

BRB - Banco de Brasilia SA

Key Rating Drivers

Ratings Driven by Shareholder Support: BRB – Banco de Brasilia SA’s Issuer Default Ratings (IDRs) are driven by support from its majority shareholder, the Government of Federal District (GFD), as highlighted in BRB’s Shareholder Support Rating (SSR) of ‘b’. As per Fitch Ratings’ criteria’s “higher of” approach, the strength of its support assessment is stronger than BRB’s standalone profile, as reflected by its Viability Rating (VR) of ‘b’.

Moderate Probability of Support: The SSR reflects Fitch’s view of moderate probability of support from GFD, combining its moderate propensity to support BRB and limited ability to do so. BRB is strategically important to GFD, as it is the local government’s main financial agent and has a meaningful share in the Federal District’s loans and deposits.

Capital, Earnings Constrain VR: In June 2023, Fitch downgraded BRB’s VR and placed it on Rating Watch Negative, highlighting further weakening in the bank’s core capitalization and earnings following the announcement of its 1Q23 financial statements, as well as uncertainty about the sufficiency and timeliness of core capital strengthening measures.

Strong Regional Franchise: BRB focuses on payrolls, SME lending, residential mortgages and a growing unsecured portfolio. BRB’s overall business profile benefits from the bank’s solid regional franchise in its home region, which is particularly strong in secured payroll lending, which supports business volumes and contributes to the bank’s overall risk profile.

Core Earnings Pressured: Net earnings since 2021 has been largely supported by nonrecurring gains, while BRB’s core profitability has been more variable and influenced by a low-yielding loan book and the impact of higher interest rates on funding costs. In 1Q23, BRB reported net earnings of BRL74.5 million, including extraordinary gains of BRL75.8 million related to a reorganization in the ownership structure of its credit card subsidiary (BRB Card). Operating profit was negative BRL27.6 million.

Tight Core Capital Buffers: Weaker retained earnings, combined with strong balance sheet expansion, led to a decline in BRB’s common equity Tier 1 (CET1) ratio to 7.6% at March 31, 2023 from 12.7% at YE 2021. Management continues to prioritize remediation measures that should help stabilize capitalization and earnings, but Fitch believes the trend in BRB’s core capitalization and earnings will take longer to reverse than previously expected.

Adequate Asset Quality: Despite a slight deterioration in delinquency ratios in 1H22, asset-quality pressures remain well-contained, benefiting from BRB’s large well-performing secured payroll loans book. The impaired ratio of 3.3% in 1Q23 compares well with peers’. Loan loss allowances/impaired loans was 66.8% at March 31, 2023, which we view as adequate in light of its loan mix.

Stable Funding and Liquidity: Funding and liquidity remains stable, as reliance on institutional depositors is modest and BRB benefits from a stable and diversified customer base. The bank funds its loan book through low-cost retail deposits, with 27% of deposits as of 1Q23; deposits from GFD at 10%; judicial deposits at 38%; and 18% from corporates/institutions. The remaining 7% comes from other public and financial institutions. Liquidity is adequate against short-term maturities.

National Ratings: BRB’s National Ratings are notched from Fitch’s view of GFD’s creditworthiness on the national scale. Fitch believes the bank’s national scale rating better reflects its creditworthiness relative to its supporting entity.

Ratings

Foreign Currency

Long-Term IDR	B
Short-Term IDR	B

Local Currency

Long-Term IDR	B
Short-Term IDR	B

Viability Rating	b
Shareholder Support Rating	b

National Rating

National Long-Term Rating	A-
National Short-Term Rating	F1

Sovereign Risk (Brazil)

Long-Term Foreign Currency IDR	BB-
Long-Term Local Currency IDR	BB-
Country Ceiling	BB

Outlooks

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

Applicable Criteria

[Bank Rating Criteria \(September 2022\)](#)

[National Scale Rating Criteria \(December 2020\)](#)

Related Research

[Fitch Downgrades BRB’s L-T IDRs to ‘B’/Stable; Places VR Rating on Negative Watch \(June 2022\)](#)

Analysts

Nicole Lazari
+55 11 4504-2211
nicole.lazari@fitchratings.com

Raphael Nascimento
+55 11 3957-3680
raphael.nascimento@fitchratings.com

Rating Sensitivities

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

IDRs, National Ratings and SSR

- Material negative changes in Fitch's assessment of GFD's ability and willingness to provide support to BRB;
- If the VR were to be downgraded further, then the downside on the IDRs would be limited to the level indicated by the bank's SSR, given potential support from GFD.

VR

- If BRB fails to restore its CET1 ratio above 9% over the next two quarters, either due to larger than expected operating losses or a material increase in risk-weighted assets (RWAs), then the VR would be downgraded. A weakening of asset quality ratios, stemming from BRB's credit expansion plans for unsecured lending, would also put negative pressure on the ratings.

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

IDRs, National Ratings and SSR

- Positive changes in Fitch's assessment of GFD's ability and willingness to provide support to BRB.

VR

- An upgrade of VR ratings is unlikely in the near term, given the Rating Watch Negative.
- A replenishment of BRB's CET1 capital buffer to levels moderately above requirements, including the capital conservation buffer, coupled with stabilization or contained deterioration of operating profit metrics would support the VR to be removed from Rating Watch Negative.
- If BRB is able to withstand rating pressure on its standalone profile, upside to the VR would be limited and a Stable Outlook would be contingent on its ability to demonstrate a recurring positive trend in operating profitability metrics, coupled with strengthening CET1 ratios, as an indication of the consolidation and success of the ongoing digital expansion strategy and healthier capital structure.

Ratings Navigator

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

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

BRB's 'b' VR has been assigned below the implied 'b+' VR due to a negative adjustment for the "weakest link" financial profile Key Rating Driver: Capitalization and Leverage.

The Earnings and Profitability midpoint of 'b' is set below the implied score of 'bb', based on an adjustment of historical and future metrics.

The Asset Quality midpoint of 'b+' is set below the implied score of 'bb', based on an adjustment of underwriting standards and growth.

Company Summary and Key Qualitative Factors

Business Profile

BRB is a medium-sized bank with total assets of BRL42.9 billion at March 21, 2023. Although small in national terms, with a less than 1% market share, BRB is one of the five subnational commercial government-owned banks in Brazil and operates mainly in the Federal District, where it has adequate critical mass that supports client relationships to bolster business volume growth and a stable funding franchise through granular deposits. The bank is the main financial agent of the GFD and is responsible for processing state employee salaries, benefit payments and tax collection. The salaries of all state employees pass through BRB, which gives the bank competitive advantages in terms of client access through the right to provide payroll services, including payroll deductible lending.

BRB's business model is skewed toward consumer lending, mainly payroll lending, as well as residential mortgage loans, combining to 70% of lending assets at March 31, 2023. The bank intends to become increasingly diversified and has undergone an extensive restructuring agenda, which included the launch of a digital bank, geographical expansion, as well as undertaking several partnerships to lever fee businesses. Although this has supported incremental revenue generation, higher expansion costs, exacerbated by Brazil's worse than expected economic performance and higher interest rates, has been a drag to BRB's core earnings over the past two years and negatively affects our assessment

of the bank's business profile. Fitch recently revised the Outlook on BRB's business profile assessment of 'bb-' to Negative from Stable to reflect downside risks for the bank's franchise from the expansion plan and its more limited ability to write new business.

BRB has been listed on the Brazilian stock exchange since 1993. GFD holds 71.90% of the bank's total shares, the social security institute of GFD's employees holds 16.52%, the foundation of BRB employees 9.50%, with the remaining shares in free float.

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

Risk Profile

Over the last three years, BRB posted a higher than average portfolio growth, which included its digital expansion and growth of unsecured loans. As of March 31, 2023, the yoy loan portfolio growth was 38.8%, following a 40.0% growth at YE 2022. Unsecured lending represents a low portion of the portfolio and hasn't pressured asset quality metrics. The increase in BRB's risk appetite, including the acceleration of its growth strategy in unsecured lending without a commensurate rise in risk buffers, led to a revision in the bank's risk profile assessment, to 'b'/Stable from 'b+' /Stable.

Underwriting standards are broadly in line with those of peers that have similar business models. The loan book's relatively high concentration in secured retail lending of 68% at March 31, 2023 supports the bank's asset quality. In addition, about 90% of payroll deductible loans are for public-sector employees of GFD, which carry lower credit risk than those of private-sector employees. For investment/nonlending assets, guidelines and standards are low risk, both in composition and concentration.

BRB's market risk corresponded to a low 0.1% of RWAs at March 31, 2023, as the bank does not actively engage in trading activities, and 99% of its portfolio consists of government securities. Operational risk represented 6.5% of RWA, in line with peers. Available for sale securities are 97.5% of BRB's securities portfolio, followed by 1.8% of held to maturity and 0.7% trading securities. BRB uses value at risk, sensitivity analysis, stress tests and back-testing to monitor market risk.

Financial Profile

Asset Quality

Asset quality ratios are adequate, reflecting a focus on secured lending. However, the bank's long-term trend was affected in recent years by growth of its digital bank, which focuses on unsecured lending products. Loans made by secured lending, mortgages and payroll lending represented 70% of the portfolio at March 31, 2023, which provides the bank with good asset quality. Impaired loans, classified as 'D-H', stood at 3.3%, as of March 31, 2023, from 3.5% at YE 2022 and 5.8% in 1Q22. NPLs stood at 2.0% of gross loans at March 31, 2023, down from 2.1% in 4Q22 and 3.1% a year earlier.

Coverage ratio remains adequate, with loan loss allowances/impaired loans at 66.8% at March 31, 2023, from 69.1% at YE 2022, which we view as adequate. In addition, unreserved impaired loans (impaired loans net of reserves) were 13.4% of equity at 1Q23, up from 12.8% in YE 2022, which is an adequate level. Fitch's assessment assumes asset quality will remain slightly under pressure in 2023 but should remain manageable, aided by the bank's proactive risk management.

Earnings and Profitability

BRB's operating profitability has been affected in recent years by material costs from its digital expansion strategy, high loan impairment charges and margin pressures from interest-sensitive payroll and mortgage lending businesses. The bank's operating profit-to RWAs ratio was negative 0.5% at March 31, 2023, from 0.8% at YE 2022. Although bottom-line profitability performed better, with ROAE of 11.6% in 1Q23 compared with 13.6% at YE 2022 and 11.6% in 1Q22, it was largely supported by nonrecurring events linked to equity and fixed-asset divestments. As a result, the bank's efficiency ratio was 86.7% at March 31, 2023, up from 85.0% at YE 2022.

As high domestic interest rates pressure the bank's margins, especially in payroll and mortgage loans, BRB has yet to demonstrate its ability to improve structural earnings and how it will implement its business expansion plan. Fitch recently revised the assessment of BRB's earnings and profitability to 'b'/Negative, from 'b+' /Stable.

Capital and Leverage

BRB has reported continuing deterioration in capitalization metrics in recent years, due to balance sheet expansion, weaker internal capital generation and high dividend payouts. As of March 31, 2023, BRB's CET1 ratio was 7.6%, close

to the regulatory minimum of 7.0% and down from 7.8% at YE 2022 and 12.7% at YE 2021. Additionally, the bank reported Tier 1 capital of 9.2% and regulatory capital of 14.9%, up from 9.1% and 14.8%, respectively, at YE 2022. In our view, current capitalization levels limit the bank's capacity to sustain its growth trajectory and also reduce its capacity to absorb negative events.

Management continues to prioritize remediation actions through RWA optimization, asset sales and operational agreements with some affiliates. In 2Q23, management expects an additional BRL163 million gain related to transferring the ownership of BRB Card. Although this could help to stabilize pressure on its earnings and capitalization in the near term, the bank's VR would be pressured if it cannot sustain a CET1 ratio above 9%, considering our weaker outlook for BRB's 2023 profitability. An increase in the BRB group's risk appetite, including an acceleration of its growth strategy in unsecured lending without a commensurate increase in risk buffers, could further pressure the bank's capitalization and leverage.

Fitch recently revised the capitalization and leverage score to 'b-/Negative' from 'b'/Stable' to reflect expectations that the declining CET1 ratio trend should continue in the near future.

Funding and Liquidity

BRB's funding structure benefits from a stable and diversified customer base. The bank funds its loan book through low-cost retail deposits, at 27% of deposits as of 1Q23; deposits from GFD at 10%; judicial deposits at 38%; and corporates/institutions at 18%. The remaining 7% comes from other public and financial institutions. BRB's total funding reached BRL36.8 billion at March 31, 2023, up 13.0% yoy, driven by judicial deposit growth of 24.5% and agribusiness/mortgage letters of credit growth of 38.5%. Customer deposits made up around 70% of total funding at March 31, 2023, underpinning a loans/customer deposits ratio of 121%.

The bank has adequate liquidity buffers, with liquid assets covering 22% of total funding, with sizable deposits as its main funding source and lack of structural refinancing wholesale funding needs. Liquid assets correspond to 19% of assets and 23% of deposits. Around 25% of BRB's total funding matures in less than one year, and another 18% in one to three years. Fitch considers BRB's liquidity to be sound and adequate against short-term maturities.

Financial Statements

Summary Financials

	Three Months – First Quarter 3/31/23		2022	2021	2020	2019
	USD Mil. Reviewed – Unqualified (Emphasis of Matter)	BRL Mil. Reviewed – Unqualified (Emphasis of Matter)	BRL Mil. Audited – Unqualified (Emphasis of Matter)			
Summary Income Statement						
Net Interest and Dividend Income	105.96	537.30	2,206.60	2,394.70	2,240.60	1,989.50
Net Fees and Commissions	26.9	136.6	488.8	617.8	537	421.8
Other Operating Income	3.5	17.7	-115.2	-263.3	-214.6	-120.8
Total Operating Income	136.38	691.60	2,580.20	2,749.20	2,563.00	2,290.50
Operating Costs	118.28	599.80	2,193.20	2,040.50	1,764.40	1,616.20
Pre-Impairment Operating Profit	19.7	99.9	434.1	708.7	798.6	674.3
Loan and Other Impairment Charges	25.1	127.5	244.5	579.3	65.4	36.4
Operating Profit	-5.4	-27.6	189.6	129.4	733.2	637.9
Other Non-Operating Items (Net)	16.1	81.8	336.4	679.7	0.6	-2.9
Tax	-4.7	-23.7	48.2	140.7	247.1	184.8
Net Income	14.7	74.5	339.4	668.4	486.7	450.2
Other Comprehensive Income	0.6	3.2	35	80.5	-43.7	0
Fitch Comprehensive Income	15.3	77.7	374.4	748.9	443	450.2
Summary Balance Sheet						
Assets						
Gross Loans	6,344.83	32,174.50	30,436.10	21,752.80	16,178.10	11,001.40
- Of Which Impaired	208.15	1,055.50	1,062.80	1,165.50	686.9	568.2
Loan Loss Allowances	139.0	704.9	734.3	919.6	457.6	394.2
Net Loan	6,205.82	31,469.60	29,701.80	20,833.20	15,720.50	10,607.20
Interbank	141.9	719.7	986	786	975.8	626.7
Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Securities and Earning Assets	1,260.70	6,393.00	6,746.60	6,937.80	6,469.20	3,822.00
Total Earning Assets	7,605.53	38,567.50	37,182.70	28,557.00	23,165.50	15,055.90
Cash and Due from Banks	42.5	215.7	266.6	162.1	220.7	140.2
Other Assets	816.23	4,139.10	4,017.90	2,977.30	1,988.20	1,825.10
Total Assets	8,464.30	42,922.30	41,467.20	31,696.40	25,374.40	17,021.20
Liabilities						
Customer Deposits	5,236.07	26,552.00	26,421.50	18,083.00	15,694.20	11,672.20
Interbank and Other Short-Term Funding	389.81	1,976.70	1,728.30	2,287.60	1,311.60	467.6
Other Long-Term Funding	1,640.24	8,317.60	7,389.00	5,215.80	3,591.40	810.2
Trading Liabilities and Derivatives	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Funding and Derivatives	7,266.11	36,846.30	35,538.80	25,586.40	20,597.20	12,950.00
Other Liabilities	679.93	3,447.90	3,360.40	3,508.40	2,626.80	2,170.80
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	518.26	2,628.10	2,568.00	2,601.60	2,150.40	1,900.40
Total Liabilities and Equity	8,464.30	42,922.30	41,467.20	31,696.40	25,374.40	17,021.20
Exchange Rate		USD1 = BRL5.07098	USD1 = BRL5.1439	USD1 = BRL5.69	USD1 = BRL5.17	USD1 = BRL4.03

N.A. - Not applicable
Source: Fitch Ratings

Key Ratios

(%, as of Dec. 31)	3/31/23	2022	2021	2020	2019
Ratios (Annualized as Appropriate)					
Profitability					
Operating Profit/Risk-Weighted Assets	-0.5	0.8	0.6	5.3	6.2
Net Interest Income/Average Earning Assets	5.8	6.43	9.12	12.4	14.3
Non-Interest Expense/Gross Revenue	86.7	85.0	75.2	68.8	70.6
Net Income/Average Equity	11.6	13.7	27.8	24.0	26.9
Asset Quality					
Impaired Loans	3.3	3.5	5.4	4.3	5.2
Growth in Gross Loans	5.7	39.9	34.5	47.1	22.5
Loan Loss Allowances/Impaired Loans	66.8	69.1	78.9	66.6	69.4
Loan Impairment Charges/Average Gross Loans	1.7	0.9	3.1	0.5	0.4
Capitalization					
Common Equity Tier 1	7.6	7.8	12.7	12.8	14.6
Tangible Common Equity/Tangible Assets	5.3	5.4	7.5	7.8	10.5
Funding and Liquidity					
Gross Loans/Customer Deposits	121.2	115.2	120.3	103.1	94.3
Customer Deposits/Total Non-Equity Funding	72.1	74.4	70.7	76.2	90.1

Source: Fitch Ratings

Support Assessment

Shareholder Support

Shareholder IDR	NR
Total Adjustments (notches)	
Shareholder Support Rating	b

Shareholder ability to support

Shareholder Rating	NR
Shareholder regulation	1 Notch
Relative size	1 Notch
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	1 Notch
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 BRB - Banco de Brasília SA Banks Ratings Navigator

Credit-Relevant ESG Derivation

<p>BRB - Banco de Brasília SA has 5 ESG potential rating drivers</p> <ul style="list-style-type: none"> ➔ BRB - Banco de Brasília 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. ➔ Governance is minimally relevant to the rating and is not currently a driver. I > I > I > I > 	key driver	0	issues	5	
	driver	0	issues	4	
	potential driver	5	issues	3	
		4	issues	2	
	not a rating driver	5	issues	1	

Environmental (E)

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

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

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

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

Social (S)

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

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

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

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale	CREDIT-RELEVANT ESG SCALE
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	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.
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	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.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	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.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2 Irrelevant to the entity rating but relevant to the sector.
				1	1 Irrelevant to the entity rating and irrelevant to the sector.

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

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

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

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.