FitchRatings

Banks
Retail & Consumer Banks
Brazil

BRB — Banco de Brasilia S.A.

Ratings

Foreign Currency	
Long-Term IDR	BB–
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB–
Short-Term IDR	B
Viability Rating	bb–
Support Rating	4
National	
National Long-Term Rating	A+(bra)
National Short-Term Rating	F1(bra)
Sovereign Risk	
Long-Term Foreign-Currency IDR	BB–
Long-Term Local-Currency IDR	BB–
Country Ceiling	BB

Outlooks

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

Applicable Criteria

National Scale Rating Criteria (December 2020)

Bank Rating Criteria (February 2020)

Related Research

Fitch Ratings Takes Actions on Four Commercial Banks Controlled by Brazilian Subnationals (September 2021)

Fitch Revises Banco de Brasilia S.A.'s LT National Rating Outlook to Stable; Affirms IDRs at 'BB–' (August 2021)

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Key Rating Drivers

Outlook Revision: On Aug. 31, 2021, Fitch Ratings revised BRB — Banco de Brasilia S.A.'s (BRB) LT National Rating Outlook to Stable reflecting the fact that the bank's performance over the last few quarters has been better than expected, reducing the likelihood of the downside scenario contemplated when Fitch assigned the Negative Outlook in April 2020. The bank has maintained adequate asset quality and sound profitability ratios, which gives Fitch greater confidence that its financial profile will remain consistent with its current national rating over the next two years. The Negative Outlook on the Issuer Default Ratings (IDR) mirrors the sovereign's Outlook, as BRB's IDRs are at the same level of Brazil's ratings.

Strong Client Growth: The bank is investing in its digital platform with the objective of expanding its operations to other Brazilian states, which would strengthen and diversify its revenues sources. During 1H21 the bank posted 1 million new digital accounts, increasing its customer base by 175.2% in one year. Although the digital strategy may initially pressure BRB's results due to the increase in expenses, Fitch's long-term view is that the strategy should expand the bank's franchise, bringing scale gains and cross-selling opportunities.

Adequate Asset Quality: BRB's asset quality ratios are good, reflecting its focus on secured lending. As of June 2021, payroll deductible loans and mortgages made up 48.6% and 18.5% of gross loans, respectively. Both portfolios present low credit risk due to the robustness of the type of guarantee. During the same period, NPLs stood at a comfortable 1.5% of gross loans, down from 1.6% a year earlier. Loans classified in the 'D–H' range also fell to 3.9% at June 2021 from 5.0% at June 2020.

Above-the-Peers Profitability: The bank maintained solid profitability, with operating profit at 5.0% of risk-weighted assets (RWAs) at June 2021 compared with a 4.5% average among peers. In Fitch's view even with the increase of expenses related to development of the digital platform, BRB's profitability will remain above peers and in line with its current rating category.

Comfortable Capitalization: BRB's capitalization is adequate, and its common equity Tier 1 (CET1) stood at 12.7% at end 2Q21, slightly below its peer average of 14.3%. This reduction is the result of strong 29.1% growth in RWA yoy, due mainly to the high appetite of the market for payroll loans and mortgages. The bank is planning to carry out a follow-on offering in the upcoming months, which will support its growth strategy.

Rating Sensitivities

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

- A downgrade of Brazil's sovereign rating, due to the constraint of the sovereign ratings on the bank's long-term IDRs and Viability Rating (VR).
- A sustained decline in the operating profit/RWA ratio below 2.5%.
- A sustained deterioration in the bank's CET1 ratio below 11%.

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

- A sustained recovery in the macroeconomic environment, including a reduction of vulnerabilities in the Brazilian economy that could underpin an IDR's Outlook revision to Stable.
- Although unlikely, an upgrade of the sovereign.
- BRB's foreign currency IDRs have a Negative Outlook, which makes an upgrade in the near future highly unlikely.

National Ratings

- Changes in BRB's credit profile relative to its Brazilian peers could result in changes to its national ratings.

Support Rating

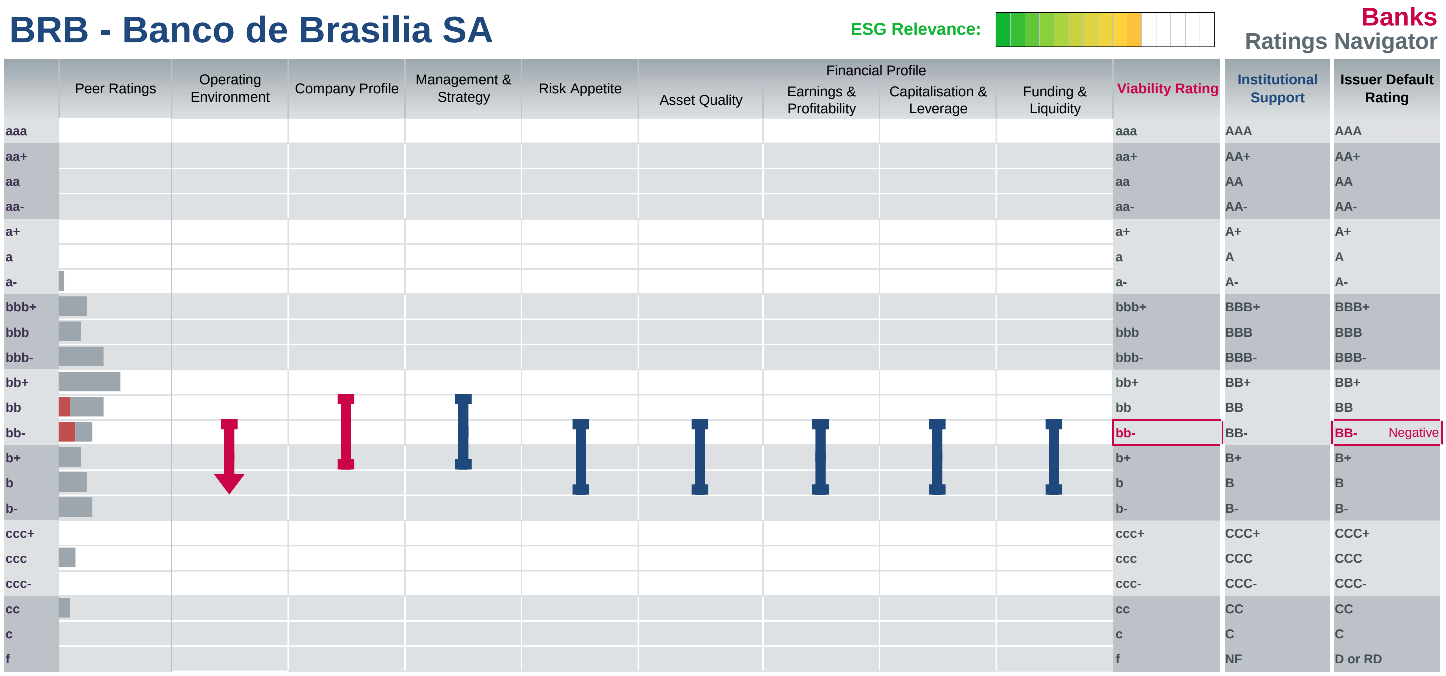
- Material changes in Fitch's assessment of Brazil's Federal District Government (Governo do Distrito Federal [GDF]) ability and willingness to provide support to BRB could affect the Support Rating of the bank.

Issuer Ratings (Including Main Issuing Entities)

Rating Level	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–
Support Rating	4
National Long-Term Rating	A+(bra)
National Short-Term Rating	F1(bra)
IDRs Outlook	Negative
National Long-Term Rating Outlook	Stable

Source: Fitch Ratings.

Ratings Navigator



Operating Environment

Ravaged by the coronavirus pandemic, Brazil recorded the world's second-highest number of deaths. After a slow start, Brazil's vaccination program has accelerated in recent weeks, and authorities expect the most vulnerable population, including individuals over 60 years of age, to be vaccinated by end 2Q21. A substantial portion of the whole population should follow by YE 2021. However, delays in vaccine shipments from abroad and lower inputs for domestic production could cause this timeline to slip.

After a 4.1% contraction in 2020 (BB median: –4.4%), Fitch forecasts real GDP growth to reach 3.3% in 2021 before slowing to 2.5% in 2022. The favorable statistical carryover effect and other external factors, including a rebound in China and higher commodity prices, should support growth in 2021. Nevertheless, the rebound is still tepid after a deep recession. Fiscal and monetary policy support applied in 2020 is being scaled back. The pandemic poses further downside risks as states lift social distancing restrictions amid a possible delay in vaccinations. Fiscal, political and reform uncertainties that lead to a loss in confidence in the trajectory of fiscal accounts could undermine the recovery. The 2022 election could also weigh on investment and growth.

Brazil's medium-term growth prospects remain weak and there is considerable uncertainty related to the degree of the pandemic's lasting impact. While the government's job-support programs protected many jobs, the unemployment rate jumped to over 14% as labor participation rates increased again after a decline in 2020.

Asset Quality and Earnings Remain Under Pressure in 2021

The asset quality and earnings of banks remain under pressure in 2021 given the prevailing environment, but we expect capitalization and leverage to remain stable. Funding and liquidity will continue to be strengths, underpinned by strong company profiles. Asset quality was stable over the last four quarters due to a combination of regulatory flexibility and relief measures offered by banks, with Brazilian Central Bank data indicating the sector's NPL ratio at 3% at March 31, 2021. However, we expect asset quality will continue to deteriorate moderately in 2021 due to the unwinding of debt relief measures, rising unemployment and business closures.

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

Credit losses surged in 1H20 due to conservative provisioning in response to the pandemic, but banks were able to absorb this through solid pre-impairment operating profit. We expect profitability of banks to recover in 2021 as the pace of provisioning is likely to slow. A recovery in performance metrics to pre-pandemic levels will not occur before 2022, as the slow economic recovery will stifle revenue generation.

Company Profile

Franchise

BRB is one of the five subnational government-owned banks in Brazil. It operates mainly in the Federal District (Distrito Federal [DF]), where it retains a stable and good-quality client base. The institution operates 123 branches and 157 bank correspondents.

The bank is the main financial agent of the GDF and is responsible for processing state employee salary and benefit payments, and tax collection. The salaries of all state employees pass through BRB, which gives the bank a significant advantage in retail lending operations.

BRB has a solid franchise at the state level, but the two largest state-owned banks in Brazil, Banco do Brasil S.A. and Caixa Econômica Federal, are its main competitors. At a national level, BRB is a medium-sized bank with a relatively low market share of less than 1% of the national financial system's (sistema financeiro nacional [SFN]) total assets. Notably, however, in 2020 BRB launched a digital platform in partnership with Flamengo, one of Brazil's biggest football teams. The aim of the launch is to expand operations to other Brazilian states to strengthen and diversify revenue sources.

Business Model

BRB is a traditional commercial bank with a stable business model and virtually no reliance on volatile businesses, but still with geographical concentration in the DF. The bank mostly lends to individuals, with a particular focus on payroll deductible loans and mortgage (48% and 18% of gross loans, respectively at June 2021). BRB enjoys the right to provide payroll services (including payroll deductible lending) to the state's civil servants without any cost or fees paid to GDF, unlike in some other subnational governments.

The growth of the digital platform has the potential to diversify revenues, expand credit card operations, and reduce the bank's regional concentration.

Organizational Structure

BRB's organizational structure is clear, and there is high visibility into the bank's main subsidiaries. BRB has been listed on the Brazilian stock exchange since 1993.

At June 2021, GDF held 80.33% of the bank's total shares, the social security institute of GDF's employees held 16.52%, and remaining shares were in free-float.

The bank is planning to carry out a follow-on offering in the coming months, which in Fitch's opinion will support its growth strategy, considering the increase of its capitalization ratios. Also, the institution is planning some changes in its organizational structure, to make it clear and allow new partnerships.

Management and Strategy

Management Quality

BRB's management has an adequate degree of depth and experience. However, similar to other state-owned entities, BRB's management is affected by changes in the federal government. The majority of BRB's executive directors have been appointed in 2019 under the new administration of Governor Ibaneis Rocha. The bank's CEO, Paulo Henrique Bezerra Rodrigues Costa, took office on Jan. 31, 2019 and has ample experience and a long track record in the Brazilian banking sector.

Executive directors are nominated and elected by the board of directors, and, according to the bank's bylaws, at least half of them need to be existing employees of the bank prior to their appointment. All of BRB's management appointments comply with the state-owned enterprise law, which establishes eligibility criteria for the members of executive management, including requirements regarding their academic and professional backgrounds.

In 2020, there were some changes in BRB's board of directors and executive officers (such as the departure of the chairman), but they did not significantly alter BRB's strategic objectives.

Corporate Governance

On June 2019, Fitch placed BRB's IDRs, national ratings and VR on Negative Watch because the bank had not published its audited financial statements for YE 2018, as a consequence of the forensic audit started in April 2019 by PricewaterhouseCoopers (PwC), to investigate potential irregularities that could have taken place during BRB's previous administration.

The new management team took measures to enhance BRB's corporate governance, risk management and internal controls. The forensic audit was a part of these initiatives.

On March 2020, PwC concluded its investigation and found no problems in the bank. With the release of BRB's financial statements and the withdrawal of the qualified opinion by Ernst & Young, Fitch removed the Negative Rating Watch on BRB's Ratings.

The bank changed its bylaws to make it more robust with respect to corporate governance policies, including introducing a requirement to add an independent member to the board of directors. Overall, Fitch believes that BRB could be subject to political interference from its majority shareholder, similar to other state-owned entities. Although also Fitch believes the bank generally operates independently.

Strategic Objectives

BRB's plays an important role in the region as a relevant lender and depository, and its strategic objectives are aligned with GDF's economic policies. The bank's strategy has remained broadly consistent over the years, particularly in the retail segment, with a focus on payroll loans. Under the new management, strategic objectives have been revisited and are grouped under three pillars.

Individuals: The bank aims to be a one-stop shop for its clients and offer all banking services with a focus on payroll deductible loans and mortgages, as well as investments and insurance. In 2020 the bank made a partnership with Flamengo (one of the major football teams in Brazil) creating a digital bank, with the aim to expand its services across the country. This strategic partnership between BRB and Flamengo provides banking, investment and payment products, in addition to a digital marketplace for products and services.

Companies: BRB's focus on SMEs will intensify, prioritizing clients in DF in the short term, and diversify away to neighboring regions in four to five years.

Public Sector: BRB's new management believes there are significant opportunities to be explored in the DF public sector for fee-generation business, such as advisory services in M&As and privatizations.

Execution

BRB generally meets most business and financial objectives, and even with the challenging economic scenario during 2020 the bank was able to maintain sound performance with good asset quality ratios and profitability. The bank increased its loan portfolio by 47.4%, and even with the reduction in securities revenues and the 50% increase in provision expenses due to the pandemic, BRB's net profit grew 10.5%. Its asset quality, capitalization and liquidity ratios also remained at adequate levels. In the same period, just 13.3% of BRB's credit portfolio was renegotiated.

Good economic performance was maintained in 1H21, even with the increase of the expenses related with the investments in the digital platform.

Risk Appetite

Underwriting Standards

BRB's underwriting standards are broadly in line with its peers that have similar business models. The relatively high concentration of the loan book in secured retail lending is supportive of the bank's asset quality.

Payroll deductible loans and mortgages made up 48% and 18% of gross loans, respectively, as of June 2021. About 90% of payroll deductible loans are for public-sector employees of GDF, which carry lower credit risk than those for private-sector employees. The highly diversified loan book is another positive factor, as top 10 and 50 borrowers made up only 2.9% and 3.9% of gross loans, respectively, as of June 2021. In lending to companies, BRB overhauled all its underwriting standards and rating and reserving models entirely, following the significant rise in impairment in this book in 2016. The new model has been in place since the beginning of 2018 and is more robust than the previous model.

Risk Controls

BRB's new management reviewed the bank's risk controls with the aim of making them more adequate for expected future growth. Risk limits and utilizations are monitored on a regular basis. The bank has several committees to address all risks related to its activities, such as credit, market, liquidity, capital and operations, among others.

At June 2021 operational risk assets made up 6.1% of total RWAs, which is comparable with the average of the bank's peers whose business models are dominated by retail operations.

Growth

BRB's gross loan growth has recovered since 2018 and reached 22.4% in 2019, 47.0% in 2020 and 15.5% at 1H21. This high growth over the last few years was basically due to market opportunities (undertaken without compromising the bank's underwriting standards). Both Asset-quality and capitalization ratios remained adequate and Fitch believes that this increase in the credit portfolio will continue because the bank is sustainably expanding its digital operations.

Notably, in addition to the increase of payroll and mortgage loans in 2020, the bank grew its corporate portfolio as a result of its public mission to support the DF economy during the pandemic.

Market Risk

Market risk at BRB is very low, as the bank does not actively engage in trading activities. The bulk of its securities exposure is mainly to government securities. At June 2021, market risk assets made up a very low 0.07% of total RWAs. BRB uses value at risk (VaR), sensitivity analysis, stress tests and back-testing to monitor its market risk. The VaR (99% confidence level for a one-day horizon) of the trading book remained very low this year.

Summary Financials and Key Ratios

	2020 Audited — Unqualified (Emphasis of Matter)		Audited — Unqualified (Emphasis of Matter)			Audited — Report Not Seen
(BRL Mil., Year End as of Dec. 31)	(USD Mil.)		2019	2018	2017	2016
Summary Income Statement						
Net Interest and Dividend Income	433	2,239.6	1,989.5	1,882.4	1,849.9	1,759.2
Net Fees and Commissions	104	537.0	421.8	368.8	342.9	342.0
Other Operating Income	(41)	(214.6)	(120.8)	(128.3)	(89.2)	(78.2)
Total Operating Income	495	2,562.0	2,290.5	2,122.9	2,103.6	2,023.0
Operating Costs	341	1,763.4	1,616.2	1,512.6	1,499.4	1,518.4
Pre-Impairment Operating Profit	154	798.6	674.3	610.3	604.2	504.6
Loan and Other Impairment Charges	13	65.4	36.4	111.8	152.2	310.3
Operating Profit	142	733.2	637.9	498.5	452.0	194.3
Other Non-Operating Items (Net)	0	0.6	(2.9)	(26.5)	(3.4)	106.0
Tax	48	247.1	184.8	206.5	165.2	74.8
Net Income	94	486.7	450.2	265.5	283.4	225.5
Other Comprehensive Income	(8)	(43.7)	0.0	N.A.	2.0	1.3
Fitch Comprehensive Income	86	443.0	450.2	265.5	285.4	226.8
Summary Balance Sheet						
Assets						
Gross Loans	3,127	16,178.1	11,001.4	8,983.3	9,057.2	9,812.9
- of Which impaired	133	686.9	568.2	689.3	728.8	838.2
Loan Loss Allowances	88	457.6	394.2	441.7	423.4	501.1
Net Loan	3,039	15,720.5	10,607.2	8,541.6	8,633.8	9,311.8
Interbank	189	975.8	626.7	847.8	910.9	600.8
Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Securities and Earning Assets	1,250	6,469.2	3,822.0	3,869.1	2,562.3	1,828.7
Total Earning Assets	4,478	23,165.5	15,055.9	13,258.5	12,107.0	11,741.3
Cash and Due From Banks	43	220.7	140.2	129.4	188.6	178.8
Other Assets	384	1,988.2	1,825.1	1,837.1	1,824.9	1,644.2
Total Assets	4,905	25,374.4	17,021.2	15,225.0	14,120.5	13,564.3
Liabilities						
Customer Deposits	3,034	15,694.2	11,672.2	10,271.2	9,131.8	8,371.0
Interbank and Other Short-Term Funding	254	1,311.6	467.6	693.5	951.6	1,372.1
Other Long-Term Funding	694	3,591.4	810.2	853.4	889.8	897.9
Trading Liabilities and Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Funding	3,981	20,597.2	12,950.0	11,818.1	10,973.2	10,641.0
Other Liabilities	508	2,626.8	2,170.8	1,890.6	1,742.5	1,609.7
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	416	2,150.4	1,900.4	1,516.3	1,404.8	1,313.6
Total Liabilities and Equity	4,905	25,374.4	17,021.2	15,225.0	14,120.5	13,564.3
Exchange Rate		USD1 = BRL5.1734	USD1 = BRL4.0301	USD1 = BRL3.8742	USD1 = BRL3.3074	USD1 = BRL3.2585

N. A. – Not available.
Source: Fitch Ratings.

Summary Financials and Key Ratios

(x, as of Dec, 31)	2020	2019	2018	2017	2016
Ratios (Annualized as Appropriate)					
Profitability					
Operating Profit/Risk-Weighted Assets	5.3	6.2	5.7	5.0	2.0
Net Interest Income/Average Earning Assets	12.4	14.3	14.8	15.8	15.2
Non-Interest Expense/Gross Revenue	68.8	70.6	71.2	71.3	75.1
Net Income/Average Equity	24.0	26.9	17.6	20.8	17.5
Asset Quality					
Impaired Loans Ratio	4.3	5.2	7.7	8.1	8.5
Growth in Gross Loans	47.1	22.5	(0.8)	(7.7)	(1.4)
Loan Loss Allowances/Impaired Loans	66.6	69.4	64.1	58.1	59.8
Loan Impairment Charges/Average Gross Loans	0.5	0.4	1.3	1.6	3.2
Capitalization					
Common Equity Tier 1 Ratio	12.8	14.6	12.2	12.0	11.2
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	N.A.	17.3	15.5	13.4	12.0
Tangible Common Equity/Tangible Assets	7.8	10.5	8.9	8.6	8.6
Basel Leverage Ratio	6.2	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	N.A.	11.6	23.4	28.3	31.2
Net Impaired Loans/Fitch Core Capital	N.A.	9.8	18.4	25.4	29.4
Funding and Liquidity					
Loans/Customer Deposits	103.1	94.3	87.5	99.2	117.2
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Funding	76.2	90.1	86.9	83.2	78.7
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.

N. A. – Not available.
Source: Fitch Ratings.

Key Financial Metrics — Latest Developments

Asset Quality

BRB's asset quality ratios are good, reflecting its focus on secured lending. At June 2021, payroll deductible loans and mortgages made up 48.6% and 18.5% of gross loans, respectively. Both portfolios present low credit risk due to the robustness of the type of guarantee. During the same period, NPLs stood at a comfortable 1.5% of gross loans, down from 1.6% a year earlier. Loans classified in the 'D–H' range also fell to 3.9% at June 2021 from 5.0% at June 2020.

Fitch's base case assessment assumes that asset quality will remain under pressure until at least 2022, but it should remain manageable aided by the bank's proactive risk management and improved economic prospects from 2H21 onward. The small amount of renegotiated loans related to the pandemic at this stage (around 9.8% of total loans) signals that borrower repayment capacity remains adequate so far.

Earnings and Profitability

The bank maintained solid profitability, with operating profit at a high 5.0% of risk-weighted assets (RWAs) at June 2021 (from a 5.4% a year earlier), favored by the increase of net interest income and fees. In Fitch's view, even with the increase of expenses related to development of the digital platform, BRB's profitability will remain above peers and in line with its current rating category.

Efficiency ratios have been stable since 2017, but there is room for improvement as it remains weaker than private commercial banks. The bank's initiatives to improve efficiency, such as investments in digital banking and IT systems, should support profitability in the medium term.

Capitalization and Leverage

BRB's capitalization is adequate, and its CET1 stood at 12.7% at end 2Q21, slightly below its peer average of 14.3%. This reduction is result of the strong growth of 29.1% of RWA yoy, due mainly to the high appetite on the market for payroll loans and mortgages. The bank is planning to carry out a follow-on in the upcoming months, which will support its growth strategy.

Fitch expects capital adequacy ratios to remain broadly stable with profitability offsetting higher RWA growth.

Funding and Liquidity

The bank's funding and liquidity is stable and BRB funds its loan book through a combination of low-cost retail deposits, deposits from related parties (mainly the GDF) and judicial deposits.

The bank's total funding reached BRL21.5 billion, up 47.5% yoy. At June 2021, the loans/customer deposits ratio reached 104,3%.

GDF and a number of companies it controls, in addition to the employee pension fund and the bank's subsidiaries, hold deposits in the bank. As of June 2021, deposits from all these related parties comprised 18% of the funding.

Institutional Support Assessment

Sub-National Government Support			Value
Sub-National Government IDR:			NR
Total Adjustments (notches)			
Sub-National Government Support:			**NR**
Support Factors (negative)	Equalised	1 Notch	2+ Notches
Parent ability to support and subsidiary ability to use support			
Parent/group regulation		✓	
Relative size		✓	
Country risks	✓		
Parent Propensity to Support			
Role in group		✓	
Potential for disposal		✓	
Implication of subsidiary default		✓	
Integration		✓	
Size of ownership stake	✓		
Support track record		✓	
Subsidiary performance and prospects		✓	
Branding		✓	
Legal commitments			✓
Cross-default clauses			✓

BRB's support rating is driven by Fitch's internal opinion of GDF's creditworthiness.

Environmental, Social and Governance Considerations

FitchRatings **BRB - Banco de Brasilia SA**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

BRB - Banco de Brasilia SA has 1 ESG rating driver and 4 ESG potential rating drivers

- BRB - Banco de Brasilia SA has exposure to board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions which, in combination with other factors, impacts the rating.
- BRB - Banco de Brasilia SA 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.
- BRB - Banco de Brasilia SA has exposure to operational implementation of strategy but this has very low impact on the rating.
- BRB - Banco de Brasilia SA has exposure to organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership but this has very low impact on the rating.
- BRB - Banco de Brasilia SA has exposure to quality and frequency of financial reporting and auditing processes but this has very low impact on the rating.

			Overall ESG Scale
key driver	0	issues	5
driver	1	issues	4
potential driver	4	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	Company Profile; Management & Strategy; Risk Appetite; 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	Company Profile; Management & Strategy; Risk Appetite	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
Governance Structure	4	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	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	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.

BRB has an ESG Relevance Score of '4' for Governance Structure due to its ownership by the state, which increases potential political interference risks. This has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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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