

Banco GNB Sudameris S.A.

Key Rating Drivers

Viability Rating and Issuer Default Ratings: Banco GNB Sudameris S.A.'s (GNB, or the bank) Long-Term Foreign Currency and Local Currency Issuer Default Ratings (IDRs) are driven by the bank's Viability Rating (VR), which is aligned with its implied VR. The bank's business profile continues to be diverse with a dual focus in the wholesale and retail segments in Colombia, Paraguay and Peru. In view of this relevant regional presence outside of Colombia, Fitch used a blended approach to determine an operating environment (OE) score of 'bb'.

Business and Risk Profile: The bank's 'bb+' business and risk profile assessment considers its consolidated retail segment exposure, which mostly comprises lower-risk, payroll-backed lending products known locally as 'Libranza'. The bank made significant progress in 2021 in growing its digital banking capabilities, greatly expanding its number of digital customers, which is expected to lower operational costs, and consolidating its local position in Paraguay by acquiring the former BBVA Paraguay.

Improved Capital Ratios: The bank's capitalization metric, currently scored at 'b+', has been the ratings' weakest link. Although its common equity Tier 1 (CET1) ratio improved as of YE21 to 9.4%, from nearly 8.3% and 7.0% as of YE20 and YE19, respectively, this metric continues to compare below Latin American (LatAm) peers in the 'BB' category. The increase was partly due to greater earnings retention and the bank's strategy to support growth, mainly in Paraguay. The current metric is partially enhanced by the bank's ample loan loss reserves, low risk appetite and strong asset quality.

Challenged Profitability: Operating revenues over risk-weighted assets (RWAs) weakened to 0.93% as of YE21, from 1.1% and 1.5% as of YE20 and in 2019, respectively. The higher operating expenses in 2021 are attributed to the BBVA Paraguay acquisition. Profitability in 2021 was also weighed down by sustained high loan impairment charges, due in part to robust loan growth, and the bank's preference to maintain a more liquid balance sheet relative to peers.

Solid Asset Quality Metrics: Asset quality remains strong and compares very well to domestic and regional peers. Fitch expects the bank's conservative policies, relatively robust underwriting standards and adequate risk controls to help maintain solid asset quality for the foreseeable future. As of Dec. 31, 2021, the bank's ratio of 90-day past due loans (PDL) to total loans had improved slightly, to 1.85%, and is among the lowest in the Colombian banking system.

Sound Liquidity: GNB is amply funded by customer deposits, which accounted for 71% of total non-equity funding as of YE21. The loans-to-customer deposits ratio was a very conservative 65% as of YE21, supporting its 'bb+' funding and liquidity score and well below corresponding industry averages that are usually above 100%.

Government Support Rating: Fitch believes there is a limited probability that GNB would receive sovereign support, if needed, which underpins its Government Support Rating (GSR). The 'b+' GSR is driven by its moderate systemic importance as a market maker and its 9% payroll lending share of the Colombian market. GNB is working to grow its share of retail deposits, although this metric is still a modest 4% when compared with local systemically important banks.

Rating Sensitivities

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

GNB's VR, IDRs and Subordinated Debt

- Downside VR and IDR pressure would arise from deterioration of the CET1 ratio consistently below 9%, especially if accompanied by negative trends in profitability and/or asset quality.
- The ratings are sensitive to OE deterioration.

Ratings

Foreign Currency

Long-Term Issuer Default Rating BB
Short-Term Issuer Default Rating B

Local Currency

Long-Term Issuer Default Rating BB
Short-Term Issuer Default Rating B

Viability Rating bb
Government Support Rating^a b+

^aRating assigned May 27, 2022.

Sovereign Risk

Long-Term Foreign Currency Issuer Default Rating BB+
Long-Term Local Currency Issuer Default Rating BB+
Country Ceiling BBB-

Rating Outlooks

Long-Term Foreign Currency Issuer Default Rating Stable
Long-Term Local Currency Issuer Default Rating Stable
Sovereign Long-Term Foreign Currency Issuer Default Rating Stable
Sovereign Long-Term Local Currency Issuer Default Rating Stable

Applicable Criteria

[Bank Rating Criteria \(November 2021\)](#)

Related Research

[Colombia \(June 2022\)](#)
[Gilex Holding S.A. \(Update\) \(June 2022\)](#)
[Colombian Banks Datawatch 4Q21 \(Colombian Banks Well Positioned for Heightened Macro Risk\) \(April 2022\)](#)
[Colombia \(December 2021\)](#)
[Fitch Ratings 2022 Outlook: Latin American Banks \(December 2021\)](#)

Financial Data

Banco GNB Sudameris S.A.

(COP Bil.)	12/31/21	12/31/20
Total Assets (USD Mil.)	13,358	11,814
Total Assets	53,400	40,699
Total Equity	3,514	2,473

COP – Colombian Peso.
Source: Fitch Ratings, GNB.

Analysts

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- As the subordinated debt rating is two notches below GNB's VR anchor, the rating is sensitive to a VR downgrade. The rating is also sensitive to wider notching from the VR if Fitch changes its view on the nonperformance risk of these instruments on a going concern basis, which is not the baseline scenario.
- GNB's GSR would be affected by a negative change in Fitch's perception of the government's willingness and ability to support the bank.

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

- The ratings could be positively affected if the bank can sustain or rebuild its profitability.
- Upside potential for the international ratings is heavily contingent upon material improvement in capitalization, which is currently a higher influence rating factor under Fitch's rating approach. An upgrade to the VR and IDRs could occur if the bank can reach and sustain a CET1 capital ratio greater than 12% while avoiding material deterioration of its other financial and qualitative credit fundamentals, with consistently better results, in the form of operating earnings over RWAs greater than 2%.
- As the subordinated debt rating is two notches below GNB's VR anchor, the debt rating is sensitive to a VR upgrade.
- GNB's GSR would be affected by a positive change in the bank's systemic importance that impacts Fitch's perception of the government's willingness and ability to support the bank.

Issuer Ratings (Including Main Issuing Entities)

Rating Type	Rating
Long-Term Foreign Currency IDR	BB
Short-Term Foreign Currency IDR	B
Long-Term Local Currency IDR	BB
Short-Term Local Currency IDR	B
Viability Rating	bb
Government Support Rating	b+
Rating Outlook/Watch	Stable


Source: Fitch Ratings.

Debt Rating Classes

Rating Type	Rating
Subordinated: Long-Term	B+

Source: Fitch Ratings.

Ratings Navigator

Banco GNB Sudameris S.A.							ESG Relevance: 	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support Rating	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%				
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+
a							a	a	a	A
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB Sta
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

Significant Changes

Operating Environment

On Dec. 9, 2021, Fitch affirmed Colombia’s sovereign rating at ‘BB+’ with a Stable Rating Outlook. GNB’s IDRs and VR were affirmed with a Stable Rating Outlook on May 27, 2022, as Fitch does not anticipate a material impact on the bank’s financial profile from any remaining OE pressures, such as upcoming elections or a lower than expected acceleration in economic growth.

BBVA Paraguay Merged into GNB Paraguay

On Jan. 22, 2021, GNB Paraguay purchased BBVA Paraguay and proceeded with integrating the two entities, resulting in the bank becoming the third largest in Paraguay in terms of assets. Prior to the merger, GNB Paraguay was the seventh largest in Paraguay.

Expanded Digital Banking Capabilities

The bank made significant progress in 2021 toward growing its digital banking capabilities and greatly expanding its proportion of digital customers, which is expected to lower operational costs. As of Dec. 31, 2021, the digital bank (known locally as Banca Movil) had nearly 181,000 users across Colombia, Peru and Paraguay, with the Paraguayan users alone accounting for a 71% portion.

Brief Business Profile

GNB is the seventh largest bank in Colombia, with a market share of about 4.0% by assets and 3.8% of deposits. The bank has had a regional presence since 2013. As of December 2021, the bank had nearly COP53.4 billion in assets and equity of COP3.5 billion. GNB follows a universal banking model that focuses primarily on SMEs, commercial loans and retail loans. Its assets are funded through access to a stable deposit base and strong shareholder support. GNB is controlled by the Gilinski family through Panama-based Gillex Holding S.A. (GH), rated 'BB-' by Fitch with a Stable Rating Outlook.

GH moved its jurisdiction to Panama in 2020. As part of the jurisdictional change, Grupo Financiero GNB S.A. was created in 2021 under supervision of the Panamanian regulator, which is recognized by Colombian authorities and follows both Colombian and Panamanian regulations regarding conglomerates and prudential supervision. Grupo Financiero GNB has USD1.872 million in capital and consolidates the operations of GNB and GH.

GNB currently has 144 branches in 44 cities (105 branches in Colombia, 12 in Peru and 27 in Paraguay), nearly 2,700 ATMs, 2,700 employees, five national subsidiaries and two international subsidiaries in Peru and Paraguay, respectively, that support its regional banking strategy. The bank specializes in providing payroll loans, commercial lending to SMEs and ATM services to both its customers and those of other banking groups.

GNB has undergone a series of strategic mergers and acquisitions since 2003, including Colombia's second largest ATM network; HSBC's operations in Peru, Paraguay and Colombia; and, most recently, BBVA Paraguay S.A., resulting in the Paraguayan subsidiary having the second largest market share. In Peru, GNB has the 10th largest market share. GNB is very active in the payroll lending segment, known locally as the "Libranza". The bank has a large number of long-term agreements (convenios) with companies and governmental or quasi-governmental agencies. The Libranza segment is a main driver of the bank's low level of loan impairments. GNB's market share is higher in the payroll lending/Libranza segment, with an 8.4% market share. The deposit market share of nearly 4% is due to strong relationships with governmental and subnational entities.

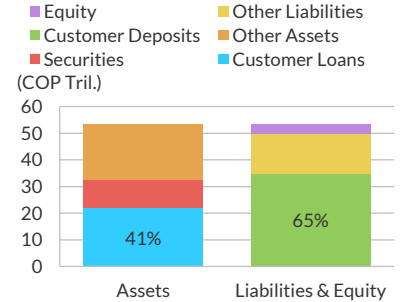
The bank has historically maintained a conservative risk appetite, giving priority to asset quality over profitability. In 2020, management allowed the bank's risk assets to shrink given uncertainty over the coronavirus pandemic's impact on the economy and its clients. In 2021, the bank saw very strong loan growth; however, this was mainly attributable to acquiring the BBVA Paraguay loan portfolio.

The bank's main financial risks are credit risk, followed by securities portfolio risk. However, a relevant portion of GNB's credit risk exposure is mitigated via good diversification by economic sector, moderate concentration in the largest debtors and the Libranza portfolio, which carries lower risk due to the semi-secured nature of that form of lending.

In Fitch's view, GNB's risk and credit policies are relatively conservative and have contributed to maintaining the bank's very good asset quality and steady performance, which have proven effective amid the current periods of market turmoil. The bank's ratios compare very well to domestic peers.

Balance Sheet

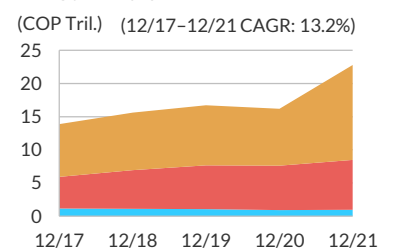
(Year End as of Dec. 31, 2021)



Source: Fitch Ratings, GNB.

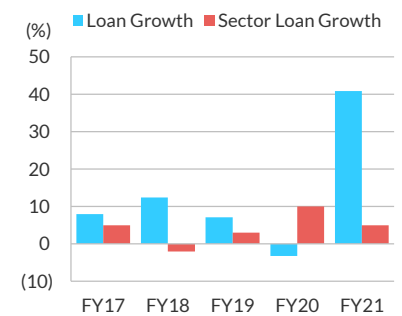
Loan Book Breakdown

(COP Tril.) (12/17-12/21 CAGR: 13.2%)



CAGR - Compound annual growth rate.
Source: Fitch Ratings, GNB.

Loan Growth



Source: Fitch Ratings, GNB.

Summary Financials

	2021		2020	2019	2018	2017
	(USD Mil.)	(COP Bil.)	(COP Bil.)	(COP Bil.)	(COP Bil.)	(COP Bil.)
(Years Ended as of Dec. 31)	Audited – Unqualified	Audited – Unqualified	Unaudited	Audited – Unqualified	Audited – Unqualified	Audited – Unqualified
Summary Income Statement						
Net Interest and Dividend Income	233.0	929.6	715.1	636.3	617.7	407.0
Net Fees and Commissions	51.0	201.9	142.7	150.6	142.5	148.0
Other Operating Income	97.0	389.7	459.7	525.0	466.6	486.3
Total Operating Income	381.0	1,521.2	1,317.5	1,311.9	1,226.8	1,041.3
Operating Costs	206.0	821.6	674.5	663.1	643.9	565.5
Pre-Impairment Operating Profit	175.0	699.6	643.0	648.8	582.9	475.8
Loan and Other Impairment Charges	109.0	436.5	402.5	323.1	292.6	224.0
Operating Profit	66.0	263.1	240.5	325.7	290.3	251.8
Tax	4.0	14.4	55.0	58.2	55.2	29.2
Net Income	62.0	248.7	185.5	267.5	235.1	222.6
Other Comprehensive Income	48.0	193.8	(117.3)	16.1	14.7	39.6
Fitch Comprehensive Income	111.0	442.5	68.2	283.6	249.8	262.2
Summary Balance Sheet						
Assets						
Gross Loans	5,698.0	22,779.6	16,177.7	16,720.2	15,609.7	13,887.3
– of which Impaired	105.0	420.7	313.3	345.6	262.0	184.6
Loan Loss Allowances	184.0	737.3	605.8	525.0	493.2	301.3
Net Loans	5,514.0	22,042.3	15,571.9	16,195.2	15,116.5	13,586.0
Interbank	260.0	1,038.7	616.5	497.7	N.A.	N.A.
Derivatives	3.0	12.7	14.5	19.4	23.5	103.0
Other Securities and Earning Assets	4,919.0	19,666.2	16,534.6	14,747.5	13,451.7	11,689.9
Total Earning Assets	10,696.0	42,759.9	32,737.5	31,459.8	28,591.7	25,378.9
Cash and Due From Banks	1,916.0	7,661.0	5,517.3	4,117.5	2,904.9	3,514.8
Other Assets	745.0	2,979.2	2,444.1	1,954.6	1,721.9	1,144.2
Total Assets	13,358.0	53,400.1	40,698.9	37,531.9	33,218.5	30,037.9
Liabilities						
Customer Deposits	8,735.0	34,918.3	26,988.3	23,634.1	20,730.5	18,539.8
Interbank and Other Short-Term Funding	2,119.0	8,471.5	5,726.1	6,226.2	5,289.4	4,611.1
Other Long-Term Funding	1,449.0	5,793.8	4,764.5	4,599.0	4,471.8	4,482.5
Trading Liabilities and Derivatives	3.0	13.4	39.8	49.9	31.8	96.7
Total Funding and Derivatives	12,306.0	49,197.0	37,518.7	34,509.2	30,523.5	27,730.1
Other Liabilities	172.0	688.9	707.3	697.7	460.9	450.6
Total Equity	879.0	3,514.2	2,472.9	2,325.0	2,234.1	1,857.2
Total Liabilities and Equity	13,358.0	53,400.1	40,698.9	37,531.9	33,218.5	30,037.9
Exchange Rate	–	USD1 = COP3997.71	USD1 = COP3444.90	USD1 = COP3294.05	USD1 = COP3275.01	USD1 = COP2971.63

COP – Colombian Peso. N.A. – Not applicable.

Source: Fitch Ratings, Fitch Solutions, Banco GNB Sudameris S.A.

Key Ratios

(%, Annualized as Appropriate, Years Ended as of Dec. 31)	2021	2020	2019	2018	2017
Profitability					
Operating Profit/Risk-Weighted Assets	0.9	1.1	1.5	1.5	1.5
Net Interest Income/Average Earning Assets	2.8	2.5	2.5	2.7	1.7
Noninterest Expense/Gross Revenue	54.0	51.2	50.6	52.5	54.3
Net Income/Average Equity	7.9	7.6	12.2	11.8	12.8
Asset Quality					
Impaired Loans Ratio	1.9	1.9	2.1	1.7	1.3
Growth in Gross Loans	40.8	(3.2)	7.1	12.4	8.0
Loan Loss Allowances/Impaired Loans	175.3	193.4	151.9	188.2	163.2
Loan Impairment Charges/Average Gross Loans	2.1	2.3	2.0	2.0	1.7
Capitalization					
Common Equity Tier 1 Ratio	9.4	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	9.8	9.2	9.4	9.9	9.5
Tangible Common Equity/Tangible Assets	5.3	5.1	5.5	6.0	5.5
Net Impaired Loans/Fitch Core Capital	(11.4)	(14.3)	(8.8)	(11.7)	(7.2)
Funding and Liquidity					
Gross Loans/Customer Deposits	65.2	59.9	70.8	75.3	74.9
Customer Deposits/Total Non-Equity Funding	71.0	72.0	68.6	68.0	67.1

N.A. - Not applicable.

Source: Fitch Ratings, Fitch Solutions, Banco GNB Sudameris S.A.

Key Financial Metrics – Latest Developments

The bank's capitalization metric, currently scored at 'b+', has been the ratings' weakest link. Although its CET1 ratio improved as of YE21 to 9.4%, from nearly 8.3% and 7.0% as of YE20 and YE19, respectively, this metric continues to compare below LatAm peers in the 'BB' category. The increase was partly due to greater earnings retention and the bank's strategy to support growth, mainly in Paraguay. The current metric is partially enhanced by the bank's ample loan loss reserves, low risk appetite and strong asset quality.

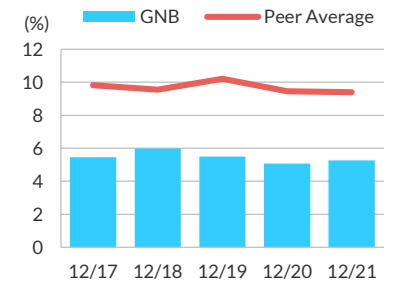
Asset quality remains strong and compares very well to domestic and regional peers. Fitch expects the bank's conservative policies, relatively robust underwriting standards and adequate risk controls to help maintain solid asset quality for the foreseeable future. As of Dec. 31, 2021, the bank's ratio of 90-day PDLs to total loans had improved slightly, to 1.85%, and is among the lowest in the Colombian banking system. As of the same date, the loan loss reserves ratio was a comfortable 175% of PDLs. The bank's asset quality ratios in all three markets (Colombia, Paraguay and Peru) compare well to local peers. The level of loans under pandemic-related relief programs continues to shrink and only represented 6.35% of the consolidated portfolio as of YE21.

Operating revenues over RWAs weakened to 0.93% as of YE21, from 1.1% and 1.5% as of YE20 and in 2019, respectively. The higher operating expenses in 2021 are attributed to the BBVA Paraguay acquisition. Profitability in 2021 was also weighed down by sustained high loan impairment charges, due in part to robust loan growth, and the bank's preference to maintain a more liquid balance sheet relative to peers. Historical profitability has also been affected by GNB's conservative risk appetite, which was well established pre-pandemic. Fitch is expecting the OE to improve, which could foster sustainable earnings diversification and efficiency improvement from recent capex to support greater operating profits over the medium term, thereby underpinning the agency's adjustment of this factor.

GNB is amply funded by customer deposits, which accounted for 71% of total non-equity funding as of YE21. The loans-to-customer deposits ratio was a very conservative 65% as of YE21, supporting its 'bb+' funding and liquidity score and well below corresponding industry averages that are usually above 100%. The bank's modest franchise limits its competitive advantages and generally influences its funding costs. Deposits originate primarily from institutional and public investors, leading to higher funding costs and higher concentrations by depositors versus banks with a wider retail deposit base.

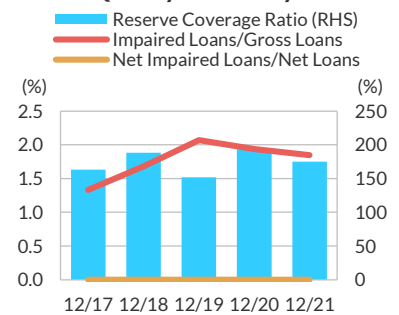
Nearly a third of GNB's consolidated assets are in the form of cash and liquid securities, as the bank is a market maker of government securities in Colombia. These holdings also contribute toward fulfilling the treasury services the bank provides to institutional customers while further enhancing its overall funding and liquidity strategy. The bank's liquidity ratios are among the strongest top three in the industry.

Tangible Equity/ Tangible Assets



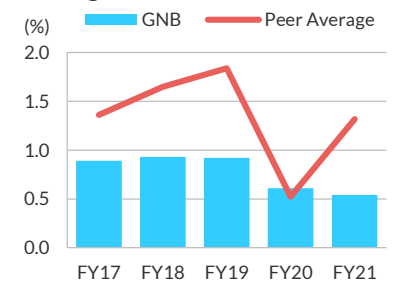
Source: Fitch Ratings, GNB.

Asset Quality Summary



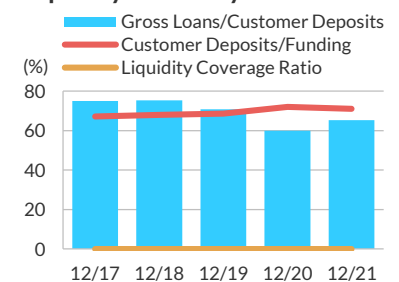
Source: Fitch Ratings, GNB.

Operating Profit/ Average Assets



Source: Fitch Ratings, GNB.

Funding and Liquidity Summary



Source: Fitch Ratings, GNB.

Government/Shareholder Support

Commercial Banks: Government Support

Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	BB+ or BB
Actual jurisdiction D-SIB GSR	BB+
Government Support Rating	b+

Government ability to support D-SIBs

Sovereign Rating	BB+/ Stable
Size of banking system	Positive
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive

Government propensity to support D-SIBs

Resolution legislation	Neutral
Support stance	Neutral

Government propensity to support bank

Systemic importance	Negative
Liability structure	Positive
Ownership	Neutral

The colors indicate the weighting of each Key Rating Driver in the assessment.

■ Higher Influence ■ Moderate Influence

ESG Considerations

Credit-Relevant ESG Derivation

Credit-Relevant ESG Derivation		Overall ESG Scale			
Banco GNB Sudameris S.A. has 5 ESG potential rating drivers		key driver	0	issues	5
➔	Banco GNB Sudameris 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.	driver	0	issues	4
➔	Governance is minimally relevant to the rating and is not currently a driver.	potential driver	5	issues	3
		not a rating driver	4	issues	2
			5	issues	1

Environmental (E)

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

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

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

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

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.

Governance (G)

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

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "low or" 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, due to either 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.

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