 2022 Outlook: Latin American Banks (December 2021)

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Key Rating Drivers

Viability Rating Drives Issuer Default Ratings: Banco Davivienda S.A.'s (Davivienda) Issuer Default Ratings (IDRs) are driven by the bank's Viability Rating (VR) and consider its intrinsic strength, as reflected in its sound company profile due to its domestic franchise as the second and third largest bank in Colombia by loans and assets, respectively, and adequate franchise in Central America where its business also operates.

Sound Asset Quality: Davivienda has reported sound asset quality indicators through economic cycles, although the ultimate effects from the coronavirus pandemic are still difficult to foresee. The level of the bank's past-due loans improved to 3.8% at 3Q21 from 4.4% at YE20; meanwhile, the take-up rate for payment relief initiatives in Colombia gradually decreased to 8% of gross loans in Colombia and Central America as of September 2021, down from 32% in May 2020. Fitch Ratings has revised the Outlook on the 'bb+' asset quality score to Stable from Negative based on reduced downside risks.

Gradual Return to Pre-Pandemic Profits: Davivienda's profitability is underpinned by its resilient performance supported by adequate cost control, a consolidated franchise and geographical diversification. However, loan impairment charges, mainly related to conservative provisions for the expected deteriorated scenario due to the coronavirus pandemic, and limited business growth weigh on profitability. Fitch's core metric ratio of operating profit to RWAs improved to 1.79% at September 2021 from 0.42% at YE20 and compare closely with the average of 2.0% from 2016 to 2019. Fitch expects profitability will continue improving during 2022, as a result of higher operating revenues, increases in interest rates levels and higher credit expansion.

Adequate Capital Metrics: Fitch views the bank's capital as sufficient considering its relatively ample loan loss reserves, good asset quality, recurrent earnings generation and adequate risk management. The bank's CET1 ratio reached 12.3% in September 2021. Limited asset growth, profit recovery and currency depreciation have driven the ratio's performance. CET1 plus additional Tier 1 ratio was 14.19%; hybrids provided an additional buffer and enhanced the total regulatory metric to 18.5%. Fitch does not anticipate significant pressures for the new capital requirements during the Basel III implementation period under a scenario of conservative risk management and gradual business recovery.

Diversified and Stable Funding: Davivienda boasts a wide deposit base of well-diversified, stable and relatively low-cost funds and good liquidity. Customer deposits have consistently provided over 73% of total funding. Additionally, Davivienda has established market access to international and local debt markets. Its loans-to-deposits ratio of around 124% at September 2021 exceeded the peer average, as the bank utilizes longer tenor funding that helps better match its assets and liabilities structure. Davivienda's subsidiaries are funded independently in their home markets and must be self-sufficient to avoid contagion effect. Fitch does not anticipate major effects from the coronavirus in its evaluation of the funding and liquidity score.

Government Support (GS) Rating: The bank's GS rating of 'bb' reflects Davivienda's size, systemic importance and the country's historical support policy. Fitch believes there is a high probability of sovereign support. Colombia's ability to provide such support is reflected in the sovereign's Long-Term IDR (BB+/Stable).

Rating Sensitivities

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

VR, IDRs and National Ratings

- Davivienda's VRs and IDRs are sensitive to a material deterioration in the local operating environment (OE) or a negative sovereign rating action.
- The ratings could be downgraded from a continued deterioration of the OE due to an extended period of economic disruption as a result of the coronavirus that leads to a significant deterioration of the asset quality and/or profitability (operating profit to RWA consistently below 1.5%), resulting in an erosion of capital cushions if the CET1 ratio falls consistently below 10%.

GS Rating

- Davivienda's GS rating is potentially sensitive to any change in assumptions as to the propensity or ability of Colombia to provide timely support to the bank.

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

VR, IDRs and National Ratings

- Given the limitations of the OE, a ratings upgrade is unlikely in the medium term.
- Over the longer term, an improvement in the OE along with the restoration of financial metrics toward pre-pandemic levels could be positive for creditworthiness.

GS Rating

- Davivienda's GS rating is potentially sensitive to any change in assumptions as to the propensity or ability of Colombia to provide timely support to the bank.

Other Debt and Issuer Ratings: Key Rating Drivers

Subordinated Debt and Other Hybrid Securities

Davivienda's subordinated debt is rated two notches below its VR —one notch for loss severity (-1) and one notch for non-performance risk (-1) — given the terms of the issuances (plain-vanilla subordinated debt).

Davivienda's AT1 notes are rated four notches below Davivienda's VR. The notching reflects the notes' higher loss severity in light of their deep subordination and additional non-performance risk relative to the VR, given the high writedown trigger of CET1 at 5.125% and full discretion to cancel coupons. Thus, the debt has been affirmed due to the affirmation of Davivienda's VR.

Other Debt and Issuer Ratings: Rating Sensitivities

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

- Junior subordinated debt ratings will mirror any action on the bank's VR.

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

- Subordinated and junior subordinated debt ratings will mirror any action on the bank's VR.

Debt Rating Classes

Rating Level	Rating
Senior Unsecured	BB+
Subordinated	BB–
Junior Subordinated	B

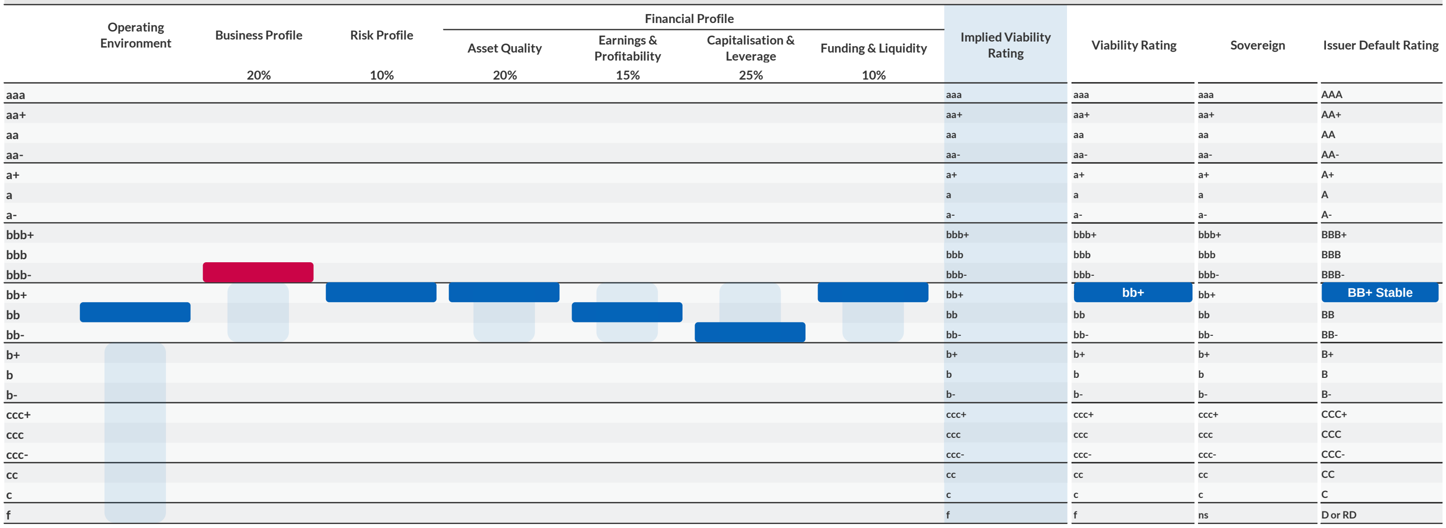
Source: Fitch Ratings.

Ratings Navigator

Banco Davivienda S.A.

ESG Relevance:

Banks
Ratings Navigator



Significant Changes

The influence of the OE on the Davivienda's VR has been revised to moderate as Fitch does not anticipate a material impact on the bank's financial profile from any remaining pressures on the OE, such as upcoming elections or a higher than expected deceleration in economic growth.

Operating Environment

Following Colombia's sovereign rating downgrade to 'BB+' from 'BBB–', Fitch adjusted its OE assessment to 'bb'/stable, indicating that the agency expects any additional pandemic-related fallout to be manageable for Colombian banks at their current rating levels. Fitch expects a gradual improvement in asset quality metrics once loans with relief measures finalize, as well as increasing profitability levels driven by improving margins, lower impairment charges and higher fee income. Nevertheless, tighter fiscal and monetary policies and domestic political uncertainty ahead of the 2022 general election pose downside risks to the sector's performance next year. In addition, Fitch expects sound economic growth of 9.4% in 2021 and 3.9% in 2022, still above its 3.3% growth potential.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

⇧ Positive ⇩ Negative

⇳ Evolving ▫ Stable

Brief Company Summary

Consolidated Franchise, Leader in Mortgage

Davivienda has a leading franchise in Colombian mortgage and retail segment and ranks among the top players in corporates and the Central American market where it operates. The bank's business model benefits from geographical and revenues diversification as well as continuous efforts to develop cutting edge digital technologies.

Davivienda is Colombia's third-largest bank with a market share of about 13.3% by assets and second by loans (15.9%) and deposits (13.6%) within Colombia as of September 2021 and a regional presence since 2012. The bank has a leading position in mortgage lending and has consolidated as an important player into the commercial and corporate segments as well as in Central America. The consolidated competitive position, local and regional presence, technology and efficiency advantages provide the entity with pricing power. At September 2021, the bank's network included 660 branches (versus 528 at September 2020) and 2,700 ATMs, more than 19.3 million customers and presence in six countries

Management and Strategy

Strategic Objectives

Starting in Colombia and then migrating to Central America, the bank is developing its core capabilities based on innovation, efficiency and customer service to implement its digital transformation. Davivienda's long-term strategy is to consolidate its position as a multi-Latin bank, with strong leadership in retail and mortgage lending, and a solid competitor in corporates; the bank is also increasing its competitive position in small and medium enterprises (SMEs) and in wealth management, while taking advantage of its synergies through its different business lines. The bank's budget for 2021–2023 includes USD250 million in digital and technological initiatives to create ecosystems that includes a joint venture with a Fintech in Colombia to launch a digital bank.

Digital Transformation

Davivienda has a sound and credible track record of adequate long-term planning and good execution. The bank's digital transformation has been central to improving speed of service, increasing its client focus and simultaneously reducing its operating costs. During the last year, Davivienda has continued its focus on transforming its digital channels, improving human resources, building alliances with different digital stakeholders and taking advantage of data sources to manage banking business.

Risk Appetite

Modest Risk Profile

Fitch considers the bank's risk appetite as modest, supported by its retail focus, collateral requirements (55% of the loan portfolio at June 2021) and sound risk management, with well-defined systems and procedures that have proven effective during periods of market turmoil. Nevertheless, the bank has not been immune to crisis and economic downturns; during 2020, increased loan loss provisions related to its expected loss model eroded bank profitability. The pandemic related recession pressured credit costs, with loan impairment charges consuming 89% of pre-impairment operating profit at December 2020, compared with an average of 50% from 2015-2019. Better economic expectations for Colombia and Central America have lessened loan impairments, decreasing pressure on operating profits to 64% as of September 2021.

Adequate Risk Controls

A centralized risk management unit oversees credit, operational and market risk for the bank, its subsidiaries and all of the companies of the Bolivar Group. Although the bank leads the way in terms of policies and risk control processes, best practices are adopted across the group whenever possible. In Fitch's opinion, Davivienda's risk and credit policies are relatively conservative, and its credit process is sound and mature, as illustrated by its good asset quality. The pandemic activated a crisis committee in charge of evaluating the impact on customers and implemented measures to assess asset performance and prepare the bank to oversee different stress scenarios.

Covid-19 measures have been executed according to local regulations since March 2020, including efforts to strength collections and specific relief programs to customers with a history with the bank. Reliefs programs ended in Colombia in August 2021, and the bank's asset quality has started to show the impact of the pandemic mainly in the unsecured segments while the impacts to corporates and recurred loans were limited.

Limited Growth in 2021

Amid an unprecedented economic contraction and massive forbearance programs, Colombian bank asset growth reflected weak demand from SMEs despite state guarantees for SME loans, local development bank funding facilities and monetary stimulus. Meanwhile, a prolonged lockdown, social protest and still high unemployment affected overall loan growth. As of September 2021, Davivienda's slower growth reflected lower credit demand, government facilities and mortgage loans, which offset pre-payments of credit lines taken during 2020, a decrease in credit card consumption and chargeoffs mainly of consumer loans during first quarters of 2021. Central America operation asset growth was 5.1% in USD due to retail segment growth. Consolidated deposits had a similar trend with 3.4% at September 2021 in a low interest rate environment. For the second half of 2021, the bank expects better performance but not to exceed double-digit growth, supported by economic reactivation and analysis of specific sectors, aligned with the risk appetite of the bank.

Moderate Market Risk

Market risk policies and limits are set forth by a market risk committee at the group level and approved by the board of each company. Davivienda has exposure to interest rates, exchange rate risks, stocks prices and investments funds, deriving from its loan and investment portfolios. Within the bank, a specialized unit monitors adherence to these policies and limits. Securities portfolio objectives are to handle adequately the structural balance, preserve liquidity and generate financial results through trading activities.

Summary Financials and Key Ratios

	Nine Months — Third Quarter 9/30/21		2020	2019	2018	2017
	USD Mil.	COP Bil.	COP Bil.	COP Bil.	COP Bil.	COP Bil.
(Years Ended Dec. 31)	Reviewed — Unqualified	Reviewed — Unqualified	Audited — Unqualified	Audited — Unqualified	Audited — Unqualified	Audited — Unqualified
Summary Income Statement						
Net Interest and Dividend Income	1,450	5,561.4	7,586.0	6,716.3	5,970.5	4,908.7
Net Fees and Commissions	282	1,082.3	1,129.6	1,190.1	1,169.8	1,114.6
Other Operating Income	156	598.5	107.8	190.0	323.1	791.2
Total Operating Income	1,889	7,242.2	8,823.4	8,096.4	7,463.4	6,814.5
Operating Costs	881	3,379.2	4,139.1	3,729.9	3,414.0	3,190.3
Pre-Impairment Operating Profit	1,007	3,863.0	4,684.3	4,366.5	4,049.4	3,624.2
Loan and Other Impairment Charges	646	2,477.1	4,199.6	2,434.4	2,074.7	1,975.4
Operating Profit	361	1,385.9	484.7	1,932.1	1,974.7	1,648.8
Other Non-Operating Items (Net)	(4)	(14.6)	(8.5)	(4.9)	(98.4)	39.2
Tax	116	443.1	68.2	443.3	477.8	405.0
Net Income	242	928.2	408.0	1,483.9	1,398.5	1,283.0
Other Comprehensive Income	85	325.1	101.8	496.8	(522.0)	13.5
Fitch Comprehensive Income	327	1,253.3	509.8	1,980.7	876.5	1,296.5
Summary Balance Sheet						
Assets						
Gross Loans	29,634	113,636.9	106,674.8	97,399.5	87,821.6	78,219.6
- of which impaired	1,114	4,272.7	4,671.5	3,370.0	3,451.4	2,157.4
Loan Loss Allowances	1,461	5,603.3	6,394.7	4,143.5	3,709.7	2,309.6
Net Loan	28,173	108,033.6	100,280.1	93,256.0	84,111.9	75,910.0
Interbank	93	355.0	1,454.9	709.0	410.7	1,444.7
Derivatives	151	577.3	1,410.5	511.2	433.7	335.6
Other Securities and Earning Assets	4,423	16,960.5	16,622.4	12,422.9	11,657.7	11,292.0
Total Earning Assets	32,839	125,926.4	119,767.9	106,899.1	96,614.0	88,982.3
Cash and Due from Banks	3,163	12,130.3	10,260.8	9,744.2	9,523.6	7,889.4
Other Assets	1,805	6,923.4	6,384.7	5,578.7	4,586.3	3,899.6
Total Assets	37,808	144,980.1	136,413.4	122,222.0	110,723.9	100,771.3
Liabilities						
Customer Deposits	23,874	91,549.9	88,526.2	76,732.1	68,399.2	63,310.6
Interbank and Other Short-Term Funding	1,075	4,121.2	1,936.2	1,759.7	10,395.9	5,869.9
Other Long-Term Funding	7,796	29,896.9	26,954.1	25,963.9	16,571.7	17,175.3
Trading Liabilities and Derivatives	175	670.9	1,640.3	617.8	513.1	356.7
Total Funding and Derivatives	32,920	126,238.9	119,056.8	105,073.5	95,879.9	86,712.5
Other Liabilities	1,236	4,741.5	4,636.6	4,497.6	3,434.1	3,174.9
Preference Shares and Hybrid Capital	N.A.	N.A.	0.0	0.0	0.0	0.0
Total Equity	3,651	13,999.7	12,720.0	12,650.9	11,409.9	10,883.9
Total Liabilities and Equity	37,808	144,980.1	136,413.4	122,222.0	110,723.9	100,771.3
Exchange Rate		USD1 = COP3834.68	USD1 = COP3444.9	USD1 = COP3294.05	USD1 = COP3275.01	USD1 = COP2971.63

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

Summary Financials and Key Ratios

(%, Years Ended Dec. 31)	9/30/21	2020	2019	2018	2017
Ratios (%, Annualized as Appropriate)					
Profitability					
Operating Profit/Risk-Weighted Assets	1.8	0.4	1.9	2.1	1.9
Net Interest Income/Average Earning Assets	6.1	6.4	6.6	6.6	5.8
Non-Interest Expense/Gross Revenue	46.7	46.9	46.1	45.8	46.9
Net Income/Average Equity	9.3	3.2	12.4	13.3	12.9
Asset Quality					
Impaired Loans Ratio	3.8	4.4	3.5	3.9	2.8
Growth in Gross Loans	6.5	9.5	10.9	12.3	7.3
Loan Loss Allowances/Impaired Loans	131.1	136.9	123.0	107.5	107.1
Loan Impairment Charges/Average Gross Loans	3.0	3.9	2.6	2.5	2.6
Capitalization					
Common Equity Tier 1 Ratio	12.3	N.A.	N.A.	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	12.1	9.6	10.6	10.3	10.7
Tangible Common Equity/Tangible Assets	8.5	8.1	9.0	8.8	9.2
Basel Leverage Ratio	9.0	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	(10.6)	N.A.	(8.9)	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	(11.0)	(15.8)	(7.2)	(2.7)	(1.7)
Funding and Liquidity					
Gross Loans/Customer Deposits	124.1	120.5	126.9	128.4	123.6
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Non-Equity Funding	72.9	75.4	73.5	71.7	73.3
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.

Source: Fitch Ratings.

Key Financial Metrics — Latest Developments

Asset Quality

Sound Asset Quality

Davivienda has reported sound asset quality indicators through economic cycles, although future credit losses are uncertain as the ultimate effects from the coronavirus pandemic are difficult to foresee. The level of the bank's past-due loans improved to 3.8% at 3Q21 from 4.4% at YE20; meanwhile, the take-up rate for payment relief initiatives in Colombia gradually decreased to 8% of gross loans in Colombia and Central America as of September 2021 from 32% in May 2020.

Concentration by industry is very moderate, with concentrations below 10% of total loan portfolio. No economic sector is a source of concern for the bank, and exposure to Covid-19 or social protest in specific sectors such as transport, hotels and tourism, agribusiness, fabric, mining and coal is limited (below 10% of gross loans). Reserve coverage has increased consistently to 1.3x as of September 2021 from an average of 1.1x between 2016 to 2020 as part of the bank's efforts to lessen asset deterioration. Stage 3 reserve coverage remained around 60% as part of the risk assessment. Davivienda has a solid level of real guarantees given its business model, which includes leasing operations and mortgages. Central American subsidiaries' asset quality follows similar adherence to Colombian relief programs amid different lockdowns measures.

Davivienda has a solid level of real guarantees given its business model, which includes leasing operations and mortgages. As of September 2021, the proportion of loans secured by some type of guarantee was 55%, and the credit cost of 3.0% was similar to that of the banking system.

Earnings and Profitability

Gradual Return to Pre-Pandemic Profits

Davivienda's profitability is underpinned by its resilient performance supported by adequate cost control, a consolidated franchise and geographical diversification. However, loan impairment charges, mainly related to conservative provisions for the deteriorated expected scenario resulting from the Covid-19 crisis, weigh on profitability. Fitch's core metric ratio of operating profit to RWAs improved to 1.79% at September 2021 from 0.42% at YE20 and compared close to the average of 2.0% from 2016 to 2019.

The recession pressured credit costs, with loan impairment charges consuming 89% of pre-impairment operating profit at YE20, compared with an average of 50% from 2015-2019; however, as of September 2021, this pressure has decreased gradually to 64%.

During 2021, operating expenses increased 6.8% YoY as the bank continued its efforts to control operating costs. As a result, efficiency levels remained unchanged compared with previous years, with a cost to income ratio in a range of 45%-47% amid greater investments in digital transformation that gradually increase its contribution in productivity.

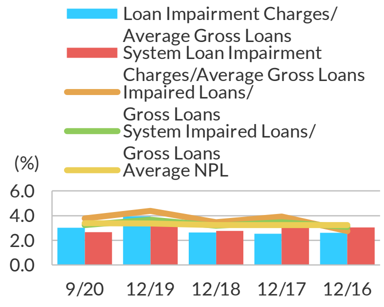
Capitalization and Leverage

Satisfactory Capitalization

Fitch views the bank's capital as sufficient considering its relatively ample loan loss reserves, good asset quality, recurrent earnings generation and adequate risk management. The bank's CET1 ratio reached 12.3% in September 2021. Ratio performance reflected limited asset growth, profit recovery and currency depreciation.

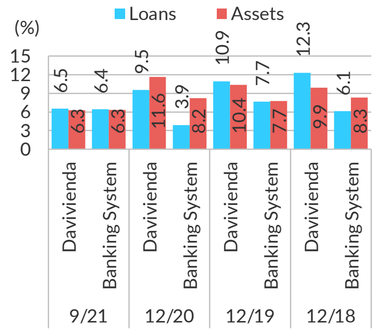
CET1 plus an additional Tier 1 ratio was 14.19%; hybrids provided further buffer and enhanced total regulatory metric to 18.5%. Despite OE challenges during 2020, operating profits have increased the bank's room to maneuver credit costs. Fitch does not anticipate significant pressures for new capital requirements during the Basel III implementation period under a scenario of conservative risk management and gradual business growth.

Asset Quality and Loan Impairment Charges



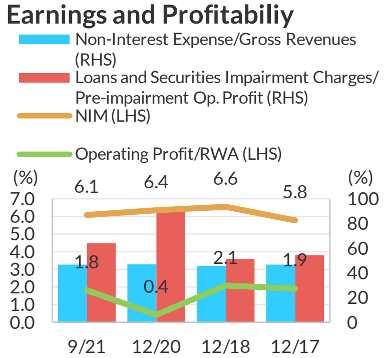
Source: Fitch Ratings, Fitch Solutions.

Loan and Assets Growth



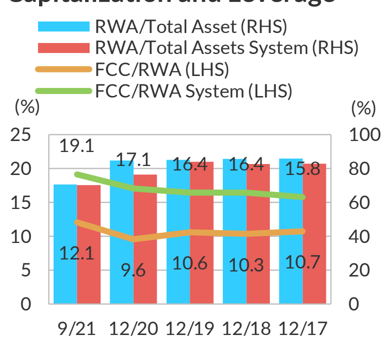
Source: Fitch Ratings, Fitch Solutions.

Earnings and Profitabiliy



Source: Fitch Ratings, Fitch Solutions.

Capitalization and Leverage



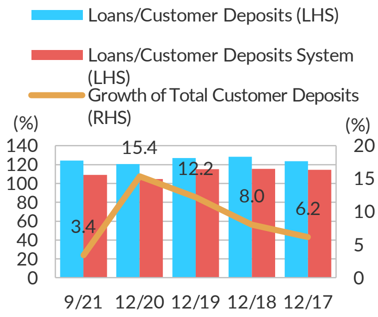
Source: Fitch Ratings, Fitch Solutions.

Funding and Liquidity

Davivienda boasts a wide deposit base of well-diversified, stable and relatively low-cost funds and good liquidity. Customer deposits have consistently provided over 70% of total funding. (September21: 73%) Additionally, Davivienda has established market access to international and local debt markets. Its loans-to-deposits ratio of around 124% as of September 2021 exceeded the peer average as the bank utilizes longer tenor funding that helps better match its assets and liabilities structure. Davivienda's subsidiaries are funded independently in their home markets and must be self-sufficient to avoid contagion effect.

The bank's deposit structure has evolved since 2016 toward longer and stable resources, with term deposits accounting for 34% of total deposits at September 2021. In line with Davivienda's liquidity preference policy and goal to reduce the structural asset and liabilities mismatch, the bank has continued to favor savings deposits and bond issuances over lower cost funding in 2021. Davivienda's funding in Central America was mainly locally driven through current and term deposits as main a source of funds.

Loans/Deposits



Source: Fitch Ratings, Fitch Solutions.

Environmental, Social and Governance Considerations

FitchRatings **Banco Davivienda S.A.** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Banco Davivienda S.A. has 5 ESG potential rating drivers

- Banco Davivienda 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.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	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.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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