MMG Bank Corporation

Key Rating Drivers

Highly Influenced by Operating Environment: MMG Bank Corporation's (MMG, or the bank) Issuer Default Ratings (IDR), National Ratings and senior unsecured debt ratings are driven by its intrinsic creditworthiness, reflected in its Viability Rating (VR). The VR is highly influenced by the bank's operating environment (OE), of which challenges are mainly characterized by the severe economic contraction in 2020 and the persistent uncertainty for 2021, affecting its financial performance. MMG's VR also considers the pressures on its asset quality, profitability and capitalization metrics.

Negative Rating Outlook on IDR: This reflects the deterioration of the Panamanian OE, currently rated 'bb+' with a negative trend.

Limited Franchise: MMG's VR is also highly influenced by its company profile. It is a niche bank, serving a segment composed of high net-worth individuals, as well as institutional clients. MMG has a limited franchise within the Panamanian banking system in terms of market share. As of September 2020, MMG was one of the most important asset managers in Panama in terms of assets under management (AUM), managing USD3,220 million.

Risk Appetite: Fitch Ratings believes MMG is subject to volatile financial performance given a risk appetite biased toward a non-traditional banking business. In this regard, MMG´s financial profile analysis also incorporates the approach of the non-bank financial institution (NBFI) criteria for traditional investment managers, since this business line is one of the main income and risk generators. As of September 2020, the business lines related to asset management, brokerage services and investment banking represented 30% of the bank´s total gross revenues, while interest income on the credit business represented 41%.

Asset Quality under Pressure: MMG's asset quality deteriorated markedly during fiscal 2020 when non-performing loans (NPLs) increased to 12.9% from historical levels of 0%. However, the loan deterioration risk is partially mitigated by MMG's balance sheet structure, which has historically revealed a lower proportion of loans to total assets compared to peers, with good exposure to high-quality, liquid securities. Fitch expects loan quality to moderately improve, although deterioration will remain a challenge due to both a worsened OE and relatively high borrower concentrations in the modified loans.

Sound Profitability: Despite a decreasing trend, the bank's profitability remains above that of its peers, benefited by a proactive management of the net interest margin (NIM), low loan impairment charges and better operational efficiency relative to peers. As of September 2020, the Fitch core metric, operating profit to risk weighted assets (RWA), was 3.8% (average of fiscal years 2016 to 2019: 4.6%), while its EBITDA to fee revenue ratio (NBFI core metric) remained high, well above 50% (average of fiscal years 2016 to 2020: 206%).

Ample Capitalization Levels: Although the bank's capitalization level was pressured in fiscal 2020, it remained ample compared to peers' and provides it with a good cushion to absorb unexpected credit losses. The bank's core metric, Common Equity Tier 1 (CET1) capital ratio, was 20.7% as of September 2020. MMG's capital adequacy now incorporates for the first time the market and operational risk quantitative exposure; this metric stood at 21.6%, while the gross debt to EBITDA ratio was low at 0.5x.

Concentrated Funding Structure: Customer deposits have been decreasing (fiscal 2020: 3.3%) and continue to be the main source of funding. As of September 2020, these deposits represented 89% of total funding. Historically, the customer deposits structure has been moderately concentrated. The loans over customer deposits ratio remained on a slightly increasing trend. As of September 2020, this metric was 53.1%, and the EBITDA to interest expense ratio was 2.9x.

Ratings

Foreign Currency	
Long-Term IDR	BB+
Short-Term IDR	B
Local Currency	
Viability Rating	bb+
Support Rating	5
Support Rating Floor	NF
National	
National Long-Term Rating	AA(pan)
National Short-Term Rating	F1+(pan)

Outlooks

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

Applicable Criteria

Bank Rating Criteria (February 2020)

National Scale Rating Criteria (December 2020)

Non-Bank Financial Institutions Rating Criteria (February 2020)

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Rating Sensitivities

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

- MMG's IDRs, VR and National Ratings are sensitive to any further changes in Panama's OE. Negative changes in the bank's ratings would mirror any movement in Fitch assessment of the OE.
- Any unfavorable change in the bank's asset quality, or substantial losses derived from its AUM that lead to a materialization of reputational risk such that the different business lines are negatively affected, could lead to a downgrade of the ratings. Material and sustained deterioration in earnings-generation capacity or capitalization to levels in Fitch core metrics below 3% (operating profit to RWA) and 17% (CET1) could trigger a downgrade of the ratings.

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

- Given MMG's current ratings, there is limited upside potential. The Negative Rating Outlooks for MMG's ratings would be revised to Stable if the OE outlook is changed to stable, while credit metrics recover to a level close to pre-crisis levels.

  MMG's ratings could be upgraded in the medium term if there is a relevant strengthening of its franchise and business model while its financial profile is maintained at solid levels.

Issuer Ratings

Rating Level	Rating
Long-Term Foreign-Currency IDR	BB+
Short-Term Foreign-Currency IDR	B
Viability Rating	bb+
Support Rating	5
Support Rating Floor	NF
National Long-Term Rating	AA(pan)
National Short-Term Rating	F1+(pan)
Outlook LT FC IDR	Negative
Outlook National LT Rating	Stable

Source: Fitch Ratings.

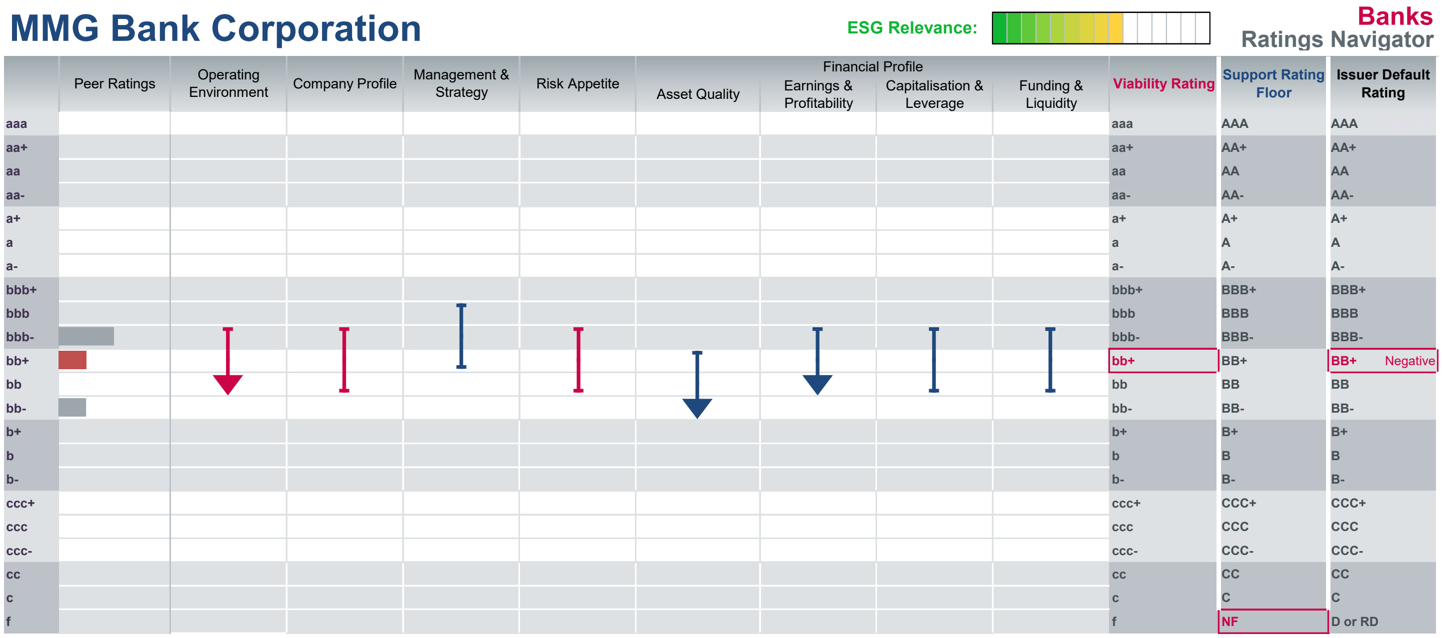
Debt Rating Classes

Rating Level	Rating
Senior Unsecured: National Short-Term	F1+(pan)

Source: Fitch Ratings.

The senior unsecured debt national short-term rating is aligned with the bank’s national short-term rating, 'F1+(pan)', as the likelihood of a debt issuance default is the same as that of a bank default. This short-term debt (Valores Comerciales Negociables - VCN) is not backed by any type of collateral that could improve VCN's recovery prospects.

Ratings Navigator



Significant Changes

Operating Environment on Negative Outlook

Fitch's assessment of Panama's OE, based on the two key metrics: The World Bank's GDP per capita and its ease of doing business (EDB) ranking. In 2020, Panama's GDP per capita decreased to USD14,900, while the EBD rank is 55.1.

The OE score reflects the sustained economic contraction, estimated by Fitch at 17.7%, and the high unemployment (18.5% at YE20), which are weakening the performance metrics across all financial institutions and resulted in a deterioration in the creditworthiness of domestic borrowers.

The negative trend reflects downward risks from the economic contraction caused by the pandemic which will continue to pressure financial metrics across the financial institutions. The score and negative trend of the OE also mirror the current IDR for Panama of 'BBB–' with a Negative Rating Outlook.

Panamanian Banking System Performance

As of November 2020, credit contraction reached 1.8% both in local loans (0.9%) and external loans (5.3%) with early signs of recovery; November 2020 was the first month of positive growth (1.9% month to month) since the beginning of the pandemic. The sharp decline in economic activity and consumer spending as a result of stringent lockdown measures in Panama has limited credit growth, but has also increased liquidity at the banking system; deposits grew 9.3% as of November 2020 (YTD). The loans to deposits ratio declined to 81.8% in November 2020, down from 92.1% in December 2019, as funds were allocated in securities that increased 6% driven by foreign assets. Deposit growth was also sustained by sovereign debt issuances.

Given the loan relief program, NPLs increased slightly to 2.2% as of November 2020 from 2.0% as of December 2019. This is because the relief regulation is quite broad, and at the early stage of the pandemic, between March and June 2020, the regulation allowed banks to grant massive grace periods. Additionally, starting in July 2020, banks began contacting their clients and taking measures on a case-by-case basis. These measures include a decrease in payment or monthly installments due to an increase of the term of the loan, deferrals or additional grace periods, among others. As of November, the entire deferral or modified loan portfolio accounted for 36% of total gross loans, or 44% of local loans. The most affected sectors are credit cards, auto loans and construction, whose modified loans are about 60% of the segment's total portfolio.

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

Limited Commercial Banking Franchise although Relevant in Niche

MMG is small relative to the Panamanian banking system, representing less than 1% of the system's total assets and total deposits as of September 2020. However, it was one of the most important asset managers in Panama in terms of AUM, managing USD3,220 million. During 2020 (on an accumulated basis), MMG was the fifth most active participant in the Panama Stock Exchange primary market by business volume.

MMG's credit portfolio in the balance sheet continued gaining ground, and stood at around 40% of total assets as of September 2020, representing the largest historical participation in the fiscal years analyzed, while the securities portfolio represented an important 32% of total assets, the lowest historical participation. The offering of loan products has been linked to the bank's existing clients in the AM business. More than 50% of MMG's gross revenues remain as non-interest income, mainly management fees charged on its off-balance AUM.

MMG is a subsidiary of MMG Capital Holdings, a holding company domiciled in Bahamas. MMG has three new subsidiaries that are much smaller than traditional ones in terms of assets, related to new business lines.

Management and Strategy

Management, with ample experience in the traditional banking and asset management businesses, is making efforts to counteract pressures on asset quality and expand business volume across its different business lines. Management remains committed, through the ownership of MMG Capital Holdings' shares, to implement actions to overcome the impacts of the crisis. This is reflected in the bank expanding its traditional asset management business, as well as expanding to alternative assets and continuing to boost its digital banking tools.

Amidst a difficult OE, financial performance in fiscal 2020 was characterized by resilience compared to historical records. As MMG's business model is characterized by volatile performance due to its participation in asset management and brokerage services businesses, as well as the uncertainty related to recovery of the OE, Fitch believes execution will continue to be a challenge.

Risk Appetite

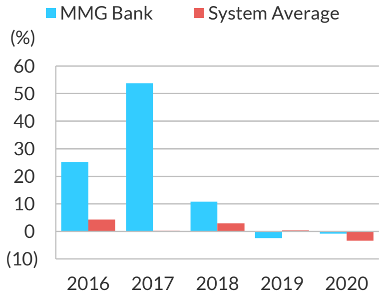
MMG's risk and control framework robustness has historically been reflected in its good asset quality and, more recently, the relatively low proportion of modified loans compared to local peers. Moreover, the monitoring MMG carries out on these loans seems to be adequate since these have been decreasing through YE20. As of December 2020, modified loans had decreased to 10% of gross loans, which is below that of many of its local peers. As of January 2021, 31% of the modified loans balance were making capital and interest payments in full. Although the bank expects an additional reduction of around 30% in modified loans by March 2021, uncertainty still persists in terms of the performance of the local OE.

MMG is exposed to reputational risk from the asset management business. The bank's clients trust in its ability to manage their financial assets, so deterioration in the managed portfolio or scandal that affects the reputation and credibility of MMG could have a strong impact on the bank's businesses and potentially disrupt business continuity. However, Fitch believes that MMG has successfully mitigated this risk to date, thanks to the clear investment process, as well as the robust relationships and reputation MMG has established with its clients.

The exposure to interest rate risk, which mostly comes from its securities portfolio, is the most relevant market risk MMG faces. As of September 2020, the duration of the securities portfolio was less than 1. Per the loan book, for those loans with no cash collateral, by legal agreement, MMG has ample room to modify interest rates at its own discretion.

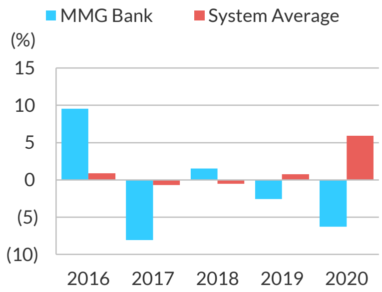
MMG's balance sheet has been shrinking in the past several years (total assets shrank approximately 6% in fiscal 2020). The loan portfolio did not grow for a second consecutive fiscal year. The investment portfolio, which represented 32% of total assets as of fiscal 2020 (fiscal 2019: 43%), also shrank for a second consecutive fiscal year (down 30% in fiscal 2020). The deposits base contracted by about 3% in fiscal 2020 to manage the net interest margin performance, by withdrawing expensive deposits. For fiscal 2021, the bank projects a two-digit growth rate in both portfolios,

Growth of Gross Loans



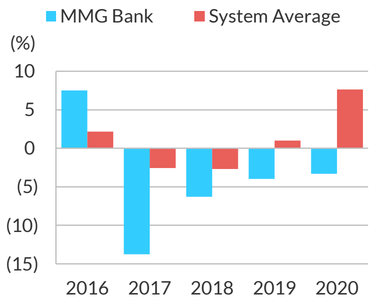
Source: Fitch Ratings, Fitch Solutions, MMG.

Growth of Total Assets



Source: Fitch Ratings, Fitch Solutions, MMG.

Growth of Customer Deposits



Source: Fitch Ratings, Fitch Solutions, MMG.

credit and securities, as well as in its deposits base. However, historically, and given its business model, AUM from third parties have been increasing. They increased almost 18% in fiscal 2020.

Summary Financials and Key Ratios

(PAB000, Year End Sept. 30)	2020 Audited — Unqualified (Emphasis of Matter) (USD Mil.)	2020 Audited — Unqualified (Emphasis of Matter)	2019 Audited — Unqualified	2018 Audited — Report Not Seen	2017 Audited - Unqualified	2016 Audited — Unqualified
Summary Income Statement						
Net Interest and Dividend Income	13.0	12,661.4	13,181.1	12,250.2	11,490.1	11,192.8
Net Fees and Commissions	13.0	12,926.8	13,777.9	14,361.4	13,363.3	12,799.5
Other Operating Income	1.0	1,065.8	1,408.6	801.9	1,489.3	1,689.8
Total Operating Income	27.0	26,654.0	28,367.6	27,413.5	26,342.7	25,682.1
Operating Costs	14.0	13,809.3	13,894.7	12,669.8	12,414.6	10,862.5
Pre-Impairment Operating Profit	13.0	12,844.7	14,472.9	14,743.7	13,928.1	14,819.6
Loan and Other Impairment Charges	0.0	(276.3)	0.0	64.1	31.3	62.6
Operating Profit	13.0	13,121.0	14,472.9	14,679.6	13,896.8	14,757.0
Other Non-Operating Items (Net)	N.A.	N.A.	50.1	0.0	0.0	n.a.
Tax	1.0	1,409.2	1,417.9	1,441.9	1,376.5	1,421.9
Net Income	12.0	11,711.8	13,105.1	13,237.7	12,520.3	13,335.1
Other Comprehensive Income	0.0	(67.5)	722.4	(1,261.4)	1,082.2	1,614.6
Fitch Comprehensive Income	12.0	11,644.3	13,827.5	11,976.3	13,602.5	14,949.7
Summary Balance Sheet						
Assets						
Gross Loans	243	242,714.70	244,799.50	250,863.10	226,373.90	147,256.80
- of which Impaired	31	31,207.80	0	0	0	0
Loan Loss Allowances	1	538.9	250.8	208.4	144.3	112.9
Net Loan	242	242,175.80	244,548.70	250,654.70	226,229.60	147,143.90
Interbank	155	155,450.80	110,058.70	94,523.70	136,189.30	183,866.70
Derivatives	N.A.	N.A.	0	0	0	N.A.
Other Securities and Earning Assets	195	194,629.70	276,947.50	303,029.90	275,245.80	363,396.80
Total Earning Assets	592	592,256.30	631,554.90	648,208.30	637,664.70	694,407.40
Cash and Due from Banks	1	790.6	634.6	663.7	569.7	316.8
Other Assets	11	11,101.50	12,473.50	12,902.80	13,582.60	14,482.90
Total Assets	604	604,148.40	644,663.00	661,774.80	651,817.00	709,207.10
Liabilities						
Customer Deposits	458	458,417.70	474,006.20	493,677.50	526,840.80	610,856.60
Interbank and Other Short-Term Funding	56	55,505.70	74,009.20	62,918.00	45,794.20	26,644.20
Other Long-Term Funding	2	2,107.90	10,000.80	21,747.20	0	N.A.
Trading Liabilities and Derivatives	N.A.	N.A.	0	0	0	N.A.
Total Funding	516	516,031.30	558,016.20	578,342.70	572,635.00	637,500.80
Other Liabilities	11	11,213.10	10,226.00	10,660.50	7,708.30	8,355.10
Preference Shares and Hybrid Capital	N.A.	N.A.	0	0	0	N.A.
Total Equity	77	76,904.00	76,420.80	72,771.60	71,473.70	63,351.20
Total Liabilities and Equity	604	604,148.40	644,663.00	661,774.80	651,817.00	709,207.10
Exchange Rate		USD1 = PAB1	USD1 = PAB1	USD1 = PAB1	USD1 = PAB1	USD1 = PAB1

N.A. – Not available.
Source: Fitch Ratings, Fitch Solutions, MMG.

Summary Financials and Key Ratios

(As of Sept. 30)	2020	2019	2018	2017	2016
Ratios (Annualized as Appropriate; %)					
Profitability					
Operating Profit/Risk Weighted Assets	3.8	4.9	5.4	4.2	4.0
Net Interest Income/Average Earning Assets	2.2	2.2	1.9	1.7	1.7
Non-Interest Expense/Gross Revenue	51.8	49.0	46.2	47.1	42.3
Net Income/Average Equity	16.1	18.4	19.1	18.6	23.6
Asset Quality					
Impaired Loans Ratio	12.9	0.0	0.0	0.0	0.0
Growth in Gross Loans	(0.9)	(2.4)	10.8	53.7	25.2
Loan Loss Allowances/Impaired Loans	1.7	N.A.	N.A.	N.A.	N.A.
Loan Impairment Charges/Average Gross Loans	(0.1)	0.0	0.0	0.0	0.1
Capitalization					
Common Equity Tier 1 (CET1) Ratio	20.7	24.1	24.7	19.1	16.0
Fully Loaded CET1 Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	21.8	25.3	25.9	21.2	16.6
Tangible Common Equity/Tangible Assets	12.5	11.6	10.8	10.8	8.7
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/CET1	42.9	(0.4)	(0.3)	(0.2)	(0.2)
Net Impaired Loans/Fitch Core Capital	40.9	(0.3)	(0.3)	(0.2)	(0.2)
Funding and Liquidity					
Loans/Customer Deposits	53.0	51.6	50.8	43.0	24.1
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Funding	88.8	84.9	85.4	92.0	95.8
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.

N.A. – Not available.
Source: Fitch Ratings, Fitch Solutions, MMG.

Key Financial Metrics – Latest Developments

Asset Quality

As of September 2020, the asset quality core metric increased to 12.9%, following indicators near 0.0% through several consecutive years. Loans with arrears greater than 90 days are modified loans, according to the relief measures provided by the Panamanian regulator.

The credit risk exposure of this portfolio has been traditionally very low due to conservative policies and high quality debtors, since MMG only offers credit services to its existing customers with whom it already has established strong relationships. Similar to its peers, the pandemic-derived crisis affected some debtors, generating the increase in 90 days past-due loans. However, and as part of its traditional business operation, as of September 2020, approximately 46% of gross loans were collateralized by cash deposits. Fitch considers MMG's asset quality deterioration as being managed, in comparison to peers, in accordance with the structure of its loan portfolio as well as the credit guarantees and close bonds with its existing debtors. However, the potential of additional deterioration is present as the bank is still operating in an uncertain environment. Given its historically good asset quality, MMG's credit costs have been very low. Further credit deterioration would necessitate higher credit provisions that would ultimately significantly affect MMG's profitability.

Due to the approach of only serving its existing customers, the loan portfolio remains with a moderate degree of concentration in terms of the largest debtors. As of September 2020, the 20 largest debtors accounted for 1.12x MMG's FCC.

On the investment portfolio side, credit quality was pressured as around 62% of these securities are rated investment grade or above (fiscal 2019: 74%). This portfolio could face additional pressures in 2021 if the recovery in international and local markets takes longer than expected.

Earnings and Profitability

The core metric, operating profits over RWA, decreased due to lower profit generation as well as higher RWA; it stood at 3.8% as of September 2020 (September 2019: 4.9%), the lowest of the periods analyzed but still comparing favorably against almost all of its rated peers. The NBFI core metric, EBITDA to fee revenue, remained above 50%, which is considered high.

The NIM remained relatively unchanged in the past two fiscal years, levels still above historical records due to favorable management of financial costs under a low interest rate environment, which also affected income generation in businesses other than the credit unit. The bank also continues to be characterized by a high level of income generation different from the traditional banking business. As of September 2020, the business lines related to asset management, brokerage services and investment banking represented 30% of the bank´s total gross revenues, while the interest income on the credit business represented 41%. These business lines are characterized by sensitivity to challenging environments.

Capitalization and Leverage

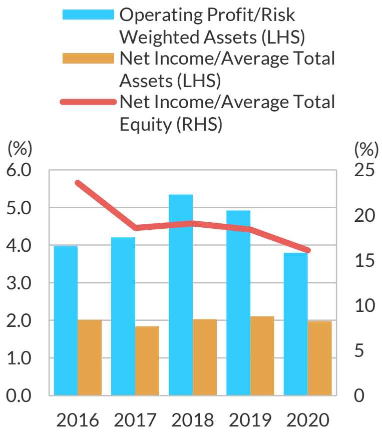
Despite the decreased capitalization core metric, measured by the CET1 capital ratio, which in the last fiscal year still compared above that of most of its peers. As of September 2020, MMG's core metric decreased to 20.7% (September 2019: 24.1%) while the capital adequacy ratio for fiscal 2020 presented the same trend (21.6%; fiscal 2019: 25.1%). The decreasing trend in the capitalization ratios are due to the balance sheet contraction and increasing RWA. To apply the Basel III standards, MMG's RWA calculation incorporates for the first time the market and operational risks. This addition represented a significant increase in RWA (+USD62.4 million; 75% of this amount is related to market risk) compared to fiscal 2019.

On the other hand, the capitalization core metric as an NBFI strengthened in fiscal 2020 due to lower gross debt. This confirms the higher reliance on deposits MMG currently has as opposed to bank credit lines and debt issuances.

Funding and Liquidity

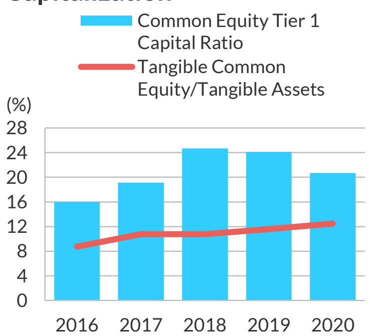
The customer deposit base is still the main funding source (89% of total funding). It continued shrinking in fiscal 2020 due to withdrawal of local term deposits reflecting efforts to keep the NIM under control. In turn, short-term deposits, local and international, increased during the

Profitability



Source: Fitch Ratings, Fitch Solutions, MMG.

Capitalization



Source: Fitch Ratings, Fitch Solutions, MMG.

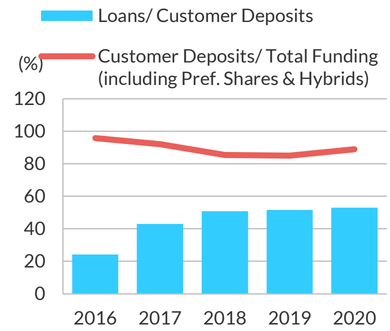
last fiscal year, and represented around 68% of total deposits (fiscal 2019: 62%). The core metric, loans to customer deposits, continued its increasing trend, mainly due to deposits contraction. However, it was still below 100%, at about 53% as of September 2020.

Due to its relative size and market niche focus, the customer deposits structure is concentrated. The 20 largest depositors accounted for a moderate 17.4% of the customer deposit base as of September 2020.

The bank's liquidity is considered appropriate. As of September 2020, liquid assets (cash plus available-for-sale securities) represented 35% of total deposits (fiscal 2019: 38%). The bank's liquidity policy requires that there must be contingent credit facilities available to cover any liquidity mismatches in any moment.

MMG also funds its operations through credit lines and short-term unsecured issues (VCNs).

Funding Profile



Source: Fitch Ratings, Fitch Solutions, MMG.

Sovereign/Institutional Support Assessment

The Support Rating of '5' and the Support Rating Floor of 'NF' reflect that, however possible, external support for MMG cannot be relied upon, given Panama's longstanding dollarized economy and lack of a lender of last resort.

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			BBB- to BB
Actual country D-SIB SRF			NF
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 **MMG Bank Corporation** — Banks Ratings Navigator

Credit-Relevant ESG Derivation

MMG Bank Corporation has 5 ESG potential rating drivers

- MMG Bank Corporation 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
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	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

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
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
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
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
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

S Scale: 5, 4, 3, 2, 1

Governance (G)

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

G Scale: 5, 4, 3, 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.