FitchRatings

Banco BBVA Peru

Key Rating Drivers

Shareholder Support Rating Drives Issuer Default Ratings: Banco BBVA Peru's (BBVA Peru) Issuer Default Ratings (IDRs) are driven by the support it would receive from its parent, Banco Bilbao Vizcaya Argentaria (BBVA S.A.; BBB+/Stable), should it be required. Fitch Ratings believes the parent's propensity to support BBVA Peru is high given the strategic role this subsidiary plays in its regional goals. Latin America (LatAm) is a strategically important market for BBVA; hence, if required, support would be forthcoming for BBVA Peru, underpinning its Shareholder Support Rating (SSR) of 'bbb'.

Standalone Strength Drives Viability Rating: The bank's 'bbb' Viability Rating (VR) reflects its strong franchise and sizeable market share as it remains the second largest bank in Peru. The VR also considers its adequate asset quality and profitability metrics, a stable deposit base and a reasonable capital metric that could be enhanced by the parent, if needed.

Challenging Asset Quality: BBVA Peru's strategy has focused on increasing its participation in retail loans, intended to enhance profitability. While revenue has shown signs of improvement, asset quality has deteriorated. As of YE22, the bank's nonperforming loans (NPL) ratio (90+ days past due) receded to 3.7%, from 3.3% at YE21. This deterioration is partially attributable to Reactiva loans that do not pose a risk of loss. Delinquent SME and commercial loans and the heightened importance of consumer lending also contributed to this trend. The bank's loan portfolio also diminished slightly in 2022, due to a strategy of reducing corporate loan exposure. Fitch expects the NPL ratio to remain at around 3.5%.

Strong Financial Performance: Profitability metrics have improved, due in part to higher interest income on loans and investments, along with noninterest income from fees and commissions. As of YE22, the bank's operating profit-to-risk-weighted assets (RWA) ratio improved to 2.9%, versus a four-year average of 2.4%. The improvement could be challenged by higher loan impairment charges given the focus on riskier loan types, although the bank's risk management is sound.

Sufficient Capitalization: The bank's capital metrics are reasonable and benefit from reduction in the loan portfolio. As of YE22, BBVA Peru's Fitch Core Capital (FCC) ratio was 12.3%, which is relatively weak compared to other similarly rated banks in 'bbb' operating environments (OEs). When assessing BBVA Peru's capital metrics, Fitch considers the ordinary support it would receive from its parent, if needed. Fitch anticipates BBVA Peru's capital will maintain a similar pattern, with regulatory levels sufficiently above minimum requirements.

Ample and Diversified Funding Base: Funding continues to be stable and diversified, relying on a wide deposit base and access to capital markets. As of YE22, the loan-to-deposit ratio was 112.1%, and Fitch expects it will remain around that level in 2023. Other funding sources include bilateral loans and local and foreign debt issuance, including subordinated bonds. Liquidity is properly managed and the proportion of liquid assets is satisfactory.

Ratings

Foreign Currency

Long-Term Issuer Default Rating	BBB
Short-Term Issuer Default Rating	F2

Local Currency

Long-Term Issuer Default Rating	BBB
Short-Term Issuer Default Rating	F2
Viability Rating	bbb
Shareholder Support Rating	bbb

Sovereign Risk (Peru)

Long-Term Foreign Currency Issuer Default Rating	BBB
Long-Term Local Currency Issuer Default Rating	BBB
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	Negative
Sovereign Long-Term Local Currency Issuer Default Rating	Negative

Applicable Criteria

Future Flow Securitization Rating Criteria (April 2023)

Bank Rating Criteria (September 2022)

Related Research

Banco Bilbao Vizcaya Argentaria, S.A. (March 2023)

Peruvian Banks: 2H22 Review & Update (December 2022)

Fitch Takes Actions on Peruvian FIs following Sovereign and OE Outlook Revision to Negative (October 2022)

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Rating Sensitivities

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

Issuer Default Ratings

- BBVA Peru's IDRs and Rating Outlook are driven by its SSR. A negative rating action on BBVA S.A. would result in a similar action on the SSR; however, BBVA Peru's IDRs would only be downgraded if its VR were also downgraded given Fitch's "higher of" approach.

Viability Rating

- Any negative rating action on the sovereign or in Fitch's OE assessment would lead to a similar action on BBVA Peru's VR.
- The VR could be negatively affected if the bank's asset quality deteriorates significantly, leading to a sustained decline in operating performance and capital cushion, particularly a sustained decline in the FCC-to-adjusted RWA ratio to under 10% assuming maintenance of excess reserves and noncore loss-absorbing capital.

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

Issuer Default Rating

- The IDRs could benefit from significant improvement in the parent's ability to provide support, evidenced by BBVA's IDR, although subject to sovereign rating and Country Ceiling considerations.

Viability Rating

- There is limited upside potential for the VR given the sovereign's current rating and Negative Rating Outlook.
- Rating upgrades are possible over the medium term via a confluence of material improvement in the OE and the bank's financial profile, within the context of a sovereign rating upgrade, as Fitch rarely rates bank VRs above the sovereign.

Other Debt and Issuer Ratings

Rating Type	Rating	Rating Outlook
Subordinated: Long Term	BB+	

Source: Fitch Ratings

Shareholder Support Rating

The Peruvian operations are a part of BBVA's LatAm presence, and Fitch considers BBVA Peru to be of strategic importance to the BBVA Group's business dynamics, underpinning the bank's ‘bbb’ support rating. Therefore, Fitch anticipates support from the parent should be forthcoming, if required. The LatAm region is considered a key market for BBVA globally and a vital revenue component.

Subordinated Debt

The subordinated debt is rated 'BB+'. This reflects its baseline notching for loss severity from the bank's support-driven Long-Term Foreign Currency IDR, which Fitch deems the appropriate anchor rating.

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

Shareholder Support Rating

- The SSR would be affected by a negative change in BBVA's ability or willingness to support the bank.

Subordinated Debt

- The subordinated notes' rating is sensitive to any change in BBVA Peru's IDR.

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

Shareholder Support Rating

- The SSR would be affected by a positive change in BBVA's ability or willingness to support the bank.

Subordinated Debt

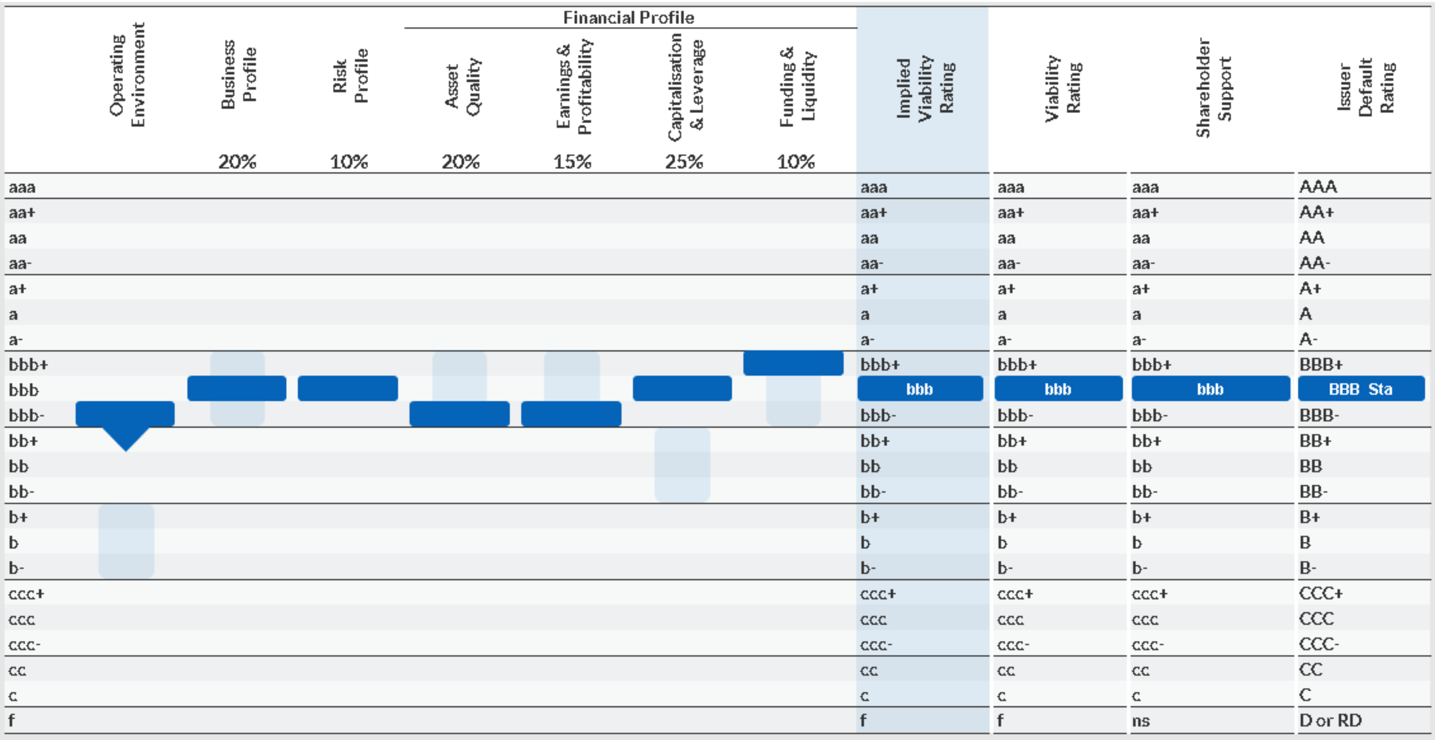
- The subordinated notes' rating is sensitive to any change in BBVA Peru's IDR.

Significant Changes from Last Review

Fitch revised its Rating Outlook on the sovereign's Long-Term IDR to Negative from Stable on Oct. 20, 2022, with political instability and deterioration in government effectiveness increasing downside risks to Peru's ratings. In the agency's view, weaker governance poses greater downside risks to investment and economic growth.

Fitch views the bank's credit profile as sensitive to material deterioration in the local OE or a negative sovereign rating action. As such, the outlook on the OE score remains negative as a slowdown in economic and loan growth, increased borrowing costs and persistent political uncertainty are detracting from Peruvian banking sector activity. However, sustained capitalization, improving profitability and lower loan impairment charges provide sufficient resilience to stress stemming from political uncertainty and external shocks.

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 upward or downward to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR — Adjustments to Key Rating Drivers

- The Operating Environment score has been assigned above the implied score due to the following adjustment reasons: Sovereign Rating (positive) and Macroeconomic Stability (positive).
- The Capitalization and Leverage score has been assigned above the implied score due to the following adjustment reason: Capital Flexibility and Ordinary Support (positive).

Company Summary and Key Qualitative Factors

Operating Environment

The latest political crisis in Peru will increase the potential for downside risks to the country's banking system. The deeply polarized political environment and policy uncertainty will exacerbate pressure on economic growth, business confidence and investment activity, which could result in weaker asset quality and lower profitability for the banking system beyond current expectations.

In addition to the broad macroeconomic effects of the ongoing political turmoil, negative sensitivity to the sovereign rating is a risk for Peruvian banks. The largest Peruvian banks rated by Fitch are constrained by Peru's sovereign rating or Country Ceiling. As such, slowing economic and credit growth, higher borrowing costs and persistent political uncertainty will continue to pressure the banking sector. The less benign economic and political environment will likely temper loan and asset growth in 2023.

Business Profile

BBVA Peru's business profile is underpinned by its universal banking model and well-positioned franchise in Peru, which also benefits from the BBVA brand. BBVA Peru remains the second largest bank in the country with a business mix tilted toward commercial and corporate borrowing, although the bank's current strategy aims to increase focus on consumer lending. As of December 2022, the bank's market shares in loans and deposits were 20.6% and 20.3%, respectively.

The bank's consistent business model and scale of operations allows for stable earnings generation, consistent with its current rating. The bank's wide base, stable funding coupled with its diversified loan portfolio contributes to adequate net interest revenues. Given Peru's still low banking penetration and BBVA Peru's strong competitive position, the bank is able to achieve sustained growth while maintaining stable profits and sound risk metrics.

BBVA Peru is part of the BBVA group, which views the LatAm market as strategic to its operations. Identity and strategy are shared with the group, and the bank's access to customers benefits from the well-recognized BBVA brand. BBVA Peru has historically been oriented toward the corporate segment, outpacing retail loans and deposit market share. In recent years it has been focusing in midsize commercial loans and retail loans, which are considered more profitable segments. As of December 2022, retail loans (including mortgages) accounted for around 24.6% of total loans, reflecting its growing importance yoy (YE21: 19.1%).

Given the bank's scale of operations and support from the group, Fitch believes BBVA Peru will maintain a strong business profile despite its gradual shift in business mix, also factoring the bank's experienced and deep senior management team.

Risk Profile

Fitch views BBVA Peru's underwriting standards and control practices as prudent, which results in adequate asset quality. The bank typically focuses on less riskier segments such as commercial loans, although retail lending continues to grow gradually whereby the bank uses an adequate risk-profit approach. Investment guidelines are conservative but result in concentration in the Peruvian sovereign risk via different debt instruments.

BBVA Peru's risk management is robust and benefits from the more developed risk controls of its parent company. The bank's credit growth has been variable since 2019, largely due to the coronavirus pandemic. This is especially evident with respect to government-backed Reactiva loans, which drove double-digit credit growth in 2020. However, with these loans maturing over the past two years, the growth dynamic has subsequently lessened. In 2022, Reactiva loans accounted for only 7.9% of gross loans (2021:15.3%; 2020: 21.3%). Another factor in the 2022 loan portfolio decline is the bank's strategy of favoring retail lending over large-ticket corporate loans.

The bank's market and liquidity risks are well-managed, utilizing a robust framework and conservative stance. Nonfinancial risks are also well controlled as the bank relies upon the group's practices.

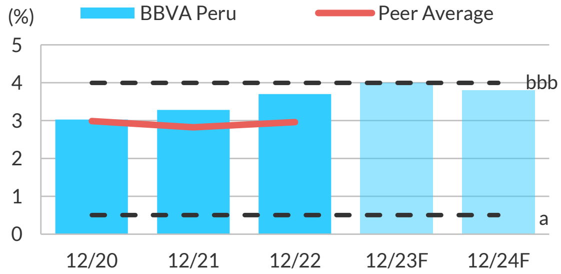
Financial Profile

Asset Quality

The lowering of the asset quality assessment to 'bbb–' is driven by recent NPL ratios that Fitch expects to be sustained for the near future. As of YE22, BBVA Peru's 90-days NPL ratio was 3.7%, continuing a negative trend observed since YE20 (3.0%). While this metric includes Reactiva loans, which do not represent a loss risk, the increase is also attributable to heightened delinquencies in the corporate and SME segments. The increasing proportion of retail loans in the portfolio mix could further challenge the NPL ratio. As the bank continues its focus in these loan types, Fitch expects an NPL range of around 3.5%–4.0%, in line with banks whose asset quality is assessed at 'bbb–'.

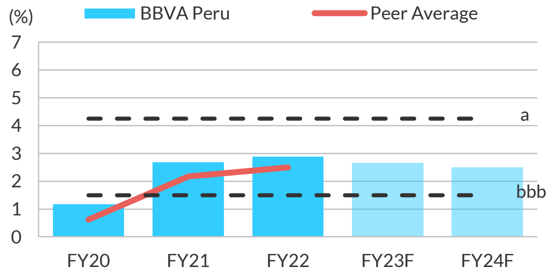
As of YE22, the bank's reserve coverage remains good despite a recent decline to 170.8%, from 189.1% at YE21, which resulted from the increase in impaired loans. The loan portfolio is fairly diverse by industry and concentration per debtor is modest, as the top 20 borrowers represented 1.1x FCC (YE21: 0.9x). The investment portfolio, while conservative, is 67.7% concentrated in instruments with Peruvian sovereign risk.

Impaired Loans/Gross Loans



F – Forecast.
Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



F – Forecast. FY – Fiscal year.
Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

BBVA Peru's operating profit-to-RWA ratio improved slightly to 2.9% in YE22, from 2.7% at YE21, exceeding the four-year average of 2.4%. The bank's higher interest income on loans reflects the enhanced contribution from retail loans. Additionally, the improved profits capture external benefits such as high interest rates and local currency depreciation that results in higher income from foreign exchange (FX) and interest on investments.

The bank's earnings are fairly diversified, which fosters revenue stability. As of YE22, noninterest income represented 24.6% of gross revenues. As of the same date, loan impairment charges increased slightly to 27% of pre-impairment operating profit, from 25% at YE21, which also reflects the greater involvement in riskier loan segments. Operational efficiency, measured by noninterest expense to gross revenues, has consistently hovered around 40%.

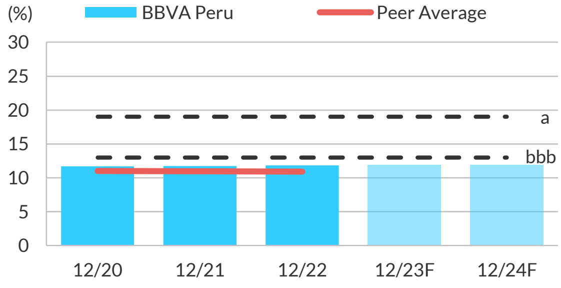
Fitch expects BBVA Peru to sustain an operating profit-to-RWA metric of around 2.5%, which could improve further if structural changes in the loan portfolio mix are accompanied by containment of delinquency ratios.

Capital and Leverage

Fitch's assessment of BBVA Peru's capitalization considers the ordinary support it would receive from its parent, if needed. As of YE22, the bank's FCC ratio was 12.3%, slightly below those of peers assessed at 'bbb'. The bank's good provision coverage provides added loan loss absorption capacity. Its total capital ratio, which is enhanced by subordinated instruments, has a reasonable buffer above required regulatory limits.

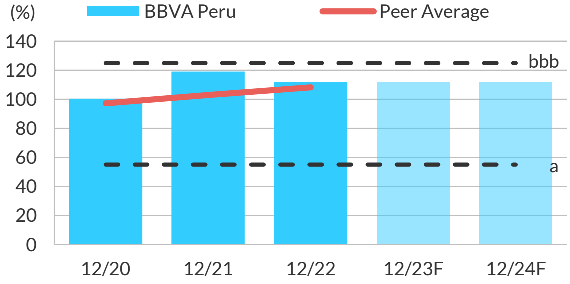
Fitch expects the bank to maintain FCC ratios around 12%, aided by modest credit growth and good internal capital generation.

Fitch Core Capital Ratio



F – Forecast.
Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



F – Forecast.
Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

BBVA Peru's funding and liquidity profile is adequate, relying upon a wide and relatively stable deposit base. As of YE22, the bank's loan-to-deposit ratio was 112.1%, improved from 119.2% at YE21, due to the reduced loan portfolio and modest deposit growth. While over 70% of deposits comprise savings and demand deposits, term deposits have almost doubled in recent years in response to higher interest rates.

Other funding sources include bilateral loans and access to capital markets through subordinated bond issuance and asset-backed and structured securities. Liquidity (cash and due from banks plus loans and advances to banks) remained high as of YE22, accounting for 18% of total customer deposits, while liquid assets accounted for 20% of total assets. This high liquidity level will likely persist in the near term.

Fitch believes BBVA Peru has an adequate funding and liquidity profile and does not anticipate significant changes in the future. Its loan-to-deposit ratio will likely remain around 110%.

Additional Notes on Charts

The forecasts within 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 macroeconomic forecasts, the agency's sector outlook and company-specific considerations. As a result, Fitch's forecasts may differ materially from 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 M&A activity, Fitch will not reflect these nonpublic future events in its published forecasts. However, where relevant, Fitch will consider such information as part of the rating process.

Financials

Financial Statements

Summary Financials and Key Ratios

	2022		2021	2020	2019
	USD Mil.	PEN Mil.	PEN Mil.	PEN Mil.	PEN Mil.
(Years Ended as of Dec. 31)	Audited — Unqualified	Audited — Unqualified	Audited — Unqualified	Audited — Unqualified	Audited — Unqualified
Summary Income Statement					
Net Interest and Dividend Income	**1,211.0**	**4,613.3**	**3,601.9**	**3,244.2**	**3,421.6**
Net Fees and Commissions	235.0	893.4	873.4	811.5	812.8
Other Operating Income	163.0	620.4	709.1	659.7	692.9
Total Operating Income	**1,609.0**	**6,127.1**	**5,184.4**	**4,715.4**	**4,927.3**
Operating Costs	651.0	2,480.8	2,168.7	2,056.0	1,952.2
Pre-Impairment Operating Profit	957.0	3,646.3	3,015.7	2,659.4	2,975.1
Loan and Other Impairment Charges	258.0	984.6	752.7	1,751.2	757.9
Operating Profit	699.0	2,661.7	2,263.0	908.2	2,217.2
Other Non-Operating Items (Net)	4.0	14.0	−10.8	−20.8	22.1
Tax	198.0	753.9	691.7	239.2	630.2
Net Income	**505.0**	**1,921.8**	**1,560.5**	**648.2**	**1,609.1**
Other Comprehensive Income	−15.0	−58.4	−151.9	96.3	30.8
Fitch Comprehensive Income	**489.0**	**1,863.4**	**1,408.6**	**744.5**	**1,639.9**
Summary Balance Sheet					
Assets					
Gross Loans	**19,371.0**	**73,784.9**	**75,091.8**	**71,012.9**	**59,305.3**
– of which Impaired	717.0	2,730.0	2,463.0	2,151.5	1,666.5
Loan Loss Allowances	1,224.0	4,662.5	4,658.2	4,419.1	2,907.0
Net Loans	**18,147.0**	**69,122.4**	**70,433.6**	**66,593.8**	**56,398.3**
Interbank	972.0	3,703.0	712.1	5,498.9	3,782.8
Derivatives	355.0	1,353.3	1,843.5	1,001.9	572.3
Other Securities and Earning Assets	3,046.0	11,603.9	9,773.6	11,426.0	6,655.5
Total Earning Assets	**22,521.0**	**85,782.6**	**82,762.8**	**84,520.6**	**67,408.9**
Cash and Due from Banks	2,216.0	8,442.0	15,582.9	19,593.0	11,184.0
Other Assets	1,003.0	3,820.8	3,150.1	3,223.7	3,186.0
Total Assets	**25,740.0**	**98,045.4**	**101,495.8**	**107,337.3**	**81,778.9**
Liabilities					
Customer Deposits	**17,280.0**	**65,818.3**	**63,013.2**	**70,737.7**	**54,556.5**
Interbank and Other Short-Term Funding	3,042.0	11,588.3	17,282.1	16,948.9	5,760.7
Other Long-Term Funding	1,060.0	4,036.9	6,850.3	6,836.1	9,216.8
Trading Liabilities and Derivatives	354.0	1,349.5	1,607.1	891.0	510.7
Total Funding and Derivatives	**21,736.0**	**82,793.0**	**88,752.7**	**95,413.7**	**70,044.7**
Other Liabilities	1,050.0	3,999.0	2,574.4	2,561.7	2,553.7
Total Equity	2,954.0	11,253.4	10,168.7	9,361.9	9,180.5
Total Liabilities and Equity	**25,740.0**	**98,045.4**	**101,495.8**	**107,337.3**	**81,778.9**
Exchange Rate	—	USD1 = PEN3.809	USD1 = PEN3.9849	USD1 = PEN3.62	USD1 = PEN3.312

PEN – Peruvian sol.
Source: Fitch Ratings, Fitch Solutions, BBVA Peru

Key Ratios

Summary Financials and Key Ratios

(%, Years Ended as of Dec. 31)	2022	2021	2020	2019
Ratios (Annualized as Appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	2.9	2.7	1.2	2.9
Net Interest Income/Average Earning Assets	5.3	4.3	4.3	5.4
Noninterest Expense/Gross Revenue	40.5	41.9	43.6	39.7
Net Income/Average Equity	18.4	16.4	7.0	18.9
Asset Quality				
Impaired Loans Ratio	3.7	3.3	3.0	2.8
Growth in Gross Loans	−1.7	5.7	19.7	8.5
Loan Loss Allowances/Impaired Loans	170.8	189.1	205.4	174.4
Loan Impairment Charges/Average Gross Loans	1.3	1.0	2.7	1.3
Capitalization				
Common Equity Tier 1 Ratio	12.5	10.3	10.8	10.4
Fitch Core Capital Ratio	12.3	12.1	12.0	11.8
Tangible Common Equity/Tangible Assets	11.1	9.7	8.5	10.9
Net Impaired Loans/Common Equity Tier 1	N.A.	N.A.	−27.1	N.A.
Net Impaired Loans/Fitch Core Capital	−17.8	−22.3	−25.0	−14.0
Funding and Liquidity				
Gross Loans/Customer Deposits	112.1	119.2	100.4	108.7
Customer Deposits/Total Non-Equity Funding	80.8	72.3	74.8	78.5

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

Support Assessment

Shareholder Support	
Shareholder IDR	BBB+
Total Adjustments (notches)	-1
Shareholder Support Rating	bbb
Shareholder ability to support	
Shareholder Rating	BBB+/ Stable
Shareholder regulation	1 Notch
Relative size	Equalised
Country risks	Equalised
Shareholder propensity to support	
Role in group	1 Notch
Reputational risk	1 Notch
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

Environmental, Social and Governance Considerations

FitchRatings **Banco BBVA Peru**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Banco BBVA Peru has 5 ESG potential rating drivers

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

Social (S)

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

Governance (G)

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

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

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

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

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

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

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

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

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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