FitchRatings

Banco de los Trabajadores

Key Rating Drivers

Sound Company Profile: Banco de los Trabajadores's (Bantrab or the bank) Issuer Default Ratings (IDRs) and national ratings are driven by its VR. Bantrab's VR is highly influenced by bank's company profile assessment. Bantrab is characterized by its focus on consumer lending with the risk control mechanism of collecting payments via payroll, which has enabled the bank to have a relevant market position in retail banking and allowed it to register a constant and stable financial income stream.

High Profitability: Fitch Ratings believes the bank's operating profitability will remain high in in the foreseeable future. It is also boosted due to a decreased funding cost alongside low loan impairment charges (LICs) and adequate operational efficiency. As of YE20, operating return over risk-weighted assets (RORWA) was 5.8%, higher than its 2016–2019 average of 4.4% and the industry's 2.4%. As of 1Q21, operating RORWA was 5.14%, while net ROAE was 20%.

Good Asset Quality: Fitch believes that Bantrab will continue to yield sound loan asset quality indicators as its loan placement policy of collecting via payroll will remain one of its competitive advantages over its peers. As of YE20, its 90+days impaired loans ratio of 1.2% shows a well-controlled credit portfolio for a mainly consumer lending bank while loan loss allowances for such impairments were high 237.7%. As of 1Q21, 90+days overdue loans were a still low 1.7% with a loan loss coverage of 173.1%.

Solid Capitalization: Fitch believes that Bantrab's capitalization is strong and expects it to continue to record healthy levels in the medium term. It is the highest amongst its peers in the Guatemalan industry, which provides the bank with a strong loss absorption capacity. As of 2020, its Fitch Core Capital (FCC) is a high 21.5%. The bank's capitalization is favored by the high profitability of its operations combined with its structurally low dividend pay-out. As of 1Q21, FCC was 21.8%.

Concentrated Funding and Adequate Liquidity: Fitch believes that Bantrab's funding and liquidity structure remains adequate as per its business model but still has a margin of improvement in relation to its higher-rated local peers. Its deposit structure is based on term deposits of highly renewable rate but highly concentrated by depositor. Positively, the bank's deposit cost has decreased progressively due to its successful repricing strategy and increased liquidity in the banking system. But the bank lags behind its competitors in potential contingent access to credit lines. Loans-to-deposits ratio was 66.9% as of 1Q21, slightly better than the 68.1% and 69.41%of 2020 and 2019, respectively.

Low Propensity of Sovereign Support: Bantrab's SR and SRF of '5' and 'NF', respectively, indicate that, although possible, external support cannot be relied upon given the currently low state ownership and relatively limited systemic importance.

Rating Sensitivities

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

- There is limited upside potential given that IDRs and VR are at the sovereign level.
- Bantrab's National Scale ratings could be upgraded if further improvements of its funding and liquidity profile materialize. Namely, the further decrease of its financial cost alongside improvements in concentrations per depositor and the establishment of more alternative funding sources.

Ratings

Foreign Currency	
Long-Term IDR	BB–
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB–
Short-Term IDR	B
Viability Rating	bb–
Support Rating	5
Support Rating Floor	NF
National	
National Long-Term Rating	A(gtm)
National Short-Term Rating	F1(gtm)
Sovereign Risk	
Long-Term Foreign-Currency IDR	BB–
Long-Term Local-Currency IDR	BB–
Country Ceiling	

Outlooks

Long-Term Foreign Currency IDR[a]	Stable
Long-Term Local Currency IDR[a]	Stable
National Long-Term Rating[a]	Stable
Sovereign Long-Term Foreign Currency IDR	Stable
Sovereign Long-Term Local Currency IDR	Stable

[a]Revised from Negative on May 21, 2021.

Applicable Criteria

Bank Rating Criteria (February 2020)

National Scale Rating Criteria (December 2020)

Related Research

Guatemala (May 2021)

Financial Data

Banco de los Trabajadores

(GTQ Mil.)	12/31/20	12/31/19
Total Assets (USD Mil.)	3,571.3	3,414.7
Total Assets	27,839.5	26,289.4
Total Equity	3,725.9	3,160.4

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- There is limited upside potential for Bantrab's SR due to low systemic significance and nonmaterial government ownership.

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

- While not Fitch's base case scenario, the VR, IDR and National Ratings could be downgraded if the financial profile deteriorated to a point where operating profit to RWAs were consistently below 2% thus causing a decline in capitalization (FCC/RWA close to 12%).
- Its VR and IDR are also sensitive to a downgrade of the sovereign rating.
- No downside potential for Bantrab's SR and SRF since they are at the lowest level of the scale.

Issuer Ratings (Including Main Issuing Entities)

Rating Level	Rating
Long-Term Foreign Currency IDR	BB–
Short-Term Foreign Currency IDR	B
Long-Term Local Currency IDR	BB–
Short-Term Local Currency IDR	B
Viability Rating	bb–
Support Rating	5
Support Rating Floor	NF
National Long-Term Rating	A(gtm)
National Short-Term Rating	F1(gtm)
Outlook	Stable

Source: Fitch Ratings.

Relevant Changes

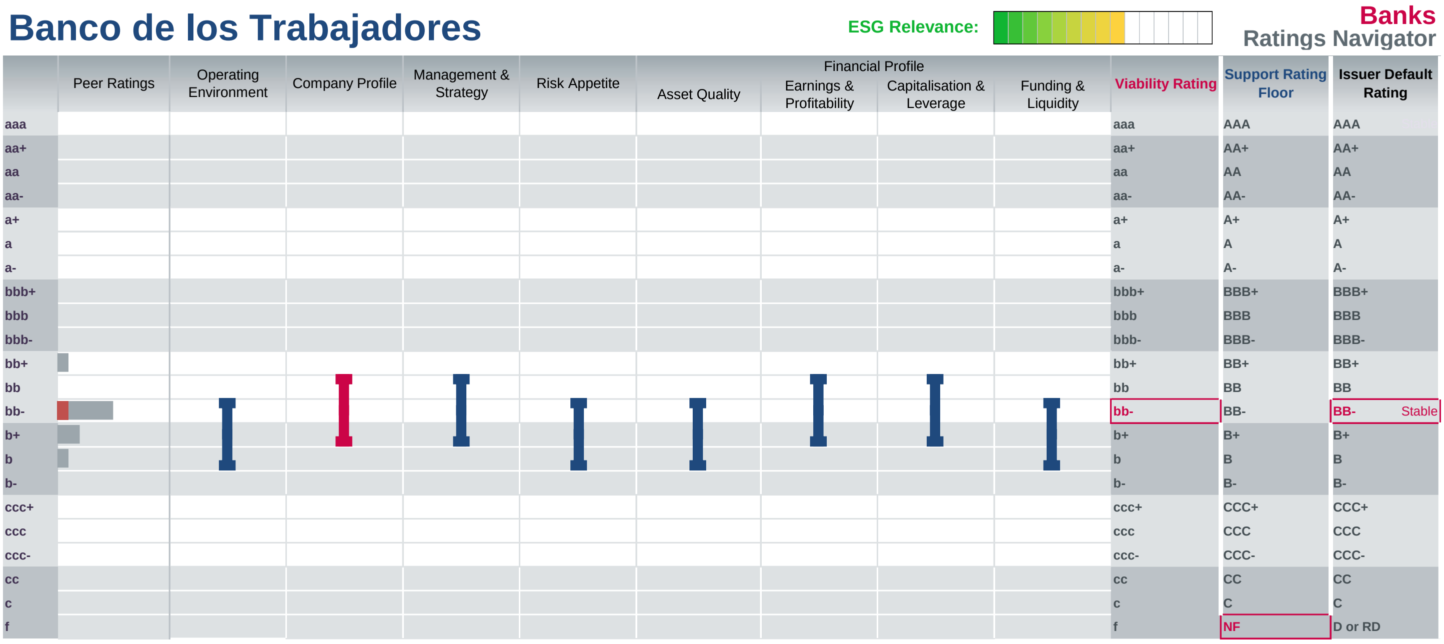
Guatemalan Banks' Operating Environment Revised to Stable

Fitch revised the Guatemalan banking operating environment (OE) trend to stable from negative because the expectation that the economic recovery in 2021 will reduce the risks of a weakening of the issuers' financial performance. Likewise, on May 5, 2021, Fitch affirmed Guatemala's sovereign rating at ‘BB–’/Stable. In the agency's opinion, the pandemic had a relatively low impact on the Guatemalan economy, which reflected a GDP contraction of 1.5% in 2020, the second lowest among the American countries rated by Fitch, and is expected to grow 3.9% in 2021. At the same time, the monthly index of economic activity as of March 2021 was 5.8%, which will sustain the demand for credit.

Guatemalan banking has been resilient given that business activities were less disrupted than in other countries during the pandemic and because local monetary policy supported deposit growth and liquidity strengthening. This supported credit growth and the maintenance of the banks' capitalization. In addition, the issuers prudently increased their reserves for past due loans (March 2021: 178.3%) and strengthened their control, monitoring and collection strategies to protect their financial profiles, which resulted in a relatively stable financial performance.

Fitch estimates that the OE of Guatemalan banks will be less challenging, due to the recovery of debtor payments. Also, loan quality metrics are beginning to reflect the impact of the crisis, since relief measures ended in December 2020. Although there are still uncertainty factors associated with the slow vaccination process and scarce medical care, the agency considers that the impact of such risks on banking will be manageable and could be mitigated by the prudential actions taken in 2020.

Ratings Navigator



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 and Qualitative Evaluation Factors

Company Profile

Bantrab's company profile is the main driver of its ratings. Bantrab holds a strong competitive position in consumer lending, almost equal to the market leader, while its overall market shares in both loans and deposits are behind its peers with a more universal business approach. Moreover, the bank's business model, focused on consumer lending with payment collection via payroll, ensures a continuous and stable inflow of earnings across economic cycles. The bank caters to its target segments though a variety of products in both loans and deposits.

Bantrab is a medium-sized local bank focused on consumer lending to the formal Guatemalan workforce, mainly from the public sector. As of December 2020, Bantrab ranks sixth in terms of net loan portfolio and total assets, with market shares of around 7.5%, sixth in total customer deposits, representing 7.4% and equity and is the third largest in terms of net profits with 15.8% of the industry's net income.

While the market is highly concentrated, with the three largest banks holding around 65% of the system’s assets. Fitch considers Bantrab to be relevant for the financial inclusion of the Guatemalan working class as it ranks second in consumer lending, at a 25% market share, which allows it to have significant pricing power in this area.

Bantrab’s business model focuses on financial inclusion via greater market penetration and development of its target segments. The bank differentiates itself from the competition through a strong financial education component. Bantrab complements its business lines with a small but growing proportion of products and services in the small and medium-sized business segments, bancassurance and private sector employees. The bank provides services through an ample network of branch offices that cover most of the Guatemalan territory, along other channels of service like banking agents, i.e. affiliated commercial outlets where transactions can take place and with electronic coverage, the latter heightened due to the pandemic, as the rest of the world financial industry.

Management and Strategy

The bank's management and strategy assessment reflects Fitch's opinion of an effective and credible management team with a corporate governance that continues to improve its protection of creditor rights. Corporate culture is perceived as strong while the quality of financial reporting is comparable with higher rated peers. Strategic objectives are well-defined at qualitative and quantitative levels and execution is a strength as the bank fulfilled its financial and business goals despite the pressured environment.

Risk Appetite

Fitch believes that Bantrab's risk appetite remains moderate with conservative, prudential underwriting standards and adequate risk controls. Mainly its debt collection via payroll deduction, which mitigates credit risk for around 98% of total loans. Operational risk has remained controlled thus ensuring that no major disruptions are registered. Growth remains above the industry average, mainly due to the ample credit demand of its target segments while market risk indicators remain in compliance of its internal limits.

Summary Financials and Key Ratios

	2020		2019	2018	2017	2016
(Year End as of Dec. 31, Audited – Unqualified (Emphasis of Matter))	**(USD Mil.)**	**(GTQ Mil.)**	**(GTQ Mil.)**	**(GTQ Mil.)**	**(GTQ Mil.)**	**(GTQ Mil.)**
Summary Income Statement						
Net Interest and Dividend Income	255.0	1,988.4	1,770.4	1,472.1	1,468.3	1,276.4
Net Fees and Commissions	17.0	135.5	120.3	65.2	149.4	143.4
Other Operating Income	0.0	(2.2)	0.4	(26.8)	(48.5)	4.4
Total Operating Income	272.0	2,121.7	1,891.0	1,510.5	1,569.2	1,424.3
Operating Costs	124.0	970.4	922.7	834.0	953.6	889.7
Pre-Impairment Operating Profit	148.0	1,151.3	968.2	676.5	615.7	534.5
Loan and Other Impairment Charges	28.0	215.5	195.3	164.8	74.7	14.3
Operating Profit	120.0	935.8	773.0	511.7	541.0	520.3
Other Non-Operating Items (Net)	6.0	43.9	53.3	52.3	25.8	(5.7)
Tax	22.0	173.5	127.8	51.2	73.6	79.3
Net Income	103.0	806.1	698.5	512.8	493.1	435.3
Other Comprehensive Income	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch Comprehensive Income	103.0	806.1	698.5	512.8	493.1	435.3
Summary Balance Sheet						
Assets						
Gross Loans	1,980.0	15,437.7	14,258.3	13,343.0	12,216.2	10,876.2
- of which impaired	23.0	181.9	198.0	253.0	354.4	290.9
Loan Loss Allowances	55.0	432.5	251.6	280.5	367.7	401.9
Net Loan	1,925.0	15,005.2	14,006.6	13,062.5	11,848.4	10,474.3
Interbank	420.0	3,271.7	3,007.6	3,035.6	2,874.2	1,259.1
Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Securities and Earning Assets	1,098.0	8,562.5	8,337.5	7,611.1	5,891.9	5,614.9
Total Earning Assets	3,443.0	26,839.4	25,351.7	23,709.2	20,614.6	17,348.3
Cash and Due From Banks	23.0	180.6	169.8	139.6	160.3	127.2
Other Assets	105.0	819.5	767.9	766.6	793.1	767.2
Total Assets	3,571.0	27,839.5	26,289.4	24,615.4	21,568.0	18,242.8
Liabilities						
Customer Deposits	2,887.0	22,503.8	20,541.2	19,652.4	17,165.8	14,357.9
Interbank and Other Short-Term Funding	0.0	0.4	N.A.	N.A.	N.A.	0.0
Other Long-Term Funding	0.0	0.0	1,154.8	1,161.1	1,101.8	1,128.3
Trading Liabilities and Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.	0.8
Total Funding	2,887.0	22,504.2	21,696.0	20,813.5	18,267.5	15,487.0
Other Liabilities	186.0	1,451.9	1,275.4	1,093.4	985.2	905.5
Preference Shares and Hybrid Capital	20.0	157.6	157.6	156.6	157.6	157.6
Total Equity	478.0	3,725.9	3,160.4	2,551.9	2,157.7	1,692.7
Total Liabilities and Equity	3,571.0	27,839.5	26,289.4	24,615.4	21,568.0	18,242.8
Exchange Rate		USD1 = GTQ7.7954	USD1 = GTQ7.6988	USD1 = GTQ7.7	USD1 = GTQ7.3	USD1 = GTQ7.5495

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

Summary Financials and Key Ratios

Ratios (Annualized as Appropriate, As of Dec. 31)	2020	2019	2018	2017	2016
Profitability					
Operating Profit/Risk-Weighted Assets	5.8	5.1	3.7	4.3	4.5
Net Interest Income/Average Earning Assets	7.9	7.6	6.5	7.8	7.6
Non-Interest Expense/Gross Revenue	45.7	48.8	55.2	60.8	62.5
Net Income/Average Equity	23.6	24.9	21.3	25.7	26.2
Asset Quality					
Impaired Loans Ratio	1.2	1.4	1.9	2.9	2.7
Growth in Gross Loans	8.3	6.9	9.2	12.3	25.8
Loan Loss Allowances/Impaired Loans	237.7	127.1	110.9	103.8	138.1
Loan Impairment Charges/Average Gross Loans	1.4	1.4	1.2	0.6	0.2
Capitalization					
Common Equity Tier 1 Ratio	N.A.	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	21.5	19.2	16.4	14.5	12.4
Tangible Common Equity/Tangible Assets	13.3	11.4	9.7	9.0	8.2
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	N.A.	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	(7.2)	(1.8)	(1.2)	(0.7)	(7.8)
Funding and Liquidity					
Loans/Customer Deposits	68.6	69.4	67.9	71.2	75.8
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Funding	99.3	94.0	93.7	93.2	91.8
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.

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

Key Financial Indicators — Recent Developments

Asset Quality

Fitch believes that Bantrab will continue to yield sound loan asset quality indicators as its loan placement policy of collecting via payroll will remain one of its competitive advantages over its peers. Its business line diversification efforts will continue but still remain a minor proportion of the overall loan portfolio. Loans under alleviation measures due to the pandemic do not represent an issue as nearly 98% of them register payments under their new conditions. On another hand, its investment portfolio will continue to concentrate on instruments issued or guaranteed by the sovereign or the Central Bank of Guatemala.

As of YE20, Fitch believes that Bantrab's asset quality is good, as its 90+days impaired loans ratio of 1.2% shows a well-controlled credit portfolio for a mainly consumer lending bank while loan loss allowances for such impairments were a high 237.7%. Both ratios compare better than the issuer's recent track record and the banking system average. Furthermore, loan write-offs remain immaterial while concentrations by debtor are low.

Due to the nature of its business, the bank's loan portfolio is highly granular, with concentrations representing only 0.86% of total loans and 3.8% of FCC while total or partial real guarantees are minimal at approximately 2.3% of total gross loans. Fitch believes that Bantrab's historical concentration in the public sector will effectively decrease in a slow, progressive way due to the refocused risk policies which aim to fulfil the bank's mission of providing financial products and services to all the Guatemalan working force, beyond selected public service institutions.

Earnings and Profitability

Fitch believes Bantrab's operating profitability will remain high in the foreseeable future. Its business model yields a substantial financial income, well above the banking system average. Profitability is also boosted due to a decreased financial cost alongside a high operational efficiency that continues to widen its gap with the rest of its peers. Moreover, its LICs have remained low and in line with its recent track record. As of YE20, operating RORWA was 5.8%, higher than its 2016–2019 average of 4.4% and the industry's 2.4%. Also, its net ROAE is a high 23.6% vs. the banking industry's 2.4%.

As of fiscal-year 2020, Bantrab's operating profitability reached a new peak level due to high NIM, good operating efficiency and moderate provisioning. The bank ranks above its peers in all profitability indicators. This is explained by both the adequate pricing of its products and services in accordance to its target segments and to the effectiveness of its customer deposit repricing tactic which still has a margin for improvement, thus ensuring financial income will remain high.

As of 2020, NIM was 7.9%, higher than its recent history (2016–2019 average of 7.4% and the system median of 5.10%). Moreover, these increased revenues combined with sound administrative practices yielded good operational efficiency ratios, where expenses represented a relatively low proportion of 45.7% of total gross revenues. LICs represented 18.7% of pre-impairment operating profit, a slight improvement from 2019's 20.2%. Fitch notes how income diversification is higher than the industry average, mainly due to loan-related fees: Overall non-interest income represented 6.3% of gross revenues, well above the total bank's average of 2.55

Capitalization and Leverage

Fitch believes that Bantrab's capitalization is strong and expects it to continue to record healthy levels in the medium term. It provides the bank with a strong loss absorption capacity. As of 2020, its FCC is a high 21.5% while equity over assets was 13.4%, better than 2019's 19.2% and 12.0%, respectively. The bank's capitalization is favored by the high profitability of its business operations combined with its structurally low dividend pay-out. As of 1Q21, FCC was 21.8% while equity-to-assets ratio was 13.7% and total capital ratio 23.7%.

Its 21.5% FCC ratio is at a peak, exceeding last year's record of 19.2%. Pay-outs are consistently low (2020: 3.7% of net income, 2016–2020 average of 4.5%), keeping equity growth higher than total asset growth (17.9% versus 8.3%). This is particularly relevant for the bank as its widespread base of working-class customers shareholders makes the reinvestment of profits its most adequate way to increase equity over a capital injection. Most of the dividend payments are related to the bank’s preferential shares, as common share dividends tend to be so small that its shareholders do not collect them. Instead, these payments are accumulated in accounts payable that grow each year, ceasing to be part of the capital.

Funding and Liquidity

Fitch believes that Bantrab's funding & liquidity structure remains adequate as per its business model but still has room to narrow the gap in relation to its higher rated local peers. Its deposit structure, albeit based on term deposits (78% of total) of a highly renewable rate (96%), is highly concentrated, especially in governmental associations (the 20 largest depositors remains high and in line with previous years at around 28% of total deposits). However, the bank's deposit cost has decreased progressively due to its successful deposit repricing strategy. This allows the bank to retain its price-based advantage over the its peers while improving its NIM. On the other hand, the bank lags behind its competitors in potential contingent access to credit lines, although it is in the process of acquiring more. L-to-D ratio was 68.6% as of 2020, slightly better than YE19 of 69.41%. The 1Q21 result was 66.9%.

Positively for the bank, its repricing of term deposits as they become due has proven effective in reducing overall liability cost, thus aiding NIM growth, while still keeping its differentiation in terms of cost compared to the banking system. On another hand, high concentration per depositor is due to the institutional depositors the bank has business relationships with and whose employees it attends. Most of the institutional depositors are public entities, although the majority of Bantrab’s clients on the loan placement side are individuals.

The agency believes that Bantrab's strategic objective of improving its customer deposit pricing and mix could yield further results: Its repricing of term deposits could still decrease without hampering its relationships with long-term institutional depositors and still attract new price-driven ones. In the longer term, its use of electronic and internet products and services aimed at increasing financial inclusion could aid in taking more sight deposits; however, this would be a slow process.

Bantrab's liquidity is high, favored by the stability of its deposits throughout the economic cycles. Liquid assets (cash and equivalents) coverage of total deposits is higher than the Guatemalan financial sector: 48% vs. 34%. Most liquid assets are sovereign-related instruments available for sale.

Sovereign Support

Bantrab's Support Rating of '5'and Support Rating Floor of NF are based on the uncertainty of obtaining external support, given the government's low ownership in Bantrab and the bank's limited systemic importance.

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			BB- or B+
Actual country D-SIB SRF			BB
Support Rating Floor:			**NF**
Support Factors	**Positive**	**Neutral**	**Negative**
Sovereign ability to support system			
Size of banking system relative to economy	✓		
Size of potential problem		✓	
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)		✓	
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in		✓	
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			
Systemic importance			✓
Liability structure of bank	✓		
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

Environmental, Social and Governance Considerations

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

FitchRatings **Banco de los Trabajadores**

Banks
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Credit-Relevant ESG Derivation

Banco de los Trabajadores has 6 ESG potential rating drivers

- Banco de los Trabajadores has exposure to impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations but this has very low impact on the rating.
- Banco de los Trabajadores 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	6	issues	3
not a rating driver	3	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	3	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

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	Company Profile; Management & Strategy; Risk Appetite	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				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.

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.

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