FitchRatings

Banks
Universal Commercial Banks
Peru

Banco de Credito del Peru

Ratings

Foreign Currency	
Long-Term IDR	BBB+
Short-Term IDR	F2
Local Currency	
Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Support Rating	2
Support Rating Floor	BBB
Sovereign Risk	
Long-Term Foreign-Currency IDR	BBB+
Long-Term Local-Currency IDR	A–
Country Ceiling	A–

Outlooks

Long-Term Foreign-Currency IDR	Negative
Long-Term Local-Currency IDR	Negative
Sovereign Long-Term Foreign Currency IDR	Stable
Sovereign Long-Term Local Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Future Flow Securitization Rating Criteria (May 20209)

Related Research

Fitch Revises Bank Sector Outlook in Chile, Peru and Colombia to Negative on Coronavirus Risks (March 2020)

Analysts

Robert Stoll
+1 212 908 9155
robert.stoll@fitchratings.com

Andrés Márquez
+57 1 484 6771
andres.marquez@fitchratings.com

Key Rating Drivers

Stand-Alone Strength and Operating Environment: Banco de Credito del Peru's (BCP) Issuer Default Ratings (IDR) are driven by its VR of 'bbb+'. Fitch Ratings believes the operating environment highly influences the ratings. The bank's ratings are also highly influenced by its leading franchise and well diversified business model.

Leading Franchise: BCP is the largest bank in the Peruvian financial system. It shows a consolidated market share of 34% by total assets and 33% by loans and customer deposits. It enjoys leadership in all major segments and products.

Asset Quality Stabilization: The bank's conservative underwriting, sound risk controls and profile support its strong asset quality. BCP's consolidated loan quality ratios remained stable during 2019 even under low loan growth. Consolidated past-due loans (PDLs) greater than 90 days totaled 2.4% at YE19, up from 2.3% at YE18. Fitch believes asset quality metrics and underwriting standards will be tested under current stressed conditions. PDLs are expected to deteriorate from past performance.

Strong Capital Metrics: BCP's capital position benefits from sustained profitability and reasonable earnings retention policy. BCP's FCC and common equity tier 1 ratio (CET1) had steadily increased during the past five years, although 2019 was affected by higher RWA density. At December 2019, BCP's FCC highly improved to 13.3%, up from 12.8% at YE18. Fitch expects PDL ratio to deteriorate during 2020, in line with the current deteriorating operational environment, likely reducing BCP's FCC; however, the magnitude of the impacted will depend on the severity and length of the coronavirus crisis.

Consistent Financial Performance: BCP's core ratio of operating profit to risk weighted assets (3.6% at YE19) is consistent with its five-year average and better than other regional peers. Sustained margin and relatively stable impairment charges support this trend. BCP's cost control continues to be one of the bank's strategies and Fitch expects that the digital transformation will result in better efficiency ratios over the medium term. In Fitch's opinion, profitability should be affected by higher provisions and lower loan growth on the near term.

Diversified Funding Base: BCP benefits from a well-diversified and low cost deposit base. BCP has the highest deposit market share in the country across all major products and has historically benefited from flight to quality in times of stress. The bank's loan to deposit ratio improved during 2019, reaching 105.5%, primarily reflecting the successful strategy on increasing retail funding.

Rating Sensitivities

Constrained by Operating Environment: Negative rating action on BCP's VR and IDR could arise from a material further deterioration in asset quality causing a sustained decline of the bank's operating performance and capital cushions (a sustained decline in the bank's FCC/adjusted RWA ratio to less than 10% assuming the maintenance of excess reserves and noncore loss absorbing capital or operating profit to RWA below 2.5%). Also, any negative rating action on the sovereign or any additional deterioration on Fitch assessment on the operating environment score would also lead to a similar action on BCP's IDRs, VR and debt ratings.

Performance Improvement: Ratings could be affirmed and the Rating Outlook revised to Stable if the bank sustains a financial profile consistent with its current ratings despite deterioration in the operating environment or if it shows ability to revert effects in a relatively short period of time. Upside potential for BCP is limited given the sovereign's current rating and Rating Outlook and under the light of the increasingly challenging operating environment.

Firmado Digitalmente por:
MIRIAM NELSI BOTTGER EGG
Fecha: 22/05/2020 08:05:07 p.m.

Issuer Ratings (Including Main Issuing Entities)

Rating Level	Rating
Long Term Foreign Currency IDR	BBB+
Short Term Foreign Currency IDR	F2
Long Term Local Currency IDR	BBB+
Short Term Local Currency IDR	F2
Viability Rating	bbb+
Support Rating	2
Support Rating Floor	BBB
Outlook	Negative

Source: Fitch Ratings.

Debt Rating Classes

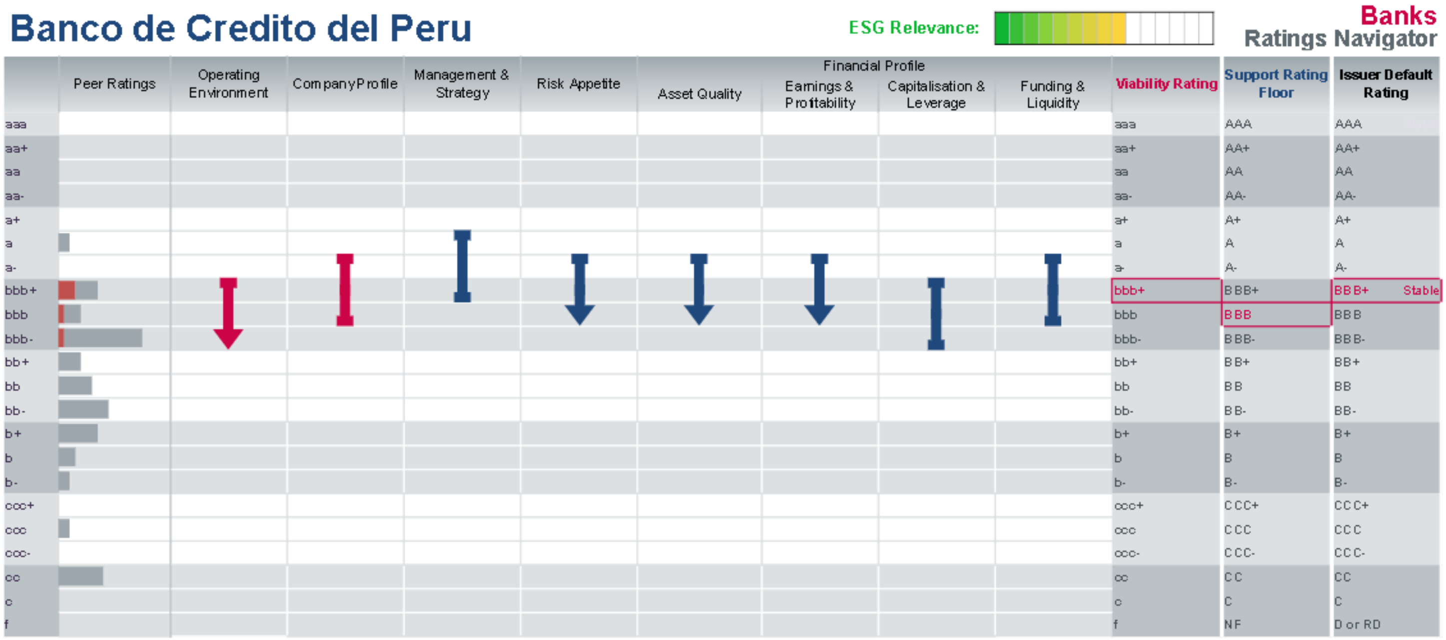
Rating Level	Rating
Senior Unsecured	BBB+
Subordinated	BBB–

Source: Fitch Ratings.

BCP's senior unsecured bonds are rated at the same level as the bank's IDRs, considering the absence of credit enhancement or any subordination feature.

BCP's subordinated debt has been downgraded by one notch to 'BBB–' and removed from UCO to reflect the change in baseline notching for loss-severity to two notches, from one previously, from the entity's support-driven long-term IDR.

Ratings Navigator



Significant Changes

Fitch Has Revised the Banking Sector Outlook for 2020 to Negative from Stable in Peru

Fitch believes there is downside potential from the economic implications of the coronavirus pandemic, which has driven the agency's adjustment on the outlook of the banking system operating environment score to Negative from Stable.

Weaker Economic Conditions

Fitch also believes the weaker economic conditions reflected in the expected contraction of the economy by 4% in 2020, will likely result in asset quality deterioration and will weigh on profitability. The magnitude and depth of this impact is uncertain and will depend on the length of the crisis.

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

Company Profile

Leading Franchise

Banco de Crédito del Perú (BCP) is the largest bank in the Peruvian financial system. It is the main subsidiary of Credicorp, the largest financial holding in Peru, which operates mainly through its six subsidiaries: BCP, BCP Bolivia, Grupo Pacífico, Prima AFP, Atlantic Security Bank (ASP) and Credicorp Capital.

As of December 2019, BCP's consolidated numbers show a market share of 34% in total assets and 33% in total loans and customer deposits. It enjoys leadership in all major segments and products including wholesale banking, SME, microfinance, consumer, credit cards, mortgages, demand deposits, savings and time deposits.

Universal Bank Business Model

BCP has a universal banking business model with a well-diversified loan portfolio and healthy recurrent fee income. At YE19, its business mix consisted of 55% wholesale banking and 45% retail banking. Specifically, corporate loans have the biggest share, representing 24% of total loans. Non-interest income is driven by banking service fees (22.1% of total operating income for 2019).

The bank has a long track record of earnings stability, with operating profits of around 3.7% in average for the past four years, notwithstanding significant changes in the business cycle, dollarization and capital requirements. Also, BCP has an important market share in microcredit (via Mibanco subsidiary).

BCP benefits from a straightforward organizational structure. It is 97.7% held by Credicorp Ltd, the largest financial holding company in Peru. The bank, in turn, controls three subsidiaries that complement its business (Mibanco, Solución Empresa Administradora Hipotecaria S.A., BCP Emisiones Latam 1 S.A.). The most important of its subsidiaries is Mibanco, a fully licensed bank and the country's largest microfinance lender. BCP also has branches in Panama and Miami.

Management and Strategy

Experienced Management Team

BCP has a very experienced, stable and deep management team that has successfully steered the bank through the rapid expansion of the former years, facing a difficult operating environment and new challenges such as digital transformation, which is one of BCP's core strategies.

Corporate Governance

BCP's board of directors has 13 members and one alternate member elected for repeatable three-year tenures, of which nine are independent. SEC/NYSE regulation requires that the majority of Credicorp's directors be independent and the same structure has been applied to BCP. A number of the directors previously held senior management roles, including CEO and CFO.

In addition to extensive banking experience, board members report high-level backgrounds in capital markets, private equity, mining and other corporate sectors. The board has organized four committees: executive, remuneration; audit and market risk. Board committees strengthen the board governance role and ensure oversight of internal control and risk management. The compliance officer, and the bank's audit division, report directly to the board.

Long-Term Strategic Objectives

BCP strategy focuses in improving efficiency, with outstanding risk management and efficient growth and including an improvement in client experience. Growth in retail segments is expected to be higher than that of wholesale segments due to the increasing competition in corporate loans in Peru. In retail segment the bank plans to increase cross-selling in consumer loans through digital channels and increasing data analytics.

BCP's aspiration for 2021 is to become the number one bank for customer satisfaction in Peru and the most efficient in the region. This strategy consist of 10 main work fronts: digital, journeys, data and analytics, culture and leadership, digital risk, distribution model, agile scale, governance, digital operations, customer experience and IT.

Also, the bank has set seven key results to achieve those goals: To become number one in customer satisfaction, to duplicate cross-sell, to pre-approve 50% of the economically active population, to be #1 in employee experience, to serve 70% of its sales digitally, to reach maximum growth of 3% in traditional costs and to reach 5% of income from new sources.

Also, BCP wants to improve the employee experience. The bank's digital transformation has been central to improving speed of service, increasing its client focus and simultaneously reducing its operating costs.

Risk Appetite

Conservative Underwriting Standards

Corporate underwriting relies on an internal risk rating model based on probabilities of default. The internal model is regularly reviewed and adjusted by risk management. Retail underwriting is similarly based on an in-house scoring model, benefitting from BCP's sizable database of customer transaction information, and including adjustable scoring models.

Targeting well-known customers, such as those with direct salary deposit, BCP concentrates its consumer loan and credit card products to pre-approved clients. A growing share of retail loans are approved directly through BCP's website. Risk scoring models are continuously back-tested and modified. Also, the bank has increasingly worked on de-dollarize its balance sheet and at this time less than 10% of new mortgage loan originations are in USD.

Mortgage lending is limited to a maximum of 80% loan to value (90% for loans originated with Mivivienda funding), and it has a moderate 4.5 years of duration, although the loans can go to up to 25 years maturity. BCP's Investment policy is equally conservative and considers the creditworthiness, liquidity, relative size and overall impact on the portfolio profile. Its trading and banking portfolios consisted at YE19 overwhelmingly of central bank securities and sovereign bonds with negligible corporate or equity risk.

BCP's growth has been aligned with the system's and at YE19 it was 3.65%. Retail loans grew by 10% during 2019, a similar trend to that of 2018. Consumer loans outpaced mortgage loans, contrary to the trend seen in 2018. Although retail loans are riskier than corporate loans, BCP wanted to increase this exposure without increasing cost of risk in order to increasing profitability. In turn, wholesale loans remained flat during 2019, after an important increase of 11% during 2018. In Fitch's opinion, growth for BCP will remain flat in 2020 due to the Covid-19 pandemic, especially during the second quarter of the year. It is more likely to grow during 2H20 and 2021.

Robust Risk Controls

The central risk management is responsible for implementing policies, procedures, methodologies and for actions to identify, measure, monitor, mitigate, report and control the different types of risks to which the bank and its subsidiaries are exposed. Also, it participates in the design and definition of the strategic plans of the business units to ensure alignment within the risk parameters approved by the board of directors of the bank and its subsidiaries.

The central risk management is divided into units in charge of risk management, consumer and micro-business risk, credit, treasury risk management and cybersecurity management. BCP allocates capital for operational risk according to an approved alternative regulatory approach. It maintains a register of loss events, has developed key risk indicators, has created an operational risk management area and designed a self-assessment framework for reviewing new processes, third-party providers, data security, business continuity and operational risk training.

Market Risk

BCP sets interest rate risk limits on its banking and trading books, as well as a trading risk limit of 5% of capital. BCP's exposure to interest rate risk in its banking book is moderate given that assets and liabilities are predominantly fixed rate with closely matched durations. BCP simulates potential shocks in yield curves and repricing gaps in both local currency and USD.

In terms of its trading book, BCP employs a stressed VAR methodology incorporating a look back at 2008/2009 crisis volatility and measuring its effect on the bank's net economic value, managing to a tolerance of potential losses up to 7%. At YE19, consolidated VaR was PEN3.6 million, or 0.02% of BCP's consolidated FCC. Regarding foreign exchange risk, BCP sets limits on exposure by currency, monitored daily. At YE19, BCP reported a net long position in USD (including swaps) equivalent to approximately 0.03% of equity and FCC.

Summary Financials and Key Ratios

(Years Ended Dec. 31)	2019[a] USD Mil. Audited — Unqualified	2019[a] PEN Mil. Audited — Unqualified	2018[a] PEN Mil. Audited — Unqualified (Emphasis of Matter)	2017[a] PEN Mil. Audited — Unqualified	2016[a] PEN Mil. Audited — Unqualified
Summary Income Statement					
Net Interest and Dividend Income	2,457	8,139.1	7,578.1	7,120.5	6,978.4
Net Fees and Commissions	788	2,609.7	2,486.8	2,337.1	2,202.1
Other Operating Income	319	1,056.5	909.2	948.3	783.4
Total Operating Income	3,564	11,805.3	10,974.1	10,405.9	9,963.9
Operating Costs	1,549	5,131.7	4,870.6	4,556.0	4,429.7
Pre-Impairment Operating Profit	2,015	6,673.6	6,103.5	5,849.9	5,534.2
Loan and Other Impairment Charges	543	1,798.5	1,507.8	1,686.6	1,725.9
Operating Profit	1,472	4,875.1	4,595.7	4,163.3	3,808.3
Other Non-Operating Items (Net)	32	106.8	108.1	25.4	141.8
Tax	403	1,334.9	1,330.7	1,140.2	986.3
Net Income	1,101	3,647.0	3,373.1	3,048.5	2,963.8
Other Comprehensive Income	87	287.7	(67.9)	51.1	(81.0)
Fitch Comprehensive Income	1,188	3,934.7	3,305.2	3,099.6	2,882.8
Summary Balance Sheet					
Assets					
Gross Loans	31,662	104,864.0	101,171.2	91,561.8	86,720.7
- Of Which Impaired	747	2,474.3	2,348.1	2,307.4	2,020.6
Loan Loss Allowances	1,367	4,527.9	4,460.7	4,322.3	4,062.8
Net Loans	30,295	100,336.1	96,710.5	87,239.5	82,657.9
Interbank	287	949.9	1,145.4	2,250.5	13,067.3
Derivatives	301	995.7	848.8	616.2	863.1
Other Securities and Earning Assets	6,224	20,613.8	21,488.5	25,113.0	14,270.2
Total Earning Assets	37,106	122,895.5	120,193.2	115,219.2	110,858.5
Cash and Due From Banks	6,848	22,680.6	18,923.2	19,773.6	12,301.7
Other Assets	1,535	5,083.8	4,565.0	3,877.2	3,892.2
Total Assets	45,489	150,659.9	143,681.4	138,870.0	127,052.4
Liabilities					
Customer Deposits	30,022	99,433.2	93,033.7	85,506.4	74,325.2
Interbank and Other Short-Term Funding	4,429	14,668.6	15,753.7	19,623.9	22,166.3
Other Long-Term Funding	4,321	14,312.0	14,736.8	15,451.0	13,597.2
Trading Liabilities and Derivatives	238	788.4	619.7	551.6	599.7
Total Funding	39,010	129,202.2	124,143.9	121,132.9	110,688.4
Other Liabilities	734	2,432.3	2,401.7	2,345.9	1,741.9
Preference Shares and Hybrid Capital	N.A.	N.A.	0.0	0.0	851.4
Total Equity	5,744	19,025.4	17,135.8	15,391.2	13,770.7
Total Liabilities and Equity	45,489	150,659.9	143,681.4	138,870.0	127,052.4

[a]Exchange rate: 2019 – USD1 = PEN3.31; 2018 – USD1 = PEN3.37; 2017 – USD1 = PEN3.24; 2016 – USD1 = PEN3.36. N.A. – Not applicable.
Source: Fitch Ratings, Fitch Solutions.

Summary Financials and Key Ratios

(%, Years Ended Dec. 31)	2019	2018	2017	2016
Ratios (Annualized as Appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	3.6	3.7	3.8	3.7
Net Interest Income/Average Earning Assets	6.8	6.7	6.7	6.8
Non-Interest Expense/Gross Revenue	43.5	44.4	43.8	44.5
Net Income/Average Equity	20.5	21.3	21.6	23.6
Asset Quality				
Impaired Loans Ratio	2.4	2.3	2.5	2.3
Growth In Gross Loans	3.7	10.5	5.6	(1.5)
Loan Loss Allowances/Impaired Loans	183.0	190.0	187.3	201.1
Loan Impairment Charges/Average Gross Loans	1.8	1.6	1.9	2.0
Capitalization				
Common Equity Tier 1 Ratio	12.4	11.5	11.8	11.1
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	13.3	12.8	13.2	12.4
Tangible Common Equity/Tangible Assets	11.8	11.1	10.3	10.0
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	(17,995.2)	(19,346.1)	(17,075.4)	N.A.
Net Impaired Loans/Fitch Core Capital	(12.7)	(14.1)	(14.2)	(16.2)
Funding and Liquidity				
Loans/Customer Deposits	105.5	108.8	107.1	116.7
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Funding	77.4	75.3	70.9	67.0
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.

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

Key Financial Metrics - Latest Developments

Asset Quality

Metrics Stabilization

BCP's consolidated loan quality ratios remained stable in 2019, despite a low loan growth compared to that of 2018. Impairments rose in the consumer segment, while improved in large corporations' loans. BCP's exposure to construction/infrastructure segments related to Odebrecht and other corruption scandals continued decreasing, positively impacting the asset quality ratio.

The bank's concentration risk is moderate; BCP's top 20 consolidated exposure (by group) represented 14.6% of gross loans, below that of YE18 (17%) while its exposure to related parties represented approximately 3.3% of gross loans.

The asset quality stabilization resulted in a similar trend in reserve coverage and with higher loan impairment charges to average gross loans ratio compared to 2018 (1.77% down from 1.59%), reflecting higher origination in retail sectors. Consolidated reserve coverage continues at levels close to those from 2016, or 197.17% at YE19. At the same time, net chargeoffs increased compared to that of 2018 but remains similar to the five-year trend.

Limited Risk in Other Assets

Other assets included cash and loans and advances to banks, which represented 15.7% of total assets at YE19. Investments (trading securities and at FV through income, available-for-sale securities and held-to-maturity securities) accounted for 11.7% of total assets at YE19. Investments were mostly fixed-income securities, mostly sovereign risk. The rest of the portfolio includes financial and corporate bonds with the highest ratings.

Earnings and Profitability

Improving margins and relatively stable impairment charges and operational expenses resulted in profitability ratios similar to the 2015–2019 average, although lower than 2017. Healthy contributions from fee income also supported BCP's results in 2019.

Loans and securities impairment charges slightly increased after five-year decrease to 26.9% of pre-impairment operating profit in 2019 (24.7% in 2018) as a result of increasing growth in retail loans. In Fitch's opinion, BCP provision expense should maintain relatively stable in the five-year average amid the current operating environment, which is highly impacted by the coronavirus outbreak. Gradual change of the business mix in favor of retail lending should pressure provision expenses upward as it improves profitability due to better margins, although this trend should be delayed until 2021. Fee and commission income from banking services grew by 5% yoy.

Total non-interest operating income resulted in 30.9% of gross revenues, equal to the ratio at YE18. Non-interest income largely derives from recurring fees from cash management, card usage, as well as net gains on securities sales and foreign exchange transactions. The bank's performance was affected by increasing operational expenses as the bank deepens its efforts in digital banking transformation.

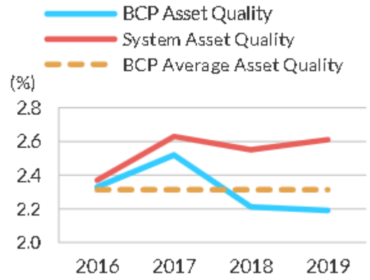
Operating expenses comprised 43.5% of gross revenues, less interest and fee expenses, compared to 44.4% in 2018. BCP's cost control continue to be one of the bank's strategies and Fitch expects that the digital transformation will result in better efficiency ratios in the medium term, although in the short term, BCP's profitability will still be affected by digital transformation costs.

Capitalization and Leverage

BCP's capital position benefits from conservative internal solvency limits, sustained profitability, moderate asset growth, and conservative dividend policy. BCP's FCC and common equity tier 1 ratio (CET1) has steadily increased during the past five years, although 2019 was affected by higher risk weighted assets after increasing its consumer loans portfolio.

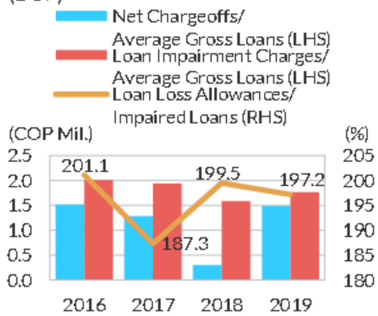
At December 2019 BCP's FCC improved to 13.26%, up from 12.81% at YE18. This was a consequence of higher FCC and equity growth amid a boost in RWA density (risk weighted Assets to total assets ratio) to 89.0%, up from 86.8% at YE18. CET1 ratio also improved to

Asset Quality
(BCP)



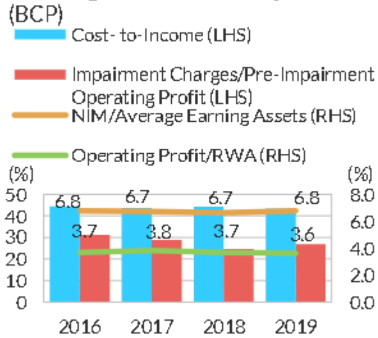
Source: Fitch Ratings, Fitch Solutions.

Reserves & Impairment
(BCP)



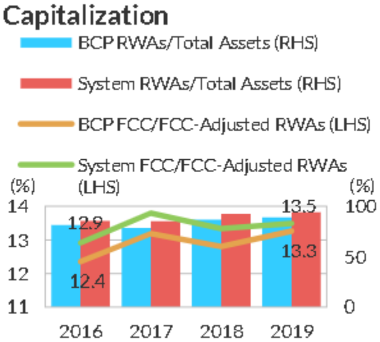
Source: Fitch Ratings, Fitch Solutions.

Earnings & Profitability
(BCP)



RWA – Risk Weightened Assets.
Source: Fitch Ratings, Fitch Solutions.

Capitalization



RWA – Risk Weightened Assets.
Source: Fitch Ratings, Fitch Solutions.

12.35% at YE19 (11.5% at YE18), above its internal limit of 11%. BCP's regulatory capital ratio was 14.5%, above the minimum expected regulatory ratio, including buffers of 12.7% and its 13.3% internal limit.

In Fitch's opinion BCP has successfully adapted to higher and better quality capital requirements according to Basel III principles. Also, in addition to its capital buffer, its reserves coverage in excess of 100% provided additional protection against unexpected losses which, if added to Fitch core capital, would result in a FCC ratio of approximately 15% at YE19.

BCP's capital levels compare above its local peers and the banking system as a whole, in the context of improving capital indicators across the financial system. BCP's ratio of tangible capital to tangible assets was 11.8% at YE19 compared to a private bank average of 12.7%.

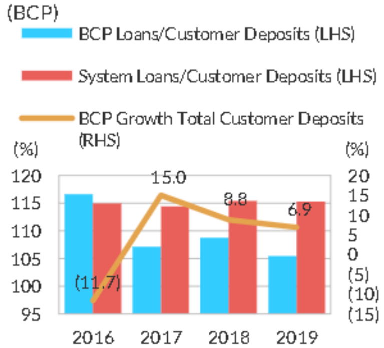
Funding and Liquidity

BCP benefits from a well-diversified and low cost deposit base consisting predominantly of demand and savings deposits (constant at 65% of customer deposits at YE19). BCP has the highest deposit market share in the country across all major products, including demand, savings, time and CTS (Compensación por Tiempo de Servicio), unemployment savings deposits and has historically benefited from flight to quality in times of stress.

The bank manages to a minimum ratio of "core" deposits (including nonremunerated demand deposits, savings, retail term deposits and CTS) of 70% of total deposits. The bank's loan to deposit ratio improved at YE19, reaching 105.5% (up from 108.8% at YE18), primarily reflecting the successful migration of deposits from foreign to local currency and the focus in retail deposits to increase diversification and NIM. Deposit concentration compared well with local peers.

Funding

(BCP)



Source: Fitch Ratings, Fitch Solutions.

Sovereign Support Assessment

Sovereign Support

The bank's Support Rating (SR) of '2' and Support Rating Floor (SRF) of 'BBB' are driven by its systemic importance. The ability of the Sovereign to provide support is reflected in its 'BBB+/A–' IDRs and is underpinned by its sound financial position, ample international reserves and low debt levels. Regulators have a clear mandate to protect and preserve the banking system through conservative regulation and capable supervision. BCP's 30% market share in deposits and its outsized presence in all business segments make it a crucial part of Peru's financial sector.

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			BBB+ to BBB-
Actual country D-SIB SRF			BBB
Support Rating Floor:			**BBB**
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

FitchRatings **Banco de Credito del Peru** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Banco de Credito del Peru has 5 ESG potential rating drivers

- Banco de Credito del Peru 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.

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