

Standard Chartered PLC

Key Rating Drivers

Limited Ratings Headroom: Fitch Ratings believes that the economic fallout from the pandemic has heightened risks to Standard Chartered PLC (SC). This is in the context of the group's exposure to markets affected by lockdowns and falling global demand, direct exposure to oil & gas and sectors under immediate pressure, and a business model sensitive to global trade flows. SC has limited ratings headroom because earnings and asset quality, which were already scored lower than its VR at the onset of the crisis, are now under further pressure.

Disrupted Earnings Improvement: We no longer expect earnings to improve in 2020, and the prospects for reaching SC's targeted 10% return on tangible equity over time will depend on the shape of the economic recovery. Risks to earnings come from higher loan impairment charges, lower lending and transaction volumes across most businesses, and lower interest rates. Parts of the corporate and institutional bank could, however, benefit from wider spreads and demand for liquidity.

Pressure on Asset Quality: We expect pressure on SC's asset quality metrics, in particular in the corporate and institutional bank and commercial banking businesses. SC's exposure to oil and gas, commodities, and to jurisdictions dependent on related revenues are significant concentrations, although they have been de-risked over the past few years. We continue to see relative strength in SC's North Asia exposure.

Solid Capitalisation: The group entered the crisis with solid capitalisation and its 13.8% consolidated common equity Tier 1 ratio (CET1) was within its 13%-14% targeted range. Capitalisation is underpinned by the cancellation of dividends and further share-buy backs in 2020 at the UK regulator's request. The sale of Permata Bank in 2Q20 will add around 40bp to the CET1 ratio. These factors should mitigate risk-weighted assets (RWA) growth including from credit migration and higher market risk over the next few quarters.

Stable Funding and Liquidity: Funding and liquidity are relative strengths, underpinned by a modest loans-to-deposits ratio (67% at end-2019), and liquidity metrics well in excess of requirements. We believe that tighter liquidity conditions have eased, benefiting from support from central banks. The strong and stable liquidity profile underpins SC's Short-Term IDR and debt ratings of 'F1'.

Rating Sensitivities

Sensitive to Path of Crisis: SC and Standard Chartered Bank's (SCB) ratings are mainly sensitive to the economic and financial market fall-out arising from the pandemic. This fall-out represents a risk to our assessment of earnings, asset quality, capitalisation, and the bank's ability to achieve its strategic objectives.

Deterioration in Financials: The ratings could come under pressure if the quality of SC's assets deteriorates sharply, causing pre-tax losses or pressure on capitalisation; if the CET1 ratio falls below the targeted 13%-14% range on a consolidated level; if liquidity metrics come under stress; or if an improvement in earnings in 2021 and beyond, relative to 2019, and towards the targeted 10% return on tangible equity, becomes unlikely.

Outlook Stabilisation: The Outlook could be revised to Stable if the economic downturn is not prolonged and pressure on asset quality and earnings prove to be temporary. An upgrade is unlikely in the medium term and would only follow if there is a sustained improvement in earnings and evidence that asset quality will not be materially affected by the downturn.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	a
Support Rating	5
Support Rating Floor	No Floor

Sovereign Risk	
United Kingdom Long-Term Foreign-Currency IDR	AA-
Hong Kong Long-Term Foreign-Currency IDR	AA-
Singapore Long-Term Foreign-Currency IDR	AAA
China Long-Term Foreign-Currency IDR	A+

Outlooks	
Long-Term Foreign-Currency IDR	Negative
United Kingdom Long-Term Foreign-Currency IDR	Negative
Hong Kong Long-Term Foreign-Currency IDR	Stable
Singapore Long-Term Foreign-Currency IDR	Stable
China Long-Term Foreign-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

[Fitch Revises Outlook on Standard Chartered to Negative on Coronavirus Outbreak; Affirms Ratings \(April 2020\)](#)

[Fitch Takes Rating Action on Standard Chartered Subsidiaries due to Coronavirus and Criteria Change \(April 2020\)](#)

[Large European Banks Quarterly Tracker - 1Q20 \(June 2020\)](#)

[Global Economic Outlook: June 2020 - Coronavirus Disruption Easing \(June 2020\)](#)

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Issuer and Debt Ratings

Rating level	Standard Chartered PLC	Standard Chartered Bank
Long-Term Foreign-Currency IDR	A	A+
Outlook	Negative	Negative
Short-Term Foreign-Currency IDR	F1	F1
Viability Rating	a	a
Support Rating	5	5
Support Rating Floor	NF	NF
Senior unsecured debt	A/F1	A+/F1
Subordinated/Tier 2 debt	BBB+	BBB+
Upper Tier 2 debt	-	BBB
Additional Tier 1, preference shares	BBB-	-

Source: Fitch Ratings

Subordinated Debt Ratings Changed Following New Bank Rating Criteria

Fitch's publication of new bank rating criteria in February 2020 has led to rating changes to SC and SCB's subordinated and hybrid debt. The subordinated Tier 2 debt has been downgraded to 'BBB+', from 'A-', two notches below the issuers' VRs, driven by the change in Fitch's baseline notching for loss severity to two notches (from one) for this type of debt and our expectations of poor recoveries. High-trigger contingent capital Tier 1 instruments and preference shares with no constraints on coupon omission have been upgraded to 'BBB-' from 'BB+'. This was due to a change in baseline notching to four (from five) below the VR, and an expectation that the group will maintain at least a 100bp buffer over capital requirements, triggering coupon omission on the bonds.

Subsidiaries' IDR Uplift Due to More Forward Looking View on Resolution Buffers

Fitch upgraded the Long-Term IDRs of several rated subsidiaries - Standard Chartered Bank (Singapore) Limited (SCBS), Standard Chartered Bank Korea Limited (SCBK), Standard Chartered Bank (China) Limited (SCBC), and Standard Chartered Bank AG (SCB AG) to 'A+' from 'A', in April 2020.

The upgrades reflect our belief that the subsidiaries' senior creditors would benefit from the group's large buffer of junior debt and bail-in-able senior debt (15% of RWA at end-1Q20) in a group resolution scenario. For SCBS, SCBK, SCBC this is underpinned by their classification as material operating subsidiaries, which attracts internal loss absorbing capacity requirements scaled at 75%-90% of the group's. In the case of SCB AG, it is underpinned by its high balance sheet and business integration with SCB, and similar resolution regimes in the UK and EU.

The rating actions were triggered by the publication of Fitch's revised "Bank Rating Criteria", document, which is less restrictive and more forward-looking in the assessment of internal resolution buffers and expected developments in a group resolution scenario.

Hub Structure Increases Focus on Asia

SC implemented several legal entity changes in 2019 which should allow the group to manage funding costs more efficiently, by making better use of the strong deposit bases it has in Hong Kong and Singapore. Standard Chartered Bank (Hong Kong) has become the parent bank of a North Asia hub encompassing the subsidiaries in Hong Kong, China, Korea and Taiwan. The group also consolidated its Singapore operations, previously held in a subsidiary and a branch of SCB, into the subsidiary Standard Chartered Bank (Singapore) Limited.

The legal entity changes have had no impact on our ratings of the group entities. We continue to reflect the group's consolidated profile in SCB's ratings as well as in SC's, as we believe that their risk profiles are highly correlated.

Rated Subsidiaries

Subsidiary	Long-Term IDR	VR
Standard Chartered Bank (Singapore) Limited	A+/Negative	a
Standard Chartered Bank Korea Limited	A+/Negative	bbb
Standard Chartered Bank (China) Limited	A+/Negative	n.a.
Standard Chartered Bank (Taiwan) Limited	A/Negative	bbb
Standard Chartered Bank (Thai) Public Company Limited	A/Negative	bbb
Standard Chartered Bank AG	A+/Negative	n.a.

Source: Fitch Ratings

Ratings Navigator

Standard Chartered PLC



Banks
Ratings Navigator

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+		↓	↓	↓	↓				↓	a+	A+	A+
a		↓	↓	↓	↓	↓	↓		↓	a	A	A Negative
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 & Latest Developments

Coronavirus Crisis Adds Pressure on Ratings & Navigator Factors

Fitch Ratings has revised the Outlooks on SC and SCB's Long-Term IDRs to Negative from Stable in April 2020. The rating actions reflect our expectation that the economic disruption caused by the coronavirus spread will pose significant challenges, in particular to SC's earnings, asset quality, capitalisation and ability to execute on its strategy. This is mitigated by strong funding and liquidity, measures to protect capitalisation, and a more cautious risk management approach adopted over the past few years.

A negative trend on the Operating Environment factor was driven by anticipated economic headwinds across SC's global footprint. Fitch expects a sharp contraction in global economic activity of minus 4.6% in 2020, and a long route back to pre-crisis levels of economic activity. The severity varies across SC's main markets. Some Asian countries are showing signs of recovery with relatively less pronounced effects from the pandemic (China, Korea, Taiwan), while SC's main markets (HK, Singapore, UK), and two of the four larger turnaround markets (UAE, India) are facing deeper economic shocks than the global average. As the duration of the health crisis is still unknown, we see downside risks to these economic forecasts, which would increase the prospects of the group's ratings being downgraded.

Asset Quality Deterioration Expected

SC's asset quality has been lowered to 'bbb+' negative, anticipating a deterioration in metrics over the next few quarters. In 1Q20, SC's Stage 3 loans ticked up to 2.8% (2019: 2.7%). Credit exposure classified by the bank as non-purely precautionary early alerts more than doubled to USD11.5 billion in 1Q20 (4.2% of gross loans to customers). The increase was mainly attributable to exposures in the aviation sector, as well as some other corporate exposure more immediately affected by the lockdowns.

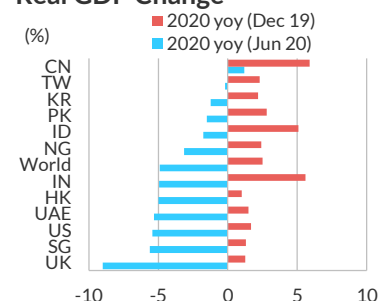
Expected credit losses (ECLs) amounted to nearly USD1 billion (110bp of loans) in 1Q20, of which USD0.5 billion was Stage 3, including two large exposures in the commodity trading and healthcare sectors. They also included the modelled impact of worsening economic expectations on Stage 1 and 2 exposures, as well as a management overlay to account for further deterioration and risks not captured by the models.

Bar Chart Legend

Vertical bars - 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

Real GDP Change



Note: Abu Dhabi shown as proxy for UAE;
 Source: Fitch Ratings' Sovereign Data Comparator (Jun 20, Dec 19); Global Economic Outlook (Jun 20, Dec 19)

We expect ECLs to continue to run at high levels, considering the weak global economic outlook and potential for further migrations, and defaults, especially as moratoriums run out over the coming quarters. A proportion of early alerts will require additional impairments should they become non-performing.

Areas of concern include weaker jurisdictions now under further pressure, particularly in ASEAN and South-East Asia (ASA) and Africa and Middle East (AME). We would expect significant vulnerable exposures to natural resources, commodity traders and airlines to be located here. SC's exposure to retail customers will also come under pressure over time. In some countries (notably India, Malaysia) moratoriums mandated by law are offered to all retail customers on an opt-out basis, which masks any potential underlying problems, and may influence payment discipline once moratoriums expire.

We continue to see relative strength in SC's exposure in North Asia, where the Hong Kong portfolio has been remarkably resilient through prolonged economic disruptions, including months of social unrest in 2019. China is on an earlier recovery path, and although projected growth for 2020 has fallen sharply, it remains positive. In Korea and Taiwan swift containment measures so far have led to more limited economic contraction, which should support asset quality.

We see SC's corporate, commercial and institutional banking business as most vulnerable in this crisis. This business has sizeable exposures to sectors under immediate pressure such as oil and gas (a USD21 billion net nominal exposure) and commodity trading (USD14.7 billion), although they have decreased from historical peaks. The quality of these exposures has also improved over time as evidenced by a higher proportion of investment-grade customers and of shorter-dated exposures in oil & gas, commodity traders, metals and mining and aviation in 1Q20, compared to 2Q15.

The retail exposure mostly consists of mortgages which should have limited loss content because of generally conservative collateralisation (an average loan-to-value ratio of 45% at end-2019), although this will also partly be dependent on unemployment. Unsecured loans were 14% of total retail loans, and a low 6.5% of gross loans at end-2019.

Earnings Improvement Disrupted

Earnings & profitability has been placed on negative outlook reflecting the risk of longer-lasting damage to the bank's earnings profile, beyond a sharp rise in ECLs in 2020. Given some potentially prolonged headwinds to economic activity, interest rates, trade flows, SC's targets have become more difficult to achieve, in particular to improve returns to more than 10% of tangible equity, to achieve income growth of 5%-7% and to improve performance in weaker markets. This has also led to a negative outlook on the Management & Strategy score. In addition SC's company profile was reassessed down to 'a'. While we see franchise strength in SC's extensive network, business model profitability has lagged behind the levels commensurate with the prior 'a+'.

Before the pandemic, the bank was on a path to improving profitability in 2020 and was showing progress with its strategic objectives. Although some positive trends were still evident in 1Q20, we believe sustaining some of them during 2020 and potentially into 2021 will be challenging.

Strategic priorities include focusing on better-returning network and capital light businesses in the corporate and institutional bank, and affluent customers in retail and private banking. These priorities will likely continue, although execution will be more difficult given the challenging operating environment and competitive landscape. Moderate interest-earning asset growth, and more efficient deployment of liquidity through asset/liability management hubs in Hong Kong and Singapore has been pursued to help offset net interest margin pressure. These activities should also continue, but interest rate headwinds have intensified, and the bank will need to balance risk considerations when pursuing asset growth in a weaker and uncertain economic environment.

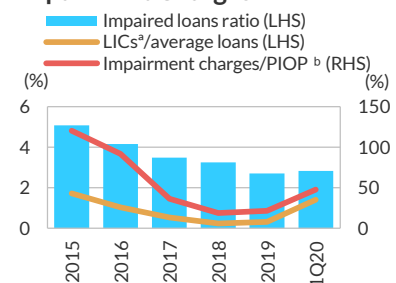
Pre-provision earnings in 1Q20 showed higher growth in income than expenses, helped by a strong performance in the financial markets business, underpinned by higher customer activity. Although this trend may continue to a certain extent, we would not expect it to

SC's Vulnerable Exposures

Exposure	(USDbn)	% of CET1	Of which high risk (%)
Oil & gas	21.0	58	12
Commodity traders	14.7	40	7
Metals& mining	8.0	22	19
Aviation	7.6	21	63
CRE	20.5	56	n.a.
Unsecured retail	17.2	47	n.a.
Mortgages >90% LTV	0.5	1	n.a.

Note: high-risk classification if the exposure is classified by the bank as non-purely precautionary early alerts, credit grade 12 or Stage 3
 Source: Fitch Ratings, SC

Impairment Charges



^a Loan impairment charges
^b Pre-impairment operating profit
 Source: Fitch Ratings, SC

outweigh the loss of other income, including net interest income loss due to lower rates (USD 600 million estimated in 2020, as of end-1Q20), lower trade flows, and in segments where customer contact was disrupted by the lock-downs. SC's presence in countries which maintain positive or shallow negative growth projections this year, where economic activity started recovering in 2Q20, and its regional presence in Asia in countries which may benefit from the US-China trade war, should be beneficial for income generation.

The group showed some improvement in its underperforming markets India, Korea, UAE, and Indonesia in 2019, but these markets face setbacks due to the pandemic amid lower GDP outlooks and rising credit costs.

Cost efficiency measures (positive jaws, cost growth below the rate of inflation) were on track in 2019 and 1Q20. Management plans to offset upcoming earnings weakness at least to an extent by lowering expenses, and has guided that these will be reduced to under USD10 billion, slightly below the level of 2019. This is credible in 2020 due to the savings potential in relation to travel costs, marketing and variable compensation, though not sustainable in the longer term. A higher degree of digitalisation, which has been a strategic priority over the past few years, should continue to support cost efficiency beyond 2020.

Solid Capitalisation

SC's CET1 ratio decreased by 45bp qoq to 13.4%, driven by an approximately 3% RWA increase, mostly because of coronavirus-related credit and market risk RWA growth. USD8.6 billion RWA growth in the quarter included relatively small amounts associated with revolving credit facility drawdowns (USD2.2 billion) which have since stabilised. It also included USD2billion associated with credit migrations, which we expect will continue.

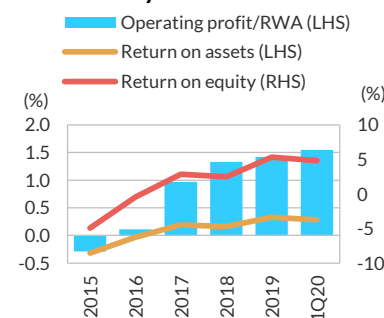
The completion of the sale of SC's stake in the Indonesian bank Permata in May 2020 will add 40bp to the CET1 ratio, helping the bank to stay in its 13%-14% targeted range. We see downside risks to this target over time, but the bank has so far remained committed to it. The group has ample headroom over consolidated CET1 requirements of 10%, which declined modestly (20bp) due to lower UK and HK countercyclical capital requirements.

Good Liquidity Levels, Limited Refinancing Needs

The funding and liquidity assessment is underpinned by SC's deposit-led funding profile, stable liquidity, and manageable refinancing needs. The LCR ratio was stable at 141.5% at end-March 2020, and well in excess of requirements on a consolidated level and at the main subsidiaries. The provision of liquidity by central banks around the world meant that wholesale funding market disruptions in 1Q20 were brief.

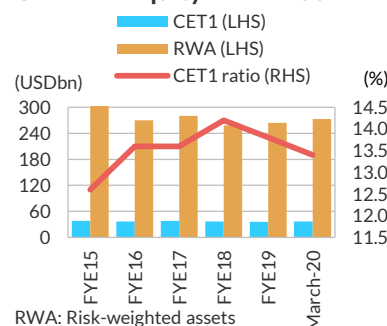
The group met 2022 minimum requirements for own funds and eligible liabilities (MREL) of 26.4% with 28.5% eligible instruments at end-1Q20. Issuance needs for the refinancing of maturities of around USD6 billion a year over the next three years are manageable, and the group intends to re-shape the composition to a higher weight of senior holding company debt. SC had already issued over USD6 billion MREL by June 2020, including USD1 billion AT1 and EUR1 billion Tier 2 (vs. USD2 billion and USD2.1 billion of maturities in 2020).

Profitability



Source: Fitch Ratings, SC

Common Equity Tier 1 Ratio



RWA: Risk-weighted assets
 Source: Fitch Ratings, SC

Summary Financials and Key Ratios

	31 Mar 20 3 months - 1 st quarter (USDm) Unaudited	31 Dec 19 Year end (USDm) Audited - unqualified	31 Dec 18 Year end (USDm) Audited - unqualified	31 Dec 17 Year end (USDm) Audited - unqualified	31 Dec 16 Year end (USDm) Audited - unqualified
Summary income statement					
Net interest and dividend income	1,839.0	7,684.0	7,820.0	8,227.0	7,846.0
Net fees and commissions	862.0	3,522.0	3,492.0	3,512.0	3,231.0
Other operating income	1,681.0	4,511.0	3,709.0	2,926.0	2,662.0
Total operating income	4,382.0	15,717.0	15,021.0	14,665.0	13,739.0
Operating costs	2,368.0	10,948.0	10,774.0	10,412.0	10,212.0
Pre-impairment operating profit	2,014.0	4,769.0	4,247.0	4,253.0	3,527.0
Loan and other impairment charges	962.0	1,029.0	808.0	1,546.0	3,236.0
Operating profit	1,052.0	3,740.0	3,439.0	2,707.0	291.0
Other non-operating items (net)	-166.0	-27.0	-891.0	-292.0	118.0
Tax	369.0	1,373.0	1,439.0	1,147.0	600.0
Net income	517.0	2,340.0	1,109.0	1,268.0	-191.0
Other comprehensive income	-853.0	-400.0	-807.0	1,294.0	-1,413.0
Fitch comprehensive income	-336.0	1,940.0	302.0	2,562.0	-1,604.0
Summary balance sheet					
Assets					
Gross loans	274,541.0	272,837.0	259,834.0	254,409.0	233,047.0
- Of which impaired	7,769.0	7,398.0	8,454.0	8,877.0	9,680.0
Loan loss allowances	6,210.0	5,783.0	6,428.0	5,702.0	6,354.0
Net loans	268,331.0	267,054.0	253,406.0	248,707.0	226,693.0
Interbank	61,323.0	52,208.0	57,599.0	60,066.0	54,538.0
Derivatives	66,757.0	47,212.0	45,621.0	47,031.0	65,509.0
Other securities and earning assets	244,210.0	285,989.0	260,212.0	234,396.0	214,253.0
Total earning assets	640,621.0	652,463.0	616,838.0	590,200.0	560,993.0
Cash and due from banks	59,374.0	52,728.0	57,511.0	58,864.0	70,706.0
Other assets	64,921.0	15,207.0	14,413.0	14,437.0	14,993.0
Total assets	764,916.0	720,398.0	688,762.0	663,501.0	646,692.0
Liabilities					
Customer deposits	422,192.0	405,357.0	391,013.0	370,509.0	344,632.0
Interbank and other short-term funding	29,876.0	100,103.0	95,383.0	91,925.0	102,365.0
Other long-term funding	67,569.0	54,753.0	47,171.0	49,319.0	40,351.0
Trading liabilities and derivatives	143,476.0	59,584.0	57,186.0	56,974.0	69,475.0
Total funding	663,113.0	619,797.0	590,753.0	568,727.0	556,823.0
Other liabilities	51,799.0	49,193.0	46,917.0	42,168.0	40,752.0
Preference shares and hybrid capital	7,007.0	7,754.0	7,195.0	7,254.0	5,922.0
Total equity	42,997.0	43,654.0	43,897.0	45,352.0	43,195.0
Total liabilities and equity	764,916.0	720,398.0	688,762.0	663,501.0	646,692.0
Exchange rate	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1	USD1 = USD1

Source: Fitch Ratings, Fitch Solutions, Bank

Summary Financials and Key Ratios (Cont.)

	31 Mar 20 3 months - 1 st quarter (USDm) Unaudited	31 Dec 19 Year end (USDm) Audited - unqualified	31 Dec 18 Year end (USDm) Audited - unqualified	31 Dec 17 Year end (USDm) Audited - unqualified	31 Dec 16 Year end (USDm) Audited - unqualified
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	1.6	1.4	1.3	1.0	0.1
Net interest income/average earning assets	1.1	1.5	1.5	1.5	1.4
Non-interest expense/gross revenue	54.6	71.0	72.9	72.6	74.1
Net income/average equity	4.8	5.3	2.5	2.9	-0.4
Asset quality					
Impaired loans ratio	2.8	2.7	3.3	3.5	4.2
Growth in gross loans	0.6	5.0	2.1	9.2	-6.3
Loan loss allowances/impaired loans	79.9	78.2	76.0	64.2	65.6
Loan impairment charges/average gross loans	1.4	0.3	0.2	0.5	1.0
Capitalisation					
Common equity Tier 1 ratio	13.4	13.8	14.2	13.6	13.6
Fully loaded common equity Tier 1 ratio	13.3	13.7	14.1	13.6	13.6
Tangible common equity/tangible assets	5.0	5.3	5.6	6.1	5.9
Basel leverage ratio	4.6	5.0	5.2	5.7	5.7
Net impaired loans/common equity Tier 1	4.3	4.4	5.5	8.3	9.1
Funding and liquidity					
Loans/customer deposits	65.0	67.3	66.5	68.7	67.6
Liquidity coverage ratio	142.0	144.0	154.0	146.0	133.0
Customer deposits/funding	69.8	70.0	71.0	70.2	69.3
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, Bank

Environmental, Social and Governance Considerations

The highest level of ESG credit relevance, if present, is a score of '3'. ESG issues are credit-neutral or have only a minimal credit impact on SC and SCB, either due to their nature or the way in which they are being managed.

For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

FitchRatings Standard Chartered PLC

Banks Ratings Navigator

Credit-Relevant ESG Derivation

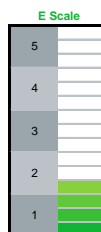
Standard Chartered PLC has 5 ESG potential rating drivers

- Standard Chartered PLC 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 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.

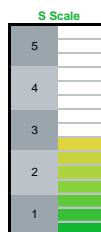
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far 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.

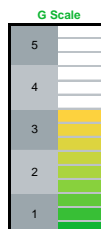
Social (S)

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 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.

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