Banco de Occidente S.A.

Key Rating Drivers

IDRs Driven by VR: Occidente's IDRs are driven by its intrinsic creditworthiness, which is reflected in its 'bb+' VR. The bank's VR is one notch above its implied 'bb' due to the high influence of Fitch's assessment of the bank's business profile. Fitch believes that Occidente's consistent business model, which focuses on less-riskier segments, allows the bank to generate modest but consistent income, and defend asset quality amid a Colombian sector-wide deterioration. The VR also considers Occidente's modest profitability metrics and relatively tight capital ratios.

This is a text exhibit 'Key VR/Support/BHC Factors - Light Text'. See instructions in side pane.

This is a text exhibit 'Key VR/Support/BHC Factors - Light Text'. See instructions in side pane.

This is a text exhibit 'Key VR/Support/BHC Factors - Light Text'. See instructions in side pane.

Resilient Asset Quality: Occidente's adequate asset quality is underpinned by a controlled NPL ratio (stage III loans), ample reserve coverage and a fairly diversified portfolio. In 2023 the Colombian banking system faced asset quality pressures driven by persistent inflation and high interest rates. While Occidente's NPL deteriorated to 3.3% as of September 2023 (December 2022: 2.9%), Fitch expects that the ratio will return to levels below 3%, commensurate with the agency's 'bb+' assessment, driven by the bank's loan segment focus and adequate risk management controls.

Profits Remain Challenged: The bank's profitability metrics remain relatively tight, stressed by increased funding costs and loan impairment charges. In 9M23, its operating profit to risk-weighted assets (RWA) ratio (annualized) decreased to 1.3% from 1.9% in 2022. As Colombian banks faced a new liquidity requirement by the local regulator, most banks resorted to CDTs, a pricier funding alternative that further tightened its net interest margin. Occidente's loan impairment charges to pre-impairment operating profit ratio increased to 64.8% in 9M23 from 56.5% in 2022. Fitch expects Occidente's core metric to gradually recover to still be in line with our 'bb-' assessment driven by the transfer of interest rates to an increased portion of its loan portfolio and by the expected interest rate cuts in 2024.

Modest Capitalization: As of September 2023, Occidente's CET1 to RWA ratio was 10.3%, a level Fitch deems modest but that is similar to other banks rated at the same level. The bank's capital metrics are constrained by its rapid loan growth and recurrent dividend payment policy. Positively, its ample reserve coverage improves its loan loss absorption capacity. Fitch believes that Occidente's CET 1 ratio will revolve around 9%-10% given the bank's aggressive credit growth plans and the still modest internal capital generation. Nonetheless, we believe that capital ordinary support from its parent would be forthcoming if needed.

Adequate Funding Profile: The bank's funding structure is in line with its business profile, which focuses on wholesale clients. Its main source of funding is customer deposits, mainly from institutional clients. While they provide for good stability, the demanded cost is higher compared to other banks with a wide retail base. As of September 2023, Occidente's loan to deposits ratio is 101.8%, which compares similar to other peers rated at the same level. Other sources of funding are local bond issues and bilateral loans. Fitch does not anticipate structural changes to Occidente's funding profile

This is a text exhibit 'Key VR/Support/BHC Factors - Light Text'. See instructions in side pane.

This is a text exhibit 'Key VR/Support/BHC Factors - Light Text'. See instructions in side pane.

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+
National Rating	
National Long-Term Rating	AAA(col)
National Short-Term Rating	F1+(col)
Sovereign Risk (Colombia)	
Long-Term Foreign-Currency IDR	BB+
Long-Term Local-Currency IDR	BB+
Country Ceiling	BBB-
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (September 2023)

National Scale Rating Criteria (December 2020)

Related Research

Colombian Banks Datawatch 2Q22 (November 2022)

LatAm Banks Semiannual Credit Tracker (November 2022)

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Rating Sensitivities

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

--Occidente's VR and IDRs could be downgraded by a significant deterioration of asset quality and profitability ratios that no longer reflect the bank's good business profile; specifically, an operating profit to RWAs ratio consistently below 1% and NPL ratio above 5%.

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

--An upgrade is unlikely in the foreseeable future given the constrains of the operating environment.

Other Debt and Issuer Ratings

Optional section 'Rating rationale' has been hidden. It can be displayed and enabled for authoring by re-enabling it via the side-bar.

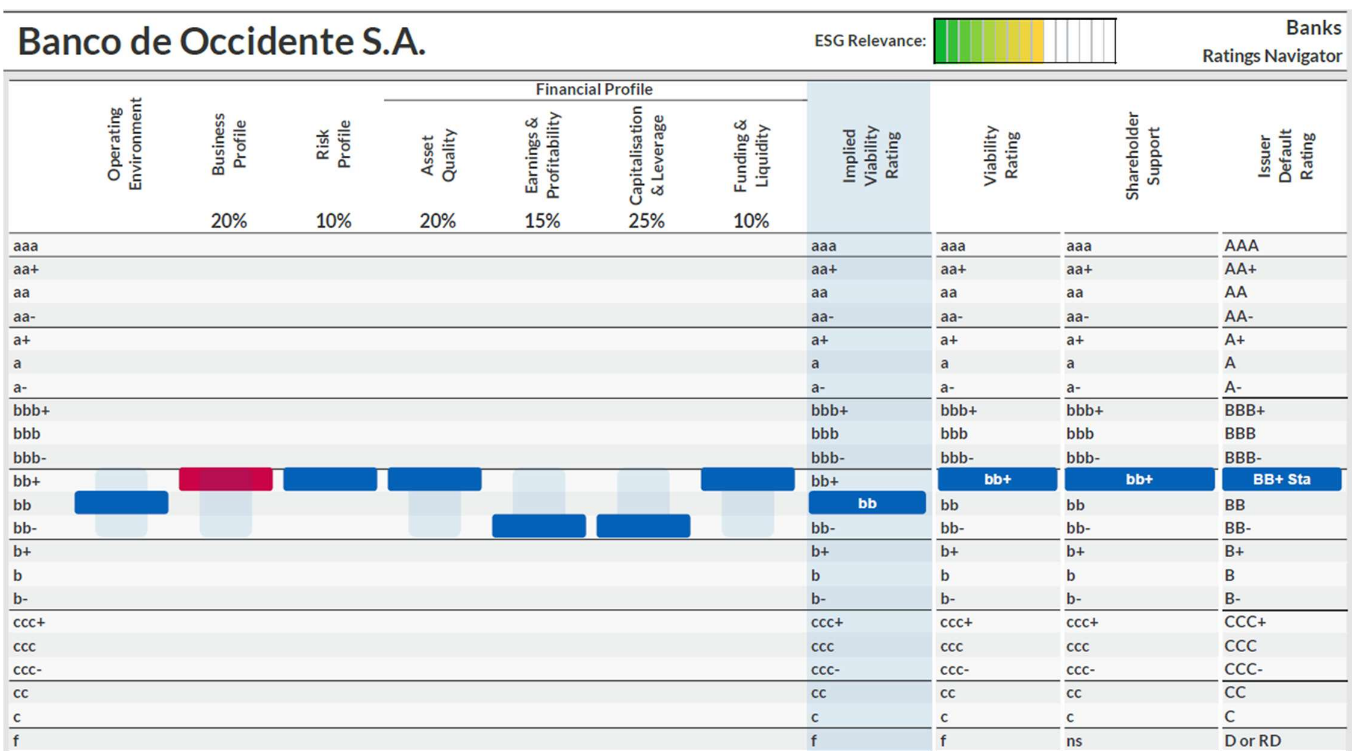
Optional section 'OTHER DEBT AND ISSUER Rating sensitivities' has been hidden. It can be displayed and enabled for authoring by re-enabling it via the side-bar.

Significant Changes from Last Review

This is a text exhibit 'Significant Changes at issuer level - Public'. See instructions in side pane.

This is a text exhibit 'Significant Changes at sector level - Public'. See instructions in side pane.

Ratings Navigator



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

VR - Adjustments to Key Rating Drivers

The VR of 'bb+' has been assigned above the 'bb' implied due to a positive adjustment driven by the bank's business profile which is assessed at 'bb+'.

Company Summary and Key Qualitative Factors

Operating Environment

Fitch Ratings expects the operating environment (OE) for Colombian banks to remain stable during 2024 due to lower GDP growth, inflation declining but still above the central bank's 3+/-1% target, slow decrease in funding cost and gradual improvement on asset quality after a peak reached during 2H23. Furthermore, exposure to global markets and political uncertainty will likely continue to pose challenges and headwinds to economic growth. Fitch believes sustained capitalization, resilient profitability and adequate reserves provide sufficient resilience to face stress for the banks.

This is an image exhibit 'Operating Environment Chart 1'. See instructions in side pane.

This is an image exhibit 'Operating Environment Chart 2'. See instructions in side pane.

Business Profile

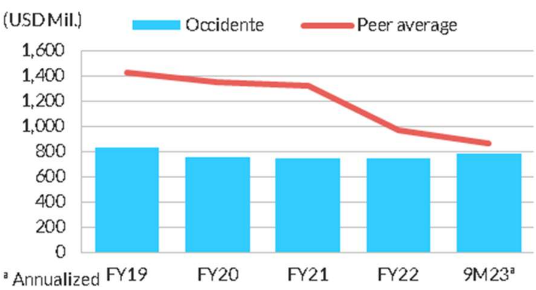
Banco de Occidente's business profile is underpinned by its consistent universal banking business model and well-recognized market position in Colombia's southwest region. The bank's scale of operation, measured by the four-year average total operating income, of USD741 million compares similar to other bank's rated at the same level.

As of September 2023, approximately 65% of the bank's loan portfolio comprised commercial loans, with the remaining 35% allocated to retail loans; this business mix has remained consistent over time. On the commercial front, the focus is SMEs and some corporates, while retail loans are directed at mid-range to upper mid-range customers in products such as mortgages, payroll, personal, auto and credit cards. As of June 2023, Occidente was the fifth largest bank in the country with a market share of around 6% in loans and 7% in deposits.

Occidente is the second largest bank of Grupo Aval, the largest banking holding in Colombia (around 30% market share). The bank has improved access to customers due to being part of the group. Occidente has two banking subsidiaries (Panama and Barbados) that provide offshore services; the bank's offering is complemented by trust services through another subsidiary. Around 95% of the loans are originated in Colombia, while the remaining 5% are in other Latin American countries through the Panamanian and Barbados subsidiaries.

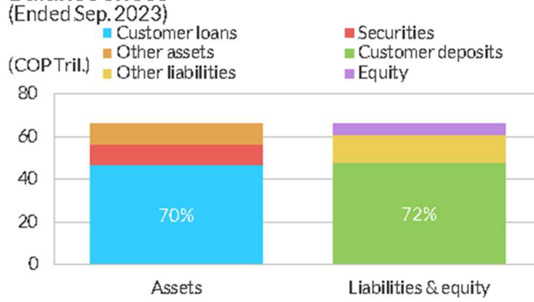
Occidente has a positive track record of strategy execution. Although market focus has remained unchanged, the bank has adequality navigated through economic turmoil, such as the pandemic, proving its financial performance resiliency.

Total Operating Income



ᵃ Annualized
Source: Fitch Ratings, Fitch Solutions, banks.

Balance Sheet
(Ended Sep. 2023)



Source: Fitch Ratings, Fitch Solutions, Occidente.

Risk Profile

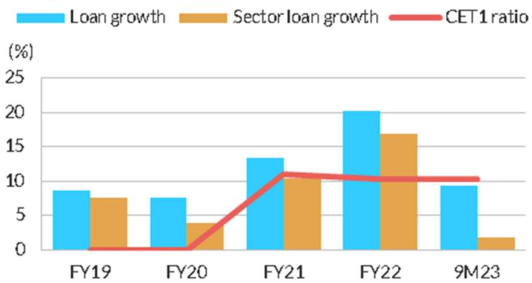
In Fitch's opinion, Occidente's risk profile is underpinned by its moderate risk appetite driven by focus in SME and commercial segments and the use of adequate systems and controls.

The bank's good underwriting standards is supported by its focus on less riskier segments that has translated into relatively controlled NPL ratios. Also, concentration per borrower fares better compared to its peers.

Occidente's adequate risk management has driven the improvement in asset quality after a deterioration originated from the pandemic and local political turmoil and social unrest. The bank's loan book growth is typically higher compared to the sector's growth rate. As of December 2022, the bank grew around 20% while the industry 16%; as of September 2023, the bank's growth moderated to 9.4%, but still is relatively high. These aggressive growth rates could negatively impact asset quality and capital metrics.

Market risks are well managed; Occidente's exposure to interest rate risk, exchange rate risk and price movements in its loan and investment portfolios is monitored by a specialized treasury risk division that reports to the vice president of risk. Comprehensive procedures are in place to ensure trading-limit adherence, trading documentation and reporting to the board of directors, among others, and complying with internal policies and guidelines.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, Occidente.

This is an image exhibit 'Risk Profile Chart 2'. See instructions in side pane.

Financial Profile

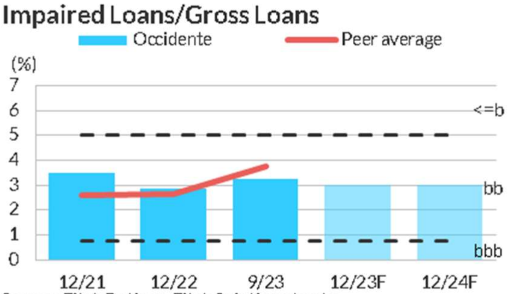
Asset Quality

Occidente's adequate asset quality is supported by a controlled NPL ratio (90+ days past due), ample reserves coverage and reasonable per debtor concentration. The bank's NPL ratio improved in 2022 to 2.9% from 3.5% in 2021 driven by stricter collection practices and improved risk controls. As of September 2023, this metric deteriorated to 3.3% as a result of an adverse operating environment in Colombia, where the system's NPL ratio deteriorated, particularly unsecured consumer loans. Fitch believes that Occidente will be able to contain the deterioration, and gradually improve this metric, given its segment focus and risks management practices.

The bank has a fairly diversified portfolio in terms of debtor and sectors. As of September 2023, no sector accounted for more than 10% of total loans, and the top 20 debtors accounted for around 70% of CET1 (7% of gross loans) while the bank's adequate reserve coverage ratio of 142.5% compares better to similarly rated peers. Also, the bank's net charge offs and restructures remain at reasonable levels.

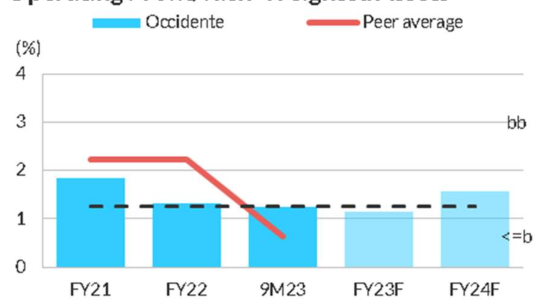
The investment portfolio represents around 14% of total assets and is mostly focused in liquidity preservation. Around 70% is invested in Colombian government bonds and the rest in well-recognized counterparts; the bank follows a conservative investing policy.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks.

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks.

Earnings and Profitability

Occidente's profitably remains relatively tight compared to its closest peers. The bank's core metric, operating profit to RWA ratio, decreased in 2022 to 1.3% from 1.9% in 2021 due to an aggressive growth in RWA, a net interest margin (NIM) tightening and increased loan impairment charges. In 9M23, Occidente's annualized ratio is 1.3% (4-year average: 1.5%) which remains stressed by the continued loan growth, NIM compression and increased loan costs.

The bank's NIM has been narrowing due to increased funding costs given the interest rates spikes, a pattern seen in most commercial banks in Colombia. Also, the deterioration in asset quality has resulted in higher loan costs; as of December 2022, the bank's loans and securities impairment charges to pre-impairment operating profit ratio increased to 56.5% from 52.1% a year before; as of 9M23, the ratio increased to 65%.

In 9M23, Occidente's profits also capture enhanced non-interest income such as gains on securities and fees and commissions. While NIM continues to be impacted by high interest rates, the bank has been gradually transferring that increase to its loan portfolio, which could result in a slight improvement in profitability in 2024.

Fitch believes that the bank's profitability could gradually improve to near 2% in the next two years, in line with the agency 'bb-' assessment, driven by lessened credit costs and a potential decline in market interest rate.

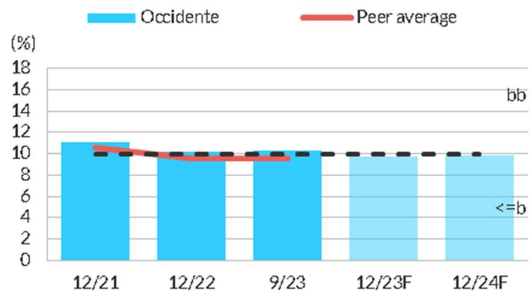
Capital and Leverage

Occidente's capital metrics are modest, in line with Fitch's 'bb-' assessment. The aggressive double-digit loan growth in 2022 resulted in a decrease in the bank's CET1 to RWAs ratio to 10.2% from 11.1% in December 2021. As of September 2023, the metric stood at 10.3% metric given the relatively high loan growth and modest internal capital generation.

As of September 2023, the bank's capital regulatory ratio was 11.7% which considers subordinated debt placed within GA. Occidente's dividend policy is to pay a percentage of the year's end net income, which in the past two years has ranged between 30%-50%. The bank's loan loss absorption capacity is strengthened by excess provisions and ordinary support from its parent, if needed.

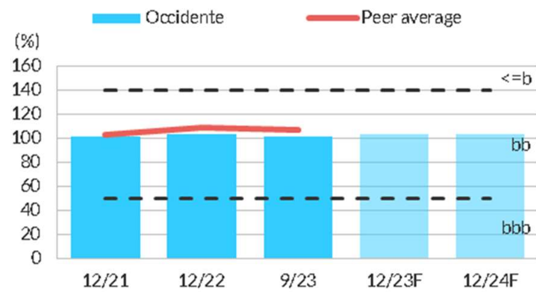
Fitch expect Occidente's capital metrics to remain tight, considering its modest internal capital generation and dividend policy, which is recurrently enforced.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks.

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks.

Funding and Liquidity

The bank's funding structure is in line with its business profile, which focuses on wholesale clients. Its main source of funding is customer deposits, mainly from institutional clients. While they provide for good stability, the demanded cost is higher compared to other banks with a wide retail base. As of September 2023, Occidente's loan/deposits ratio is 101.8% (4-year average: 104.2%), which compares similar to other peers rated at the same level.

Customer deposits account for around 80% of total funding the and rest comes from local bond issuances and bilateral loans. As of September 2023, the top 20 depositors account for around 23% of total deposits, which Fitch considers reasonable. Concentration risk is partially mitigated by long-standing relationships with major depositors, as most are institutional clients the bank provides cash management services.

In 2023, the Colombian regulator enforced Basel III-like liquidity rules, which drove banks to increase its Term Deposit Certificates (CDT) offer, but eventually this turned out a more expensive funding source. Occidente's liquidity metrics are adequate; as of September 2023, local liquidity coverage ratio was 106.5%.

Fitch expects the bank's funding structure to remain unchanged.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's "Bank Rating Criteria." They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material nonpublic information with respect to future events, such as planned recapitalizations or merger and acquisition activity, Fitch will not reflect these nonpublic future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bb' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Banco de Bogota, S.A. (VR: bb+), Bancolombia S.A. (bb+), Banco Davivienda S.A. (bb+), Banco Continental S.A.E.C.A. (bb+), Scotiabank Colpatria S.A. (bb), BBVA Colombia S.A. (bb+). Latest average uses 1H23 data for Banco Continental S.A.E.C.A., Scotiabank Colpatria S.A..

Financials

Summary Financials and Key Ratios

		30 Sep 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
	9 Months - 3rd Quarter	9 Months - 3rd Quarter	Year End	Year End	Year End	Year End
	USDm	COPb	COPb	COPb	COPb	COPb
	Reviewed - Unqualified	Reviewed - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
Summary Income Statement						
Net interest and dividend income	408	1,654.3	2,205.5	1,975.5	1,894.1	1,894.3
Net fees and commissions	75	305.6	345.5	331.8	318.2	346.4
Other operating income	194	785.3	595.7	713.6	834.7	742.2
Total operating income	677	2,745.2	3,146.6	3,020.8	3,047.0	2,982.9
Operating costs	374	1,517.9	1,827.7	1,633.1	1,634.6	1,633.3
Pre-impairment operating profit	303	1,227.3	1,318.9	1,387.7	1,412.4	1,349.6
Loan and other impairment charges	196	795.0	745.2	723.6	1,137.3	720.5
Operating profit	107	432.3	573.7	664.1	275.1	629.2
Other non-operating items (net)	-2	-7.8	0.1	-3.3	n.a.	n.a.
Tax	10	42.3	117.5	74.9	-65.5	61.1
Net income	94	382.2	456.3	585.9	340.6	568.1
Other comprehensive income	29	117.2	-277.5	-185.7	45.5	75.4
Fitch comprehensive income	123	499.3	178.9	400.2	386.1	643.5
Summary Balance Sheet						
Assets						
Gross loans	12,026	48,750.1	44,581.2	37,065.1	32,679.9	30,372.8
- of which impaired	392	1,588.4	1,269.3	1,288.9	1,660.0	959.4
Loan loss allowances	558	2,263.4	2,031.7	1,967.7	1,981.9	1,537.3
Net loans	11,468	46,486.7	42,549.5	35,097.4	30,698.0	28,835.4
Interbank	n.a.	n.a.	n.a.	n.a.	n.a.	538.7
Derivatives	271	1,097.4	755.0	463.7	571.0	511.1
Other securities and earning assets	3,053	12,378.2	10,688.7	9,355.4	8,661.7	8,374.3
Total earning assets	14,792	59,962.2	53,993.2	44,916.5	39,930.6	38,259.5
Cash and due from banks	961	3,893.7	3,878.2	5,110.0	3,447.1	2,773.4
Other assets	575	2,329.9	2,133.0	1,637.0	1,713.0	1,544.8
Total assets	16,327	66,185.8	60,004.4	51,663.5	45,090.7	42,577.7
Liabilities						
Customer deposits	11,809	47,872.6	43,095.9	36,340.3	30,970.7	28,726.4
Interbank and other short-term funding	1,022	4,141.6	2,202.0	1,999.6	1,208.3	2,478.2
Other long-term funding	1,657	6,717.6	6,844.3	6,119.7	5,731.0	4,717.0
Trading liabilities and derivatives	146	593.1	930.8	517.3	728.2	525.5
Total funding and derivatives	14,635	59,324.8	53,073.1	44,976.9	38,638.3	36,447.1
Other liabilities	345	1,399.2	1,715.2	1,498.0	1,473.3	1,261.5
Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total equity	1,347	5,461.8	5,216.1	5,188.6	4,979.2	4,869.1
Total liabilities and equity	16,327	66,185.8	60,004.4	51,663.5	45,090.7	42,577.7
Exchange rate		USD1 = COP4053.76	USD1 = COP4810.2	USD1 = COP3997.71	USD1 = COP3444.9	USD1 = COP3294.05

N.A. – Not Applicable.
Source: Fitch Ratings, Fitch Solutions, Occidente.

Summary Financials and Key Ratios

	30 Sep 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	1.3	1.3	1.9	0.8	1.9
Net interest income/average earning assets	3.9	4.5	4.7	4.7	5.2
Non-interest expense/gross revenue	58.5	60.4	58.9	58.6	59.8
Net income/average equity	9.6	9.0	11.7	7.1	12.3
Asset quality					
Impaired loans ratio	3.3	2.9	3.5	5.1	3.2
Growth in gross loans	9.4	20.3	13.4	7.6	8.6
Loan loss allowances/impaired loans	142.5	160.1	152.7	119.4	160.2
Loan impairment charges/average gross loans	2.3	1.8	2.1	3.5	2.4
Capitalisation					
Common equity Tier 1 ratio	10.3	10.2	11.1	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.	13.0	12.5	13.8
Tangible common equity/tangible assets	7.5	7.8	9.2	10.3	10.8
Basel leverage ratio	6.9	7.1	7.3	n.a.	n.a.
Net impaired loans/common equity Tier 1	-14.3	-17.3	-17.1	n.a.	n.a.
Net impaired loans/Fitch Core Capital	n.a.	n.a.	-14.5	-7.0	-12.6
Funding and liquidity					
Gross loans/customer deposits	101.8	103.5	102.0	105.5	105.7
Gross loans/customer deposits + covered bonds	n.a.	n.a.	n.a.	n.a.	n.a.
Liquidity coverage ratio	n.a.	n.a.	n.a.	n.a.	n.a.
Customer deposits/total non-equity funding	81.5	82.7	81.7	81.7	80.0
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.	n.a.

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

Support Assessment

This is a linked excel exhibit 'CBK - Government Support Rating sheet - External'. See instructions in side pane.

Shareholder Support	
Parent IDR	BB+
Total Adjustments (notches)	0
Shareholder Support Rating	bb+
Shareholder ability to support	
Shareholder Rating	BB+/ Stable
Shareholder regulation	1 Notch
Relative size	1 Notch
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	1 Notch
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	2+ Notches

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

Shareholder Support

Occidente's shareholder support rating of 'bb+' reflects Fitch's view of high probability of support from GA, if needed.

In Fitch's opinion, Occidente plays a crucial role for GA in terms of strategy and name recognition, so institutional support should be forthcoming, if required. GA has a consistent track record of supporting its subsidiaries, and its ability to do so is reflected in its 'BB+' rating. Occidente is the second largest bank in the group and accounted for around 13% of the parent's consolidated income.

Occidente's shareholder support rating of 'bb+' reflects Fitch's view of high probability of support from GA, if needed.

FitchRatings

Banco de Occidente S.A.

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Banco de Occidente S.A. has 5 ESG potential rating drivers

- Banco de Occidente S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation of the materiality and relevance of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visitwww.fitchratings.com/esg.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.