FitchRatings

Banks
Universal Commercial Banks
Colombia

Itau CorpBanca Colombia S.A.

Key Rating Drivers

Viability Rating (VR) Drives Issuer Default Rating (IDR): Itau Corpbanca Colombia's (Itau Colombia, or the bank) IDRs are driven by the bank's VR, which is in line with the implied VR and primarily reflect its business profile, underpinned by its ultimate parent's expansion strategy and business model that Fitch Ratings considers of strategic importance to consolidate the bank's presence in Colombia. The rating also reflects Itau Colombia's advances in profitability and moderate risk profile, resulting in controlled asset quality metrics.

Regional Expansion: The bank continues to extensively implement Itau Unibanco Holding's (BB/Negative) expansion strategy and business model, which Fitch considers strategically important to consolidate the bank's presence in Colombia. Under a universal banking strategy, with a focus on corporate and medium- to high-income customers, Itau Colombia has a market share of 3.7% (December 21) and was the third largest international franchise.

Asset Quality Improvement: Itau Colombia has made important efforts to redesign its risk profile and apply a conservative approach to the complete credit risk process. Continued tuning of its internal models and ongoing monitoring of the loan portfolio and warning signals, as well as a strengthened collection process, have contributed to asset quality improvement. Consolidated PDLs decreased to 3.5% of gross loans at YE 2021 from 3.7% at YE 2020 (March 2022: 3.3%). In addition, assets under forbearance programs decreased to 8% of gross loans at December 2021, which is similar to the average for Colombian banks (YE 2021: 7%).

Profitability Explained by Corporate Focus: Itau Colombia's profitability is low relative to peers due to the bank's corporate focus and limited size. Operating profitability in 2021 reflected the positive impact of economic reactivation, resumed loan growth, higher fees related to the retail segment, and cost control amid a process of banking transformation. The bank's operating profit to RWA ratio increased to 0.5% at YE 2021 (March 22: 0.66%) from an average of negative 0.43% for from 2018–2021. The negative trend in profitability reversed in 2021 as efforts to increase profitability and consolidate its business plan started to materialize.

Tight Capital Ratios: Fitch views the bank's capital as relatively tight compared to other rated institutions in similar operating environments (universal commercial banks in a 'bb+' operating environment). However, Fitch also considers Itau Colombia's ample loan loss reserves and the potential to receive capital injections (ordinary support) if required from its ultimate parent (Itau Unibanco, BB/Negative), resulting in a positive adjustment to the bank's implied capitalization and leverage score. The decline in the bank's common equity Tier 1 (CET1) to 9.4% at March 2022 was affected by its limited internal capital generation.

Sound Liquidity: The bank maintains good liquidity levels that somewhat offset its concentrated liability structure. Itau Colombia's moderate franchise limits its competitive advantage and influences funding costs. The bank has focused on growing low-cost and stable funding. The bank's loans/deposits ratio was 113% at YE 2021 due to the use of mid- to long-term time deposits, domestic and overseas bond issuances, and increased retail funding. The deposit structure is nearing a composition of stable resources, in line with the more conservative liquidity policies and liquidity coverage ratios, which stood at 126.5% as of March 2022 above regulatory minimums.

Shareholder Support Rating: Fitch believes that Itau Colombia is strategically important to Itau Unibanco Holding (BB/Negative), underpinning Itau Unibanco's support rating of 'bb-'. Therefore, Fitch anticipates support from the parent, if required. However, Itau Colombia's ratings are higher than those implied by the potential for support from its ultimate parent in consideration of its own intrinsic credit profile given Colombia's stronger operating environment relative to Brazil's.

Ratings

Foreign Currency	
Long-Term IDR	BB
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB
Short-Term IDR	B
Viability Rating	bb
Shareholder Support Rating	bb–
Sovereign Risk	
Long-Term Foreign-Currency IDR	BB+
Long-Term Local-Currency IDR	BB+
Country Ceiling	

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	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)

Colombian Banks Datawatch 4Q21 (April 2022)

Itau Unibanco Holding S.A. (February 2022)

Financial Data

Itau CorpBanca Colombia S.A.

(COP Bil.)	3/31/22	12/31/21
Total Assets (USD Mil.)	8,185	8,073
Total Assets	30,689	32,272
Total Equity	2,804	2,820

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Rating Sensitivities

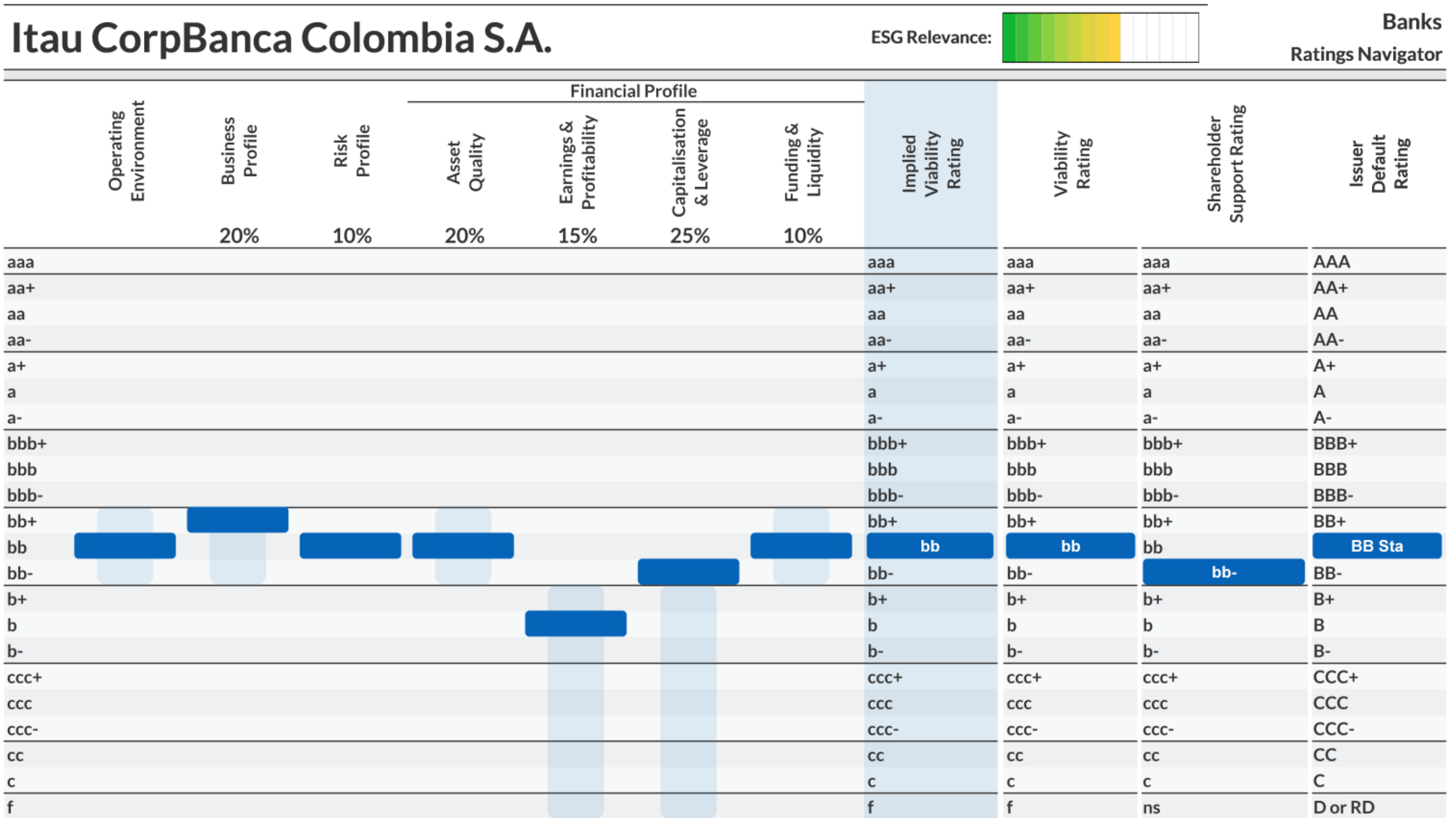
Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Itau Colombia's ratings could be downgraded if its operating profit to RWA ratio reverts to below 0.5% on a yearly basis, especially considering the sensitive margins and credit cost.
- The ratings could also be pressured by a material deterioration of asset quality and profitability, causing a sustained decline in the CET1 ratio below 9% assuming excess reserve maintenance and a challenging operating environment.
- Itau Colombia's Shareholder Support Rating (SSR) would be affected by a negative change in Itau Unibanco's ability or willingness to support the bank. Although Fitch considers the subsidiary's credit profile mostly independent from its ultimate parent, the VR and IDRs may be pressured in a scenario of further downgrades of Itau Unibanco Holding (BB/Negative), due to Fitch's criteria, which states that the intrinsic credit profile of a subsidiary bank cannot be completely delinked from that of its parent.

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

- Positive rating actions could occur if Itau Colombia can sustain improvements in earnings and asset quality metrics while also maintaining an CET1 ratio greater than 12% and operating profit to RWA above 1.25% amid relatively faster loan growth the bank could experience in a better operating environment.
- A positive change in Itau Unibanco's ability or willingness to support the bank would affect Itau Colombia's SSR.

Ratings Navigator



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

Significant Changes

The Stable Rating Outlook reflects Fitch's belief that any remaining pressures on the operating environment, such as upcoming elections or a higher than expected deceleration in economic growth, is not anticipated to materially impact the bank's financial profile.

Operating Environment

Colombian banks are well positioned for heightened macro risk. A more benign macroeconomic environment supported the Colombian banks' recovery path in 2021. Operating profit, net income and capital levels were higher than Fitch projected, with both asset and loan growth exceeding pre-pandemic levels from 2019. Despite a decline in loan impairment charges (LICs), loan impairments fell further than expected, resulting in improved coverage of impaired loans.

Despite our expectations for Colombia's economic recovery in 2022, the banks' risks have risen in the first part of the year amid global geopolitical unrest. Along with post-election policy settings, economic and credit growth will be influenced by external factors, including inflation and higher oil prices, which could result in broader macroeconomic uncertainty and exacerbate still high unemployment and underemployment.

Brief Company Summary

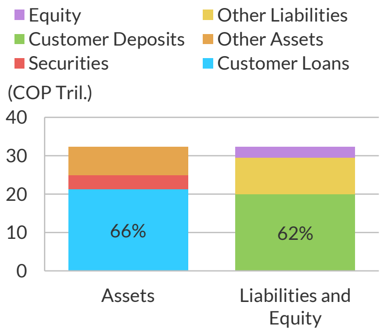
Itau Unibanco's Regional Expansion

The bank has continued working extensively to implement its parent's expansion strategy and business model, which is considered by Fitch of strategic importance to consolidate the bank's presence in Colombia. Under an universal banking strategy with a focus on corporate and medium- to high-income customers, Itau Colombia had a market share of 3.7% as of Dec. 31, 2021 and represented the third largest international franchise.

Itau Colombia is running its strategy to adopt Itau Unibanco's business model throughout its organization, taking in consideration Colombia's characteristics and market position. As part of this process, the bank launched a transformation program (called Itau Go) in 2021, with clear goals for operational margins, profitability and customer satisfaction. The 15-month plan targets implementing simple, agile and efficient processes based on four strategies: i) customer centrality, ii) digital transformation, iii) efficiency and iv) sustainable growth.

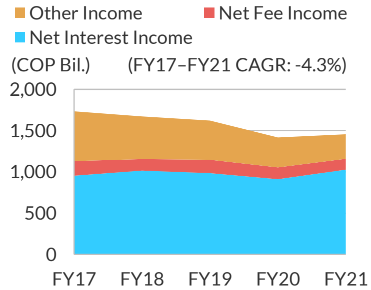
The bank's corporate strategy is based on a clear segmentation of its target markets and fosters its regional platform. Itau Colombia is focused on offering an array of products and services to meet customer needs in the corporate segment, particularly large companies, and compete for market share in the real state sector. In retail lending, the bank has shifted its focus to affluent clients and private banking with experience in integral relationships, client satisfaction, cross sell and differentiated worth-value strategy, providing a full suite of digital services and alliances with the corporate segment with the aim of becoming the principal bank for its clients.

Balance Sheet
(Ended Dec. 2021)



Source: Fitch Ratings, Itau Colombia.

Revenue Breakdown



CAGR – Compound annual growth rate.
Source: Fitch Ratings, Itau Colombia.

Risk Profile

Conservative Underwriting Standards Aligned with Parent

The bank is mostly oriented to the corporate segment and plans to continue its gradual penetration of retail banking through a conservative risk appetite. Itau Colombia's underwriting standards are conservative, as illustrated by its good loan quality ratios, and follow its parent defined exposure limits, collateral requirements and internal risk ratings. The bank's risk management structure is fully integrated with that of its parent, and it applies all of Itau Unibanco's global risk management policies in Chile and Brazil. Itau Colombia's risk appetite adheres to its parent's global statement, core and specific risk metrics and capital consumption.

Adequate Risk Controls

The credit risk to which the bank is exposed is mitigated by adequate diversification by economic sector and a moderate concentration in the largest debtors. The combination of a low risk appetite, improved risk management processes and a more stringent collection process should sustain the loan portfolio's good performance. However, moderate loan concentration could lead to more volatile levels of impaired loans under less favorable economic conditions. During 2021, concentration by client and sector were adjusted and three new limits were included (holdings, project finance and government future budgets).

As part of the bank's transformation, retail and wholesale origination, credit models, statistical models, monitoring and collection have been reviewed. This include migration to digital approvals, tuning of risk models and decision-making motors through the use of data analytics and custom dashboards for credit risk. Additionally, Colombian Financial Superintendence defined an integral risk framework related to risk government structure, risk appetite statement and technological infrastructure that all entities must implement by the end of 2023.

Itau Colombia followed regulatory guidance for forbearance programs starting in the second quarter of 2020. Approximately 54% of the loan portfolio received relief as of July 2020, which decreased to 8% of gross loans by December 2021 under the second government relief program, Plan de Alivio a Deudores (PAD).

Economic Activity Explains Asset Growth

Itau Colombia has been working to adhere to the culture and strategy of its parent to grow both its wholesale and retail presence in Colombia. As of December 2021, the loan portfolio increased 7.9%, reflecting the higher than expected economic recovery in Colombia, driven by consumer and mortgage growth. Colombian banking system loan growth of 10.3% followed a similar trend during the same period, largely driven by growth among the largest banks mainly in the retail segment. As of March 2022, growth during the quarter was been flat but 6% above 1Q21.

Deposit growth in 2021 was 13.2% (December 2020: 1.3%) underpinned by high liquidity in the market and an increase in corporate and retail funds that contributed to lower institutional term deposits. The bank continues focus on core deposits, with growth of 36% in savings accounts and 17% in current accounts.

Limited Market Risk

The bank follows policies and procedures of its parent organization to handle market risk. Risk exposures are related to interest rates, currency, derivatives and market positions in local indices (DTF, IPC, UVR and IBR). Additionally, most of the bank's counterparties are highly rated international banks. Policies and limits have been modified according to Basel III guidelines under stress scenarios, different levels of limits and new financial risk models. All of these changes are set by the asset and liabilities committee and approved by the board. The financial risk unit monitors compliance with these policies and limits.

For the structural interest rate risk exposure, the bank performs sensitivity analysis of interest-bearing assets and liabilities with financial cost to evaluate the impact of interest rate changes in the net interest margin and capital. Itau Colombia calculates the regulatory VaR model and its internal VaR model under stress scenarios that help size all balance sheet risk positions. Additional tools include back-testing model stress situations, sensitivity analysis, generating alerts and defined operation limits that help monitor risk exposures at different levels.

Summary Financials and Key Ratios

	3/31/22 Three Months — First Quarter		2021	2020	2019	2018
	(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 - Report Not Seen
Summary Income Statement						
Net Interest and Dividend Income	70	264	1,029	912	983	1,016
Net Fees and Commissions	8	28	128	144	162	139
Other Operating Income	7	28	296	360	474	515
Total Operating Income	85	320	1,454	1,416	1,620	1,671
Operating Costs	71	265	1,074	1,366	1,118	1,047
Pre-Impairment Operating Profit	15	55	379	50	502	623
Loan and Other Impairment Charges	5	18	280	661	303	675
Operating Profit	10	37	100	(610)	199	(52)
Other Non-Operating Items (Net)	0	(0)	5	(709)	16	1
Tax	4	16	(8)	(372)	61	(17)
Net Income	6	21	112	(948)	155	(34)
Other Comprehensive Income	(10)	(36)	(2)	(2)	(23)	10
Fitch Comprehensive Income	(4)	(15)	110	(950)	132	(24)
Summary Balance Sheet						
Assets						
Gross Loans	6,026	22,597	22,673	21,018	21,408	21,953
- of which impaired	217	813	889	1,039	1,063	617
Loan Loss Allowances	337	1,264	1,344	1,467	1,197	1,290
Net Loan	5,689	21,333	21,329	19,551	20,211	20,663
Interbank	259	973	1,879	364	608	1,426
Derivatives	176	659	490	797	409	480
Other Securities and Earning Assets	1,270	4,762	6,209	5,602	4,639	5,681
Total Earning Assets	7,394	27,727	29,907	26,313	25,867	28,250
Cash and Due From Banks	442	1,658	1,034	1,291	1,209	1,004
Other Assets	348	1,305	1,332	1,243	2,392	2,625
Total Assets	8,184	30,689	32,272	28,846	29,469	31,879
Liabilities						
Customer Deposits	5,251	19,689	19,976	17,643	17,419	17,668
Interbank and Other Short-Term Funding	5	20	0	0	437	5,522
Other Long-Term Funding	1,676	6,284	6,821	5,477	6,470	3,510
Trading Liabilities and Derivatives	154	577	341	862	431	361
Total Funding and Derivatives	7,086	26,570	27,138	23,983	24,757	27,061
Other Liabilities	351	1,315	2,314	2,154	1,060	1,299
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	748	2,804	2,820	2,709	3,651	3,520
Total Liabilities and Equity	8,184	30,689	32,272	28,846	29,469	31,879
Exchange Rate		USD1 = COP3749.72	USD1 = COP3997.71	USD1 = COP3444.90	USD1 = COP3294.05	USD1 = COP3275.01

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

Summary Financials and Key Ratios

(%, Annualized as Appropriate, Years Ended Dec. 31)	3/31/22	2021	2020	2019	2018
Profitability					
Operating Profit/Risk-Weighted Assets	0.7	0.5	(2.8)	0.8	(0.2)
Net Interest Income/Average Earning Assets	3.7	3.8	3.3	3.6	3.7
Non-Interest Expense/Gross Revenue	82.7	73.9	96.5	69.0	62.7
Net Income/Average Equity	3.0	4.0	(30.1)	4.3	(0.9)
Asset Quality					
Impaired Loans Ratio	3.6	3.9	4.9	5.0	2.8
Growth in Gross Loans	(0.3)	7.9	(1.8)	(2.5)	0.9
Loan Loss Allowances/Impaired Loans	155.4	151.3	141.2	112.5	209.2
Loan Impairment Charges/Average Gross Loans	0.4	1.3	3.0	1.5	2.8
Capitalization					
Common Equity Tier 1 Ratio	9.4	9.9	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	N.A.	N.A.	10.5	10.4	9.7
Tangible Common Equity/Tangible Assets	7.6	7.2	8.0	8.5	7.3
Basel Leverage Ratio	6.6	6.5	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	N.A.	(21.7)	N.A.	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	N.A.	N.A.	(18.9)	(5.5)	(30.0)
Funding and Liquidity					
Gross Loans/Customer Deposits	114.8	113.5	119.1	122.9	124.3
Liquidity Coverage Ratio	126.5	138.8	127.5	138.7	108.3
Customer Deposits/Total Non-Equity Funding	75.8	74.6	76.3	71.6	66.2
Net Stable Funding Ratio	95.3	94.5	93.1	89.0	88.1

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

Key Financial Metrics — Latest Developments

Asset Quality Improvement

Itau Colombia has made important efforts to redesign its risk profile and apply a conservative approach to its overall credit risk process. Continued tuning of its internal models and ongoing monitoring of the loan portfolio and warning signals, as well as a strengthened collection process, have contributed to improved asset quality performance. Consolidated PDLs decreased to 3.3% of gross loans at March 2022 from 3.5% at YE 2021 and 3.7% at YE 2020. In addition, assets under forbearance programs decreased to 8% of gross loans at December 2021, which is similar to the average for Colombian banks (YE 2021: 7%).

The bank's portfolio is diversified by economic sector, and the proportion of foreign currency loans is low. Concentration limits are according the bank's policies, with no sector, client, economic group or operation above the specific threshold. Obligor concentrations by economic group remain at moderate levels (top 20 equaling 13.5% of gross loans as of March 2022). Individually, only three economic groups each represents more than 10% of the capital base.

Chargeoffs has remained average in the past four years at around 2%, restructured loans have represented 2.7% of loan portfolio (2020: 3%) and reserve coverage has remained high (90 days PDL: 169%, Stage 3: 151%) due to matrix requirements and additional requirements for corporate loans. In Fitch's view, reserve levels provide adequate cushion to protect loan portfolio deterioration.

Profitability Explained by Corporate Focus

Itau Colombia's profitability is low relative to peers due to the bank's corporate focus and limited size. Operating profitability in 2021 reflected the positive impact of economic recovery, resumed loan growth, higher fees related to the retail segment, and cost control amid the bank's shift in strategy. The bank's operating profit to RWA ratio increased to 0.5% at YE 2021 (March 22: 0.66%) from an average of negative 0.43% for 2018–2021. The negative trend in profitability reversed in 2021 as efforts to increase profitability and consolidate its business plan started to materialize.

Although NIMs remains relatively stable at 3.77% during 2021, above 35 bps compared to 2020, the volume of net interest income increased by 12.8%, benefiting from the loan portfolio resuming growth and the bank's effort to decrease funding cost. Treasury operations and fees constitute important and recurrent operating revenue contributions. However, low interest rates and higher volatility reduced treasury contributions to profitability in 2021.

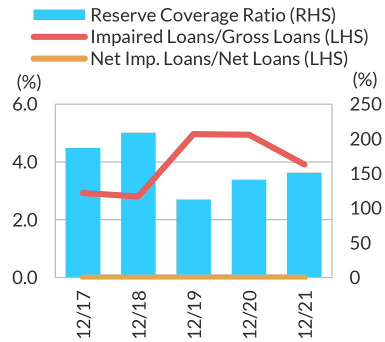
Itau Colombia has continued its efforts to control operating costs through personnel expenses and implementation of digital and core banking. Efficiency levels (measured as non-interest expense/gross revenue) improved to 74% as a result of reduced operational expenses of 2% but remained pressured by a comparatively higher cost structure than universal banks rated at the 'BB' category. The bank expects to improve the ratio and gradually meet the banking system average in the medium term. Lower LICs reflected better loan portfolio performance and the use of prudential provisions in 2020 as part of the relief programs. Itau Colombia does not expect to create additional provisions during 2022; however, better results in the collection process and improved vintages as a result of the new business strategy and a slow recovery of loan placements amid an increase of market interest rates are expected to contribute to positive numbers by the end of the year.

Tight Capital Ratios

Fitch views the bank's capital as relatively tight when compared to other rated institutions in similar operating environments (universal commercial banks in a 'bb+' operating environment). However, Fitch also considers Itau Colombia's ample loan loss reserves and the potential to receive capital injections (ordinary support) if required from its ultimate parent (Itau Unibanco, BB/Negative), resulting in a positive adjustment to the bank's implied capitalization and leverage score. The decline in the bank's CET1 to 9.4% at March 2022 reflected its limited internal capital generation and new operational risk charges.

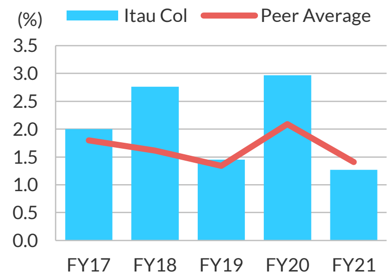
Fitch does not anticipate significant pressures for new capital requirements during the implementation period or additional capital needs under a scenario of conservative risk management and gradual business growth.

Asset Quality Summary



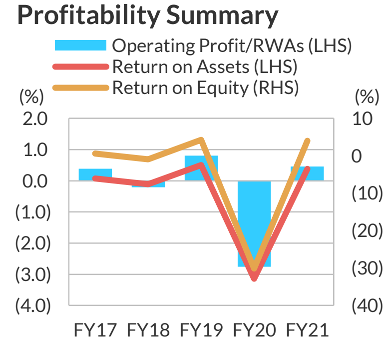
Source: Fitch Ratings, Itau Colombia.

Loan Impairment Charges/ Average Gross Loans



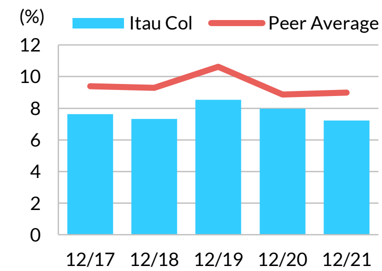
Source: Fitch Ratings. Fitch Solutions.

Profitability Summary



Source: Fitch Ratings, Itau Colombia.

Tangible Equity/ Tangible Assets



Source: Fitch Ratings, Fitch Solutions.

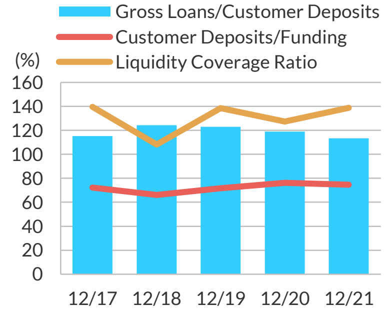
Sound Liquidity

The bank maintains good liquidity levels that somewhat offsets its concentrated liability structure. Itau Colombia's moderate franchise limits its competitive advantage and influences funding costs. The bank has made progress toward growing low-cost and stable funding. The bank's loans/deposits ratio was 113% at YE 2021 due to the use of mid- to long-term time deposits, domestic and overseas bond issuances, and increased retail funding. The deposit structure is shifting to more stable resources, in line with the more conservative liquidity policies and liquidity coverage ratios, which stood at 126.5% as of March 2022, above regulatory minimums.

Itau Colombia enjoys a broad and growing customer base that funds 74% of the bank's operations. The deposit base has also been highly stable in recent years, with a gradual increase of low cost funding and longer tenor in term deposits. The deposit structure established in 2016 aims to shift to more stable resources, in line with the new liquidity policies and liquidity coverage ratios; this includes mid- to long-term time deposits, continuous bonds issuance, locally and abroad, and increased retail funding.

Additional funding sources include senior and subordinated bond issuances in the local market, credit lines in foreign currencies and rediscount lines with local development banks and multilaterals. Concentration among the top 20 largest depositors remained around 21% at March 2022.

Funding and Liquidity Summary



Source: Fitch Ratings, Itau Colombia.

Shareholder Support

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

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

Fitch believes that Itau Colombia is strategically important to Itau Unibanco Holding (BB/Negative), underpinning Itau Unibanco's Support Rating of 'bb-'. Therefore, Fitch anticipates support from the parent, if required. However, Itau Colombia's ratings are higher than those implied by the potential for support from its ultimate parent in consideration of its own intrinsic credit profile given Colombia's stronger operating environment relative to Brazil's.

Environmental, Social and Governance Considerations

FitchRatings **Itau CorpBanca Colombia S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Itau CorpBanca Colombia S.A. has 5 ESG potential rating drivers

- Itau CorpBanca Colombia 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

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

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.

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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