

Skandinaviska Enskilda Banken AB

Key Rating Drivers

Robust Credit Profile: Skandinaviska Enskilda Banken AB's (SEB) ratings reflect its low risk appetite, stable and well-executed strategy, robust asset quality and capitalisation and a supportive operating environment.

Strong Company Profile: SEB has a strong market position in Sweden and the Baltics, as well as established corporate and institutional banking franchises in the other Nordic countries. It has a diverse, stable and resilient business model, which is more geared towards corporate and institutional banking than its Nordic peers. This is visible in SEB's more diversified revenue.

Low Risk Appetite: SEB applies very low-risk, consistent and tested underwriting standards and has moderate appetite for growth. SEB's loan book is dominated by corporates (about 60% share), mainly in the Nordic region, Germany and the UK. Households account for 35% of loans, most of which are in Sweden.

Robust Asset Quality: Fitch Ratings expects SEB's asset quality to remain strong and to compare well with peers'. The bank's cautious lending, its limited exposure to volatile industries and the supportive operating environments in the Nordic and Baltic countries are demonstrated in limited bad debts and credit losses.

Strong Capitalisation: SEB's common equity Tier 1 (CET1) and Basel III leverage ratios (16.4% and 4.5%, at end-September 2019) are strong in light of its low-risk business model and broadly in line with peers'. We expect SEB to maintain its strong capitalisation, particularly due to its wholesale funding reliance and the need to maintain investor confidence.

Strong Profitability: SEB's profitability is strong in an international context, underpinned by stable margins despite low interest rates and solid cost efficiency. Revenue generation is geared towards corporate and institutional banking, with a meaningful share of trading income, which has been stable over time.

Reliance on Wholesale Funding: SEB's funding profile benefits from a stable deposit base and strong access to the wholesale markets. Ample liquidity sufficiently covers short-term refinancing needs. SEB relies less on wholesale funding than its peers given its strong corporate deposit franchise, which has proven to be a reliable source of funding.

Rating Sensitivities

Stable Outlook: The Stable Outlook on SEB's Long-Term Issuer Default Rating (IDR) reflects Fitch's view that SEB will maintain its strong financial metrics, offsetting its limited geographical diversification and its corporate banking focus. An upgrade is unlikely unless it achieves a greater diversification of its business model (dominated by corporate banking) and a stronger geographical franchise outside the Nordic region.

Moderate Downturn Vulnerability: The bank's ratings are likely to be resilient to a moderate deterioration in the operating environment. However, a marked and prolonged weakening in the Swedish economy, which is not Fitch's base case, that materially affects SEB's asset quality, capitalisation and profitability could lead to a downgrade of the bank's ratings.

Investor Sentiment: Pressure on SEB's ratings could also come from an adverse change in investor sentiment materially affecting the bank's access to debt markets. A downgrade could also occur if evidence emerges of extensive failures in anti-money laundering (AML) controls, in particular in its Baltic portfolio. These scenarios are not expected by Fitch.

Ratings

Foreign Currency	
Long-Term IDR	AA-
Short-Term IDR	F1+
Derivative Counterparty Rating	AA-(dcr)

Viability Rating	aa-
Support Rating	5
Support Rating Floor	NF

Sovereign Risk	
Long-Term	AAA
Foreign-Currency IDR	
Long-Term	AAA
Local-Currency IDR	
Country Ceiling	AAA

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

Applicable Criteria

- [Short-Term Ratings Criteria \(May 2019\)](#)
- [Bank Rating Criteria \(October 2018\)](#)

Related Research

- [Skandinaviska Enskilda Banken AB - Ratings Navigator \(November 2019\)](#)
- [Fitch Affirms SEB at 'AA-'; Outlook Stable \(November 2019\)](#)

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Debt Rating Classes

Rating Level	Rating
Senior Preferred	AA-/F1+
Senior Non-Preferred	AA-
Tier 2 subordinated debt	A+
Additional Tier 1 notes	BBB

Source: Fitch Ratings

Senior preferred and non-preferred notes are rated in line with SEB's IDRs. The bank's combined buffer of qualifying junior debt and senior non-preferred debt was about 6% of risk-weighted assets at end-September 2019 (including a bond issued in November 2019). This is insufficient to warrant an uplift of the senior preferred debt rating.

A gradual build-up of a layer of senior non-preferred and qualifying junior debt could result in sufficient protection for senior preferred notes to warrant an uplift of SEB's senior preferred debt rating by one notch above the bank's Long-Term IDR and senior non-preferred debt rating. We expect SEB to gradually replace its senior debt with senior non-preferred debt to meet its expected minimum requirement for own funds and eligible liabilities (MREL).

The ratings on the subordinated debt and hybrid securities issued by SEB are notched down from the bank's Viability Rating (VR). In accordance with Fitch's criteria, subordinated (Tier 2) debt is rated one notch below SEB's VR to reflect the above-average loss severity of this type of debt.

Additional Tier 1 securities are rated five notches below SEB's VR to reflect higher-than-average loss severity risk of these securities (two notches) as well as the high risk of non-performance (an additional three notches).

The ratings on the subordinated debt and other hybrid securities issued by SEB are broadly sensitive to the same considerations that affect its VR. Additional Tier 1 securities are also sensitive to Fitch changing its assessment of their non-performance risk relative to the risk captured in SEB's VR.

On 15 November 2019, Fitch published *Exposure Draft: Bank Rating Criteria*, which included proposals to alter the notching of certain debt securities.

Ratings Navigator – Standalone Assessment

Skandinaviska Enskilda Banken AB



Banks
Ratings Navigator

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Financial Profile		Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
							Earnings & Profitability	Capitalisation & Leverage				
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA- Stable
a+										a+	A+	A+
a										a	A	A
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc+										ccc+	CCC+	CCC+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Significant Changes

Updated Strategy and Business Plan for 2019-2021

The bank has ambitious plans to improve its operational efficiency, digitalisation and balance sheet-light advisory services (such as green energy financing). Sustainability has been one of SEB's key strategic focus. SEB has been a pioneer in this area (notably in green bonds), which demonstrates its high organisation maturity.

SEB expects its cost base to increase by a modest 5% by 2021, due to necessary investments in automation, artificial intelligence, IT and other efficiency improvements. However, the bank aims to keep its core cost base flat at about SEK22 billion (similarly to previous years). SEB targets to generate return on equity above 15% in the long term, which is ambitious but realistic. The bank aims to maintain a prudent 150bp CET1 buffer above regulatory minimum and at least 40% dividend payout ratio. We do not expect SEB to grow excessively outside of Sweden and its core Nordic markets.

Money Laundering Inspections

SEB is subject to several AML inspections in the Baltics and Sweden but AML issues are not a rating driver. The inspections begun in 2019 reflect a broader review of non-resident Baltic operations of Swedish banks following money-laundering allegations against Swedbank AB's Estonian subsidiary. SEB acknowledged that the banking system's ability to manage money laundering risks were not sufficiently effective prior to 2008. The bank emphasised that it should be seen in light of less strict AML European regulations at that time and that its AML processes have since been strengthened. SEB expects Latvia's Financial Supervisory Authority (FSA) to conclude its AML review in 4Q19, while the Swedish FSA should finalise its work in early 2020.

Additional Capital Requirement for Commercial Real Estate

In late November 2019, the Swedish FSA proposed additional Pillar 2 capital requirement for commercial real estate (CRE) exposure. The Swedish FSA estimated that its proposal could increase SEB's minimum total and CET1 capital requirements by about 70bp and 50bp, respectively. This increase is easily manageable for the bank due to its strong internal capital generation.

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

Company Summary and Key Qualitative Assessment Factors

Strong Domestic Universal and Nordic Corporate Franchise

SEB offers a full range of universal banking and financial services in Sweden and the Baltics. Its market shares in Sweden are strong, particularly in the corporate segment. In other Nordic countries, Germany and the UK, the bank's market position is small and it focuses on large corporate and institutional banking. SEB has a leading Nordic franchise in trading, capital markets, foreign exchange and equities. SEB is the second-largest Nordic asset manager.

Stable and Well-Performing Business Model

SEB's operations are more geared towards corporate and institutional banking than its Nordic peers, which reflects its traditionally very strong merchant bank franchise, particularly in Sweden. This is visible in the bank's diversified revenue. SEB's trading activity is higher than some regional peers', but it is customer-driven and well-controlled. About 60% of SEB's pre-tax profit without one-offs in 2018 was sourced from Swedish activity, followed by other Nordic countries (about 22%) and the Baltics (about 13%).

The bank's strong business model is demonstrated in its robust performance through-the-cycle, which we believe will continue. SEB's strong focus on recurring, fee-generating customer-driven relationship business allowed it to cushion pressure from low interest rates.

SEB's management is a rating strength and it comprises experienced and credible bankers. We expect management to continue to deliver strongly on its strategy by focusing on conservative risk-returns and tight underwriting standards.

Low Risk Appetite

SEB has a well-diversified and mostly collateralised loan book. It maintains conservative caps on single-name and risky industry concentrations, such as Baltics, CRE, leveraged finance or shipping. SEB's investment guidelines are prudent as it mainly places its surplus liquidity in highly rated bonds (at least in the 'AA' category). We expect the bank's credit expansion to remain moderate in mid-single digits (excluding exchange-rate effects).

SEB's strong focus on corporates should be seen in light of its tight relationships with low-risk and well-established Nordic blue chips. The bank's single-name concentration is moderate.

Household lending (35% of loans at end-September 2019) is dominated by residential mortgage loans, of which the vast majority are in Sweden. SEB is strategically focused on affluent customers in urban areas. At end-September 2019, the average loan/value (LTV) ratio for outstanding loans was 56% compared with a limit of 85% at origination.

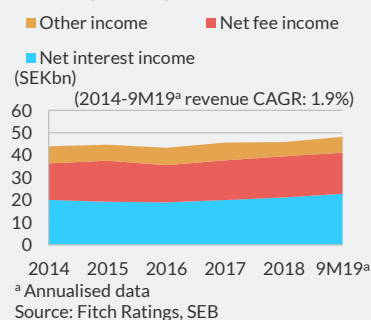
The bank manages its CRE exposure (16% of the loan book) through selective cash-flow-based lending. SEB originates solely amortised loans and mainly targets projects in Sweden and other Nordic countries.

Baltic lending (9% of loans) is well balanced between retail (mainly mortgage loans) and corporate segments. It does not pose significant credit risks due to tightened underwriting standards after the 2008-2009 crisis.

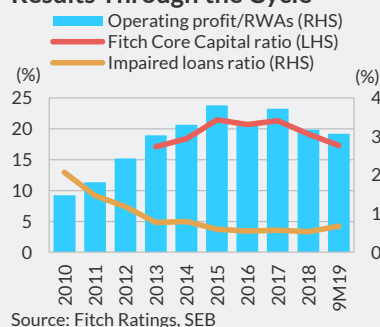
Material but Well-Controlled Trading Activity

The bank has strong position in regional capital markets and as a result holds a sizeable inventory of securities and currencies to support market-making activities. However, SEB has a low market-risk tolerance and manages trading risk well. The bank's share of loss-making days from 2017 until end-September 2019 was only 4% and the cumulative loss was immaterial relative to its operating income. SEB applies conservative value at risk limits and its structural interest rate sensitivity is manageable as most lending carries floating rates. Insurance activity is not a material risk due to its moderate size and because the bank offers mainly unit-linked products.

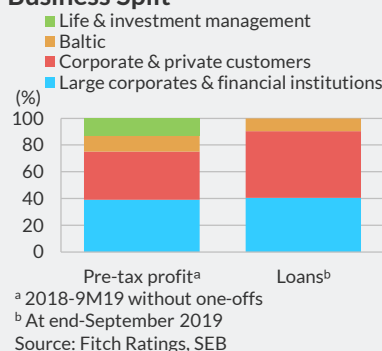
Revenue Breakdown



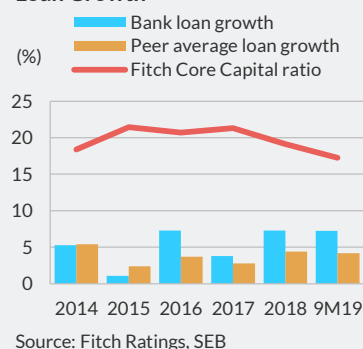
Results Through the Cycle



Business Split



Loan Growth



Summary Financials and Key Ratios

	30 Sep 19 9 Months SEKm Reviewed - Unqualified	31 Dec 18 Year End SEKm Audited - Unqualified	31 Dec 17 Year End SEKm Audited - Unqualified	31 Dec 16 Year End SEKm Audited - Unqualified
Summary income statement				
Net interest & dividend income	17,020	21,095	19,969	18,908
Net fees & commissions	13,719	18,364	17,725	16,628
Other operating income	5,306	6,377	7,914	7,747
Total operating income	36,045	45,836	45,608	43,283
Operating costs	16,918	21,936	22,098	22,175
Pre-impairment operating profit	19,127	23,900	23,510	21,108
Loan & other impairment charges	1,297	1,166	808	1,025
Operating profit	17,830	22,734	22,702	20,083
Other non-operating items (net)	1	4,551	-1,896	-5,216
Tax	3,485	4,151	4,562	4,249
Net income	14,346	23,134	16,244	10,618
Other comprehensive income	-2,201	-923	-1,036	-946
Fitch comprehensive income	12,145	22,211	15,208	9,672
Summary balance sheet				
Assets				
Gross loans	1,664,473	1,552,227	1,447,049	1,394,284
- Of which impaired	11,241	8,158	8,272	7,634
Loan-loss allowances	6,281	5,338	4,477	4,789
Net loans	1,658,192	1,546,889	1,442,572	1,389,495
Interbank	50,675	76,123	47,437	116,343
Derivatives	170,033	115,530	104,961	212,466
Other securities & earning assets	850,063	576,775	542,464	681,939
Total earning assets	2,728,963	2,315,317	2,137,434	2,400,243
Cash & due from banks	253,973	209,115	177,222	151,078
Other assets	63,260	43,084	244,940	69,325
Total assets	3,046,196	2,567,516	2,559,596	2,620,646
Liabilities				
Customer deposits	1,178,131	1,107,994	998,838	960,434
Interbank & other short-term funding	543,651	281,812	178,028	247,933
Other long-term funding	573,779	557,243	549,432	573,165
Trading liabilities & derivatives	191,063	120,038	115,359	215,033
Total funding	2,486,624	2,067,087	1,841,657	1,996,565
Other liabilities	396,802	336,389	560,092	473,146
Pref. shares & hybrid capital	16,682	15,251	13,922	9,959
Total equity	146,088	148,789	143,925	140,976
Total liabilities & equity	3,046,196	2,567,516	2,559,596	2,620,646

Summary Financials and Key Ratios (Cont.)

	30 Sep 19 9 Months (SEKm) Reviewed - unqualified	31 Dec 18 Year end (SEKm) Audited - unqualified	31 Dec 17 Year end (SEKm) Audited - unqualified	31 Dec 16 Year end (SEKm) Audited - unqualified
Ratios (annualised as appropriate)				
Profitability				
Operating profit/RWAs	3.1	3.2	3.7	3.3
NII/average earning assets	0.9	0.9	0.8	0.8
Non-interest expense/gross revenue	46.9	48.0	48.5	51.5
Net Income/average equity	13.3	16.3	11.6	7.8
Asset quality				
Impaired loans ratio	0.7	0.5	0.6	0.6
Growth in gross loans	7.2	7.3	3.8	7.3
Loan-loss allowances/impaired loans	55.9	65.4	54.1	62.7
Loan impairment charges/average gross loans	0.1	0.1	0.1	0.1
Capitalisation				
Fitch Core Capital ratio	17.3	19.1	21.3	20.7
Tangible Common Equity ratio	4.5	5.5	5.2	5.0
CET 1 ratio	16.4	17.6	19.4	18.8
Basel leverage ratio	4.5	5.1	5.2	5.1
Net impaired loans/FCC	3.8	2.1	3.0	2.3
Funding & Liquidity				
Loans/customer deposits	141.3	140.1	144.9	145.2
LCR	174.0	147.0	145.0	168.0
Customer deposits/funding	49.7	55.8	56.5	52.5
NSFR	n.a.	n.a.	n.a.	n.a.
Source: Fitch Ratings				

Key Financial Metrics – Latest Developments

Robust Asset Quality

The strong asset quality in the corporate portfolio (1.15% impaired loan ratio at end-September 2019) benefits from conservative underwriting and solid collateralisation. The largest exposures are well diversified by industries, with only a moderate concentration in manufacturing and finance and insurance. The impaired loan ratio in real estate management was 0.18% and there have been no new defaults since 2006 in the Nordic exposure (the vast majority of the total). The loan quality is strong, underpinned by prudent LTV ratios.

A severe residential property correction is a risk to the bank, although it is not our baseline. The domestic legal framework encourages households to prioritise mortgage obligations. Between 2016 and 9M19, loan impairment charges represented an average of only 8bp of average gross loans. We expect this ratio to remain low, although it could modestly increase due to heightened risk of economic slowdown, which may hurt Nordic multinationals.

Strong Profitability

In 9M19, SEB's profitability remained strong despite headwinds from the low interest rate environment. The bank's ratio of operating profit/risk-weighted assets (RWAs) has been historically below that of peers, due to lower share of highly profitable and low capital-absorbing residential mortgage lending and a higher share of more costly corporate and capital market banking.

Large Corporates & Financial Institutions has been SEB's largest profit contributor due to its strong corporate relationships and franchise. Profitability in Corporate & Private Customers is also strong and has grown in recent years through a combination of volume growth and margin improvement.

SEB's net interest margin has been resilient to the negative central bank policy rate and we expect it to remain broadly stable. The bank's good cost/income ratio of about 48% between 2017 and 9M19 reflects the management's strong focus on cost efficiency.

Strong Capitalisation

SEB's capital adequacy ratios are strong. SEB's CET1 ratio declined to 16.4% at end-September 2019, from 17.6% at end-2018, due to asset growth, increase in market risk exposure and Swedish krona depreciation. We do not expect this ratio to weaken further given SEB's policy to maintain a management buffer of around 150bp above its minimum CET1 ratio requirement of 14.7% and the need to maintain confidence of wholesale funding providers.

Reliance on Wholesale Funding but Low Refinancing Risk

SEB's reliance on wholesale funding is material, although lower than Nordic peers, due to proportionally lower need to refinance residential mortgage loans through covered bonds. Its non-deposit funding is dominated by long-term covered and senior bonds (23% of funding), which we believe is a stable funding source. The risk of SEB not being able to access debt market is low due to its strong liquidity, sophisticated wholesale funding management and the presence of a deep domestic captive investor base in Sweden, particularly for covered bonds.

Maintaining a large volume of high quality liquid assets is an important risk-mitigant in light of SEB's reliance on debt market funding. At end-September 2019, its liquid assets equalled SEK567 billion (about 24% of total funding).

At end-September 2019, the bank's long-term funding maturing in the next 12 months was about SEK105 billion (5% of total funding) and was split almost 50:50 between senior and covered bonds. Other short-term liabilities (SEK436 billion), such as interbank, commercial papers (CPs) and certificates of deposits (CDs) were adequately covered by liquid assets. SEB can quickly reduce its reliance on CPs and CDs should access to short-term funding worsen, even though it needs to retain an inventory to cater for its customers' requirements.

SEB's MREL implies that the bank will have to issue about SEK90bn in senior non-preferred bonds by end-2021. From 2022, senior preferred bonds will be no longer MREL-eligible. This plan is manageable in our view given SEB's good market access. The bank issued its first senior non-preferred bond in November 2019 (EUR1 billion).

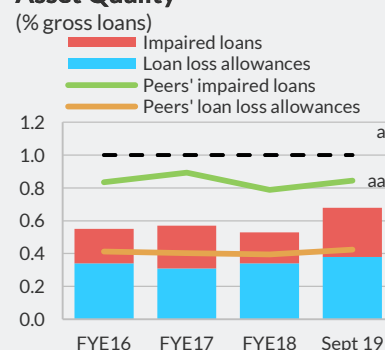
Note on Charts

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

Peer average includes Nordea Bank Abp (VR: aa-), Svenska Handelsbanken AB (aa), Swedbank AB (aa-) and SEB.

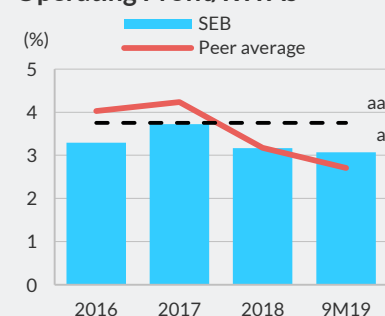
In 2018 the Swedish FSA moved the risk weight floor for Swedish mortgage loans to Pillar 1 from Pillar 2.

Asset Quality



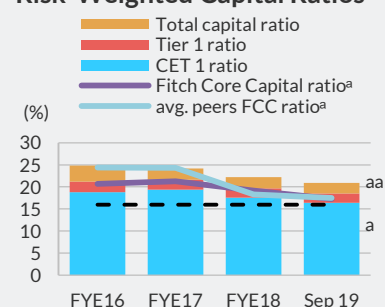
Source: Fitch Ratings, Banks

Operating Profit/RWAs



Source: Fitch Ratings, Banks

Risk-Weighted Capital Ratios



^a Fitch Core Capital used as benchmark line
 Source: Fitch Ratings, Banks

Sovereign Support Assessment

Support Rating Floor		Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)		A+ to A-		
Actual country D-SIB SRF		NF		
Support Rating Floor:		NF		
Support Factors	Positive	Neutral	Negative	
Sovereign ability to support system				
Size of banking system relative to economy			✓	
Size of potential problem	✓			
Structure of banking system			✓	
Liability structure of banking system		✓		
Sovereign financial flexibility (for rating level)			✓	
Sovereign propensity to support system				
Resolution legislation with senior debt bail-in			✓	
Track record of banking sector support		✓		
Government statements of support		✓		
Sovereign propensity to support bank				
Systemic importance		✓		
Liability structure of bank		✓		
Ownership		✓		
Specifics of bank failure		✓		
Policy banks				
Policy role				
Funding guarantees and legal status				
Government ownership				

SEB's Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that senior creditors cannot rely on receiving extraordinary support from the Swedish sovereign in the event that the bank becomes non-viable. The EU's Bank Recovery and Resolution Directive provides a framework for resolving banks that is likely to require senior creditors participating in losses, if necessary, instead of or ahead of a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings Skandinaviska Enskilda Banken AB

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

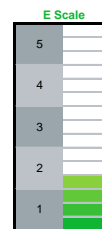
Skandinaviska Enskilda Banken AB has 5 ESG potential rating drivers

- Skandinaviska Enskilda Banken AB has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

Overall ESG Scale			
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

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



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 left-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.

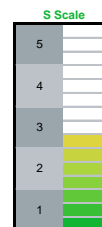
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general 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 and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

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

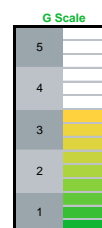
Social (S)

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



Governance (G)

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



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 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.

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