

Doha Bank Q.P.S.C.

Key Rating Drivers

Sovereign Support Drives IDRs: Doha Bank Q.P.S.C.'s (DB) Issuer Default Ratings (IDRs) are driven by an extremely high probability of support from the Qatari authorities, if needed. This reflects Qatar's strong ability to support domestic banks, as indicated by its rating (AA-/Stable), combined with Fitch Ratings' belief that there would be a strong willingness to do so.

DB's Viability Rating (VR) primarily reflects its large stock of problem loans, high real estate and contracting concentration (end-1Q20: a combined 39% of gross loans) and rapid impaired loans (non-performing loans, NPLs – Stage 3 loans under IFRS 9) origination (2019: 2.6%). High loan impairments and ensuing weak profitability have put pressure on the bank's core loss-absorption capacity. The VR also considers DB's well-established domestic franchise.

Weak Asset Quality: NPLs were stable at 5.7% of gross loans at end-1Q20 despite QAR2.3 billion of loan write-offs (around 3.2% of gross loans) since end-2018, largely relating to Qatari operations. High Stage 2 loans (28% of gross loans) and single-name concentration risk heighten downside risks to asset quality. Specific provisions held against NPLs were adequate (80%) but coverage of Stage 2 loans was weak (7%), though in line with peers'.

Weak Core Loss-Absorption Capacity: DB's Tier 1 and total capital adequacy ratios of 15.0% and 16.2%, respectively, at end-1Q20 are comfortably above minimum requirements. Nevertheless, the bank's CET1 ratio of 9.8% at end-1Q20 is not commensurate with its risk profile and unreserved stage 2 and 3 loans represent a high 2.4x CET1 capital. Pre-impairment operating profit (2019: 2.7% of average loans) provides a moderate buffer to absorb unexpected losses.

Well-Established Franchise: The bank's VR is underpinned by its well-established and adequate domestic franchise as the fourth-largest Qatari bank (end-2019: 7% market share of assets). DB boasts the second largest conventional banking footprint in Qatar.

High Reliance on Foreign Funding: The bank's gross loans/deposits ratio of 128% at end-1Q20 (net loans/deposits ratio of 119%) reflects its high reliance on wholesale non-deposit funding (42% of total funding), exposing it to changes in investor sentiment. Liquidity risk is also heightened by a high share of lumpy and confidence-sensitive foreign deposits (end-1Q20: 34% of total deposits). Liquid assets broadly cover short-term wholesale funding (excluding repo), provided customer deposits are stable.

Weak Profitability: DB's operating profitability is weaker than most peers'. Its operating profit/risk-weighted assets (RWA) ratio fell to 0.9% in 2019 (1.1% in 2018) as loan impairments absorbed a high 61% of pre-impairment operating profit. Provisioning needs will remain high in the medium-term, compounded by the coronavirus fallout, despite potential recoveries from already provisioned problem loans.

Rating Sensitivities

IDRs: DB's IDRs are sensitive to a change in Fitch's assumptions around the Qatari authorities' propensity or ability to provide timely support to the banking sector or to DB.

VR: Further significant weakening in asset quality or core capitalisation could result in a VR downgrade. A prolonged and sharp deterioration in the operating environment or large foreign deposit outflow, if not offset by liquidity support from Qatari authorities, could also put negative pressure on the VR. The VR could be upgraded if the bank materially reduces its stock of problem loans, aligns its real estate and contracting concentration with the sector average, and strengthens its core capitalisation and internal capital generation.

Ratings

Long-Term IDR	A
Short-Term IDR	F1
Support Rating	1
Support Rating Floor	A

Viability Rating	bb
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Sovereign Risk

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

Outlooks

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

Applicable Criteria

[Bank Rating Criteria \(Feb 2020\)](#)

Related Research

[Oil, Coronavirus Impact on GCC Sovereigns \(May 2020\)](#)

[GCC Banks to Weaken Despite Hundreds of Billions of Dollars of Stimulus \(April 2020\)](#)

[Fitch Downgrades Doha Bank's VR to 'bb'; Long-Term IDR Unaffected at 'A' \(April 2020\)](#)

[Coronavirus Intensifies Pressure on Qatari Banks \(March 2020\)](#)

[Fitch Affirms Qatar at 'AA-'; Outlook Stable \(February 2020\)](#)

[2020 Outlook: GCC Banks \(December 2019\)](#)

[GCC Banks: 2019 Compendium \(November 2019\)](#)

[Qatari Banks: 2019 Peer Review \(October 2019\)](#)

[Macro-Prudential Risk Monitor \(October 2019\)](#)

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Ratings Navigator

Doha Bank Q.P.S.C.



Banks
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	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 Stable
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

Sovereign Support Assessment

Support Rating Floor	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	A or A-		
Actual country D-SIB SRF	A		
Support Rating Floor:	A		
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			

Bar Chart Legend

Vertical bars - VR range of Rating Factor

Bar Colors - Influence on final VR

- Red: Higher influence
- Blue: Moderate influence
- Light Blue: Lower influence

Bar Arrows - Rating Factor Outlook

- Up arrow: Positive
- Down arrow: Negative
- Up/Down arrow: Evolving
- Square: Stable

Extremely High Probability of Support

The Qatari authorities have demonstrated a strong propensity to support domestic banks. This is evidenced in capital injections and the purchase of some problem assets (2009-1Q11) and significant deposit placements to support sector liquidity (2H17) following the start of the blockade between Qatar and some of its neighbours.

Qatar has a strong ability to support domestic banks, as indicated by its rating (AA-/Stable).

DB's Support Rating Floor is at the same level as the Qatari bank's domestic systemically important bank (D-SIB) Support Rating Floor and is not differentiated by franchise or level of government ownership. This is because we see an extremely high probability that all rated Qatari banks would receive support should they require it. This belief also partly reflects the risk of contagion (the small number of banks and high concentration of banks in the system) and the importance of the banking system in building the local economy.

Significant Changes

Weaker Standalone Creditworthiness

Fitch Ratings downgraded DB's VR to 'bb' from 'bb+' on 9 April 2020. The downgrade primarily reflected the bank's weaker loss-absorption capacity considering the potential for further asset-quality deterioration, as seen in 2019, largely due to high concentration in Qatar's troubled real estate and contracting sectors, as well as large problem loans from Gulf Cooperation Council (GCC) lending. It came at a time of increasingly challenging operating conditions for Qatari banks.

Coronavirus Raises Operating Environment Risks

The consequences of the coronavirus and lower hydrocarbon revenues will weaken government capital spending, which will in turn affect the operating environment. Fitch now forecasts Qatar's real GDP growth at minus 3.1% in 2020, after an estimated 0.2% contraction in 2019. This contraction is putting increased pressure on Qatari banks' operating environment, asset quality and capital buffers.

Fitch expects more asset quality pressure at banks, especially those that already have high Stage 2 loans and real estate exposure. Given Qatar's relatively undiversified economy, domestic banks have highly concentrated exposure to the real estate sector, which is facing falling prices and rents as new capacity continues to be added to an already over-supplied market. We expect additional pressure because the coronavirus and travel restrictions will hit the commercial real estate, services, trade and hospitality sectors further.

In March 2020 the government announced a QAR75 billion stimulus package to the private sector, which is equivalent to less than 10% of total private sector lending. This is unlikely to be sufficient to protect the banks' asset quality given that exposures to directly affected sectors (including general services, trade, real estate and contracting) represent around two-thirds of total sector lending.

Global market volatility and concerns over potential tightening of liquidity could impede banks' access to international capital markets for debt refinancing and also trigger non-domestic deposits withdrawals. Following the outbreak, the authorities announced that the Qatar Central Bank (QCB) would provide liquidity support to the banking system and this remains our base case, as was seen in the 2017-2018 blockade.

Company Summary and Key Qualitative Assessment Factors

Well-Established Domestic Franchise

DB has a well-established and adequate franchise in Qatar, where it operates as a second tier conventional commercial bank. DB is the fourth-largest bank in Qatar, accounting for about 6%-7% of the sector's lending and deposits at end-1Q20.

DB operates primarily in Qatar where it has the second largest conventional banking footprint. The bank has overseas branches in Abu Dhabi, Dubai and Kuwait, offering retail (limited) and corporate banking, and in India, focusing on the remittance business (there is a large Indian expatriate population in Qatar) and capturing trade flows. It also has a large international network of representative offices contributing to its trade finance and non-domestic deposit sourcing activities.

Listed Bank; Small Government Ownership

The bank's shares are primarily listed on the Qatar exchange, where they are widely held. Its market capitalisation was QAR5.9 billion at end-1Q20. Qatar Investment Authority (QIA; the sovereign wealth fund) has a 17.15% stake in the bank as a result of capital injections made to all Qatari banks between 2009 and 1Q11 as part of a system-wide capital boosting exercise. DB is regulated by the QCB, which has good oversight across the Qatari banking sector with sound supervision and regulation, as well as proactive monitoring.

Significant Reliance on Volatile Business

The bank's business model is simple and dominated by wholesale banking (end-2019: 88% of net loans) and Qatar (over 90% of assets and total operating income). However, international assets in GCC countries (end-1Q20: 6% of gross loans - including those involved in the political dispute) and above-average concentration to the real estate and contracting sectors bring risks to asset quality and performance. DB is also more reliant than peers on confidence-sensitive non-domestic funding and wholesale funding.

Strategic objectives tend to shift based on market opportunities. The spread of coronavirus brings new challenges given the weaker growth outlook in Qatar in 2020. However, the full impact remains uncertain and will depend on how long lockdown policies last. DB forecasts only moderate loan growth in 2020, mainly driven by government and corporate lending.

Management turnover is fairly high. The execution record has been damaged by continued asset quality deterioration and weak performance, despite the bank's efforts to tighten risk controls (including in its GCC operations) and loan monitoring.

High Real Estate and Contracting Exposure

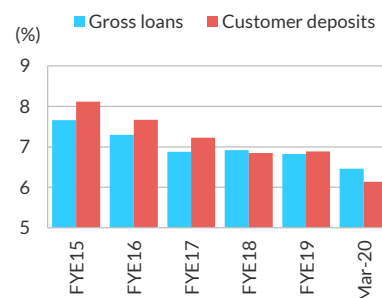
Significant exposure to the troubled contracting and real-estate sectors (end-1Q20: a combined 39% of loans; versus sector average of 22%) raises risk to asset quality. However, reasonable loan-to-value (max of 60% at origination) of mostly completed real-estate projects (85% completed) mitigates the extent of potential losses. Single-name concentration risk is high, though broadly in line with peers, reflecting the undiversified Qatari economy and lumpy real estate assets. At end-1Q20, the 20 largest credit exposures made up 3.6x CET1.

DB endeavours to reduce its exposure to contracting, de-risk its GCC operations and increase lower-risk government lending (end-1Q20: 13% of gross loans; end-2018: 6%). However, this will prove challenging in the short-to-medium-term as the spread of the coronavirus and lower hydrocarbon prices will weigh on the government's capital spending.

Average Market Risk

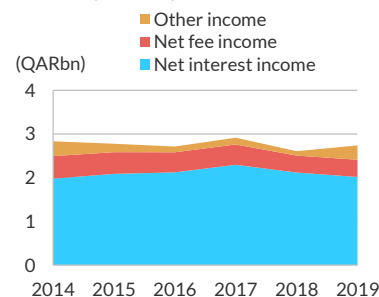
DB's open FC position (excluding in US dollars to which the Qatari riyal is pegged) was almost closed at end-2019. The interest rate gap up to three months was slightly positive at end-2019, while a 10bp change in interest rates has a negligible impact on equity. Negative revaluation of interest rate derivatives held for fair value hedges through other comprehensive income amounted to 8% of equity in 1Q20, although losses were largely reversed in 2Q20. The securities portfolio (end-1Q20: 24% of assets) is of good quality, comprising about 78% of Qatari sovereign debt.

Market Share



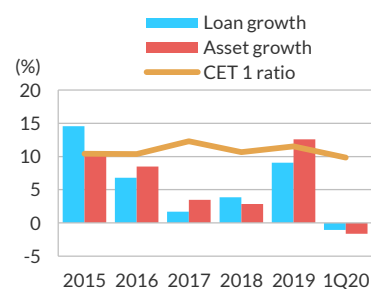
Source: Fitch Ratings

Revenue Breakdown



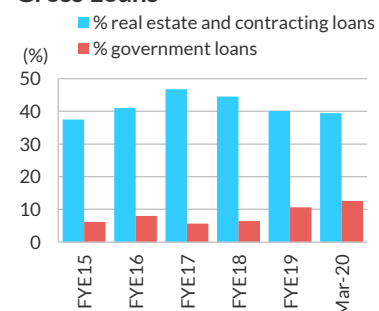
Source: Fitch Ratings, Doha Bank

Asset Growth



Source: Fitch Ratings, Doha Bank

Gross Loans



Source: Fitch Ratings, Doha Bank

Summary Financials and Key Ratios

	3 Months - 1st Quarter (USDm) Reviewed – Unqualified (Emphasis of matter)	31 Mar 2020 3 Months - 1st Quarter (QARm) Reviewed – Unqualified (Emphasis of matter)	31 Dec 19 Year end (QARm) Audited - unqualified	31 Dec 18 Year end (QARm) Audited - unqualified	31 Dec 17 Year end (QARm) Audited - unqualified
Summary income statement					
Net interest and dividend income	151	548.0	2,015.8	2,117.9	2,294.7
Net fees and commissions	25	89.9	394.1	387.6	464.5
Other operating income	31	111.3	329.3	99.9	155.5
Total operating income	206	749.2	2,739.2	2,605.4	2,914.7
Operating costs	67	244.7	897.0	833.1	1,102.5
Pre-impairment operating profit	139	504.5	1,842.2	1,772.3	1,812.2
Loan and other impairment charges	49	180.0	1,117.4	938.3	703.4
Operating profit	89	324.5	724.8	834.0	1,108.8
Other non-operating items (net)	n.a.	n.a.	n.a.	n.a.	n.a.
Tax	0	0.4	-29.1	3.8	-1.3
Net income	89	324.1	753.9	830.2	1,110.1
Other comprehensive income	-412	-1,500.0	379.7	34.2	47.4
Fitch comprehensive income	-323	-1,175.9	1,133.6	864.4	1,157.5
Summary balance sheet					
Assets					
Gross loans	19,279	70,176.2	70,913.9	65,031.7	62,622.2
- Of which impaired	1,097	3,994.6	4,122.4	3,802.1	2,258.7
Loan loss allowances	1,333	4,851.9	5,129.6	5,233.4	2,818.0
Net loans	17,946	65,324.3	65,784.3	59,798.3	59,804.2
Interbank	1,982	7,213.7	7,756.9	6,230.0	7,822.0
Derivatives	51	184.5	40.4	87.8	161.9
Other securities and earning assets	6,924	25,202.0	26,571.0	20,562.4	17,523.8
Total earning assets	26,902	97,924.5	100,152.6	86,678.5	85,311.9
Cash and due from banks	1,517	5,520.3	5,803.8	7,586.1	6,669.6
Other assets	817	2,972.1	2,252.0	1,867.8	1,513.8
Total assets	29,235	106,416.9	108,208.4	96,132.4	93,495.3
Liabilities					
Customer deposits	15,055	54,798.9	58,463.9	55,459.9	59,468.3
Interbank and other short-term funding	8,856	32,234.6	27,067.3	22,825.2	13,829.7
Other long-term funding	758	2,759.0	4,301.7	2,214.8	3,266.0
Trading liabilities and derivatives	357	1,300.6	514.3	138.9	47.5
Total funding	25,026	91,093.1	90,347.2	80,638.8	76,611.5
Other liabilities	874	3,181.8	4,543.3	2,760.4	2,076.8
Preference shares and hybrid capital	1,099	4,000.0	4,000.0	4,000.0	4,000.0
Total equity	2,237	8,142.0	9,317.9	8,733.2	10,807.0
Total liabilities and equity	29,235	106,416.9	108,208.4	96,132.4	93,495.3
Exchange rate		USD1 = QAR3.64	USD1 = QAR3.64	USD1 = QAR3.64	USD1 = QAR3.64

Source: Fitch Ratings, Fitch Solutions, Doha Bank

Summary Financials and Key Ratios

	31 Mar 2020	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.7	0.9	1.1	1.4
Net interest income/average earning assets	2.2	2.2	2.5	2.7
Non-interest expense/gross revenue	32.7	32.8	32.0	37.8
Net income/average equity	14.9	8.3	9.1	10.9
Asset quality				
Impaired loans ratio	5.7	5.8	5.9	3.6
Growth in gross loans	-1.0	9.1	3.9	1.7
Loan loss allowances/impaird loans	121.5	124.4	137.6	124.8
Loan impairment charges/average gross loans	1.0	1.7	1.5	0.9

Capitalisation				
Common equity Tier 1 ratio	9.8	11.5	10.7	12.3
Fully loaded common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital ratio	10.5	11.8	11.3	13.7
Tangible common equity/tangible assets	7.7	8.6	9.1	11.6
Basel leverage ratio	n.a.	n.a.	n.a.	n.a.
Net impaired loans/common equity Tier 1	-11.2	-11.0	-17.4	-5.8
Net impaired loans/Fitch Core Capital	-10.5	-10.8	-16.4	-5.2

Funding and liquidity				
Loans/customer deposits	128.1	121.3	117.3	105.3
Liquidity coverage ratio	n.a.	134.6	102.9	205.5
Customer deposits/funding	58.4	62.3	65.6	73.8
Net stable funding ratio	n.a.	84.7	90.8	81.8

Source: Fitch Ratings, Fitch Solutions, Doha Bank

Key Financial Metrics – Latest Developments

Weak Asset Quality

DB's NPL ratio (end-1Q20: 5.7%) is weaker than peers'. NPLs are primarily found in the contracting book (13% of gross loans; 19% NPL ratio) and international loans in the GCC (6% of gross loans; 32% NPL ratio). The quality of retail loans is stable (4.8% NPL ratio). Problem loans in the real estate portfolio are low (1.2%); however some exposures have been restructured considering the fall in real estate prices in recent years. Already high restructured loans (QAR10 billion restructured in 2019-1Q20 or 14% of gross loans at end-1Q20) are likely to increase further given the coronavirus fallout and could migrate to NPLs.

Stage 2 loans are high (28% of gross loans) and mainly relate to real estate and contracting (54% of Stage 2 loans). GCC exposures made up 17% of Stage 2 loans at end-1Q20.

Forbearance measures by the QCB in response to the coronavirus crisis, including a six-month credit extension, will not be sufficient if pressure on the real estate sector persists for a prolonged period and might only result in delaying problem loans recognition. We think more forbearance measures could emerge and possibly affect loan classification.

High Impairments Stifle Profitability

DB's operating profitability is weak. The operating profit/risk-weighted assets (RWA) ratio fell to 0.9% in 2019 (1.1% in 2018) as loan impairments absorbed a high 61% of pre-impairment operating profit. Impairments are likely to remain high given asset-quality pressures, notwithstanding potential recoveries from already adequately-provisioned non-performing loans.

The bank's net interest margin is moderate (1Q20: 2.2%). It fell in 2019 primarily due to the sourcing of more expensive foreign funding (especially in 1Q19 when funding costs were high), the slow repricing of fixed-term deposits and an increase in lower-yielding securities. DB's cost/income ratio of 33% is adequate and broadly in line with peers'.

Weak Core Loss-Absorption Capacity

The bank's loss-absorption capacity has weakened in Fitch's view, considering DB's high risk profile and the potential for further asset quality deterioration. However, the CET1 ratio of 9.8% is supported by the bank's intention not to pay dividends on 2019 profits.

DB intends to tap international capital markets with additional Tier 1 (AT1) and Tier 2 capital instruments in 2020 up to a combined USD1 billion (equivalent to QAR3.6 billion). However, this is more likely to come from local or state-related sources given current challenging market conditions. An additional QAR2 billion of AT1 notes would provide around 260bp of uplift to DB's end-1Q20 Tier 1 and total capital adequacy ratios of 15.0% and 16.2%, respectively. These are already supported by QAR4 billion of AT1 notes.

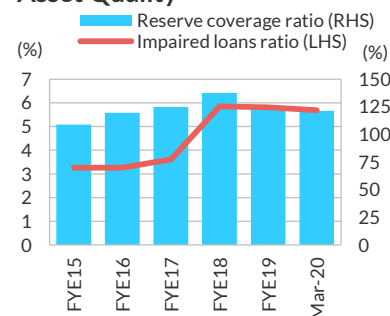
High Reliance on Foreign Funding

DB is primarily funded by customer deposits, (end-1Q20: 58% of total funding), primarily sourced from government entities (41% of total deposits), corporates (34%) and retail (22%). Deposits are contractually short-term (54% mature in three months) and highly concentrated (top 20 deposits/total deposits of 47%). The largest depositors include Qatari government agencies, but also more confidence-sensitive corporate and institutional foreign deposits (34% of total deposits). DB aims to source more diversified, granular and longer term deposits.

Wholesale funding has increased and accounted for 42% of total funding at end-1Q20 (end-2017: 26%). It was composed of interbank deposits (17% of total funding), repos (11%), bank borrowings and senior notes (8%) and QAR4 billion of AT1 notes (4%). The bank is exposed to changes in investor sentiment as the majority of wholesale funding comes from foreign sources and a high 81% was due within one year at end-1Q20.

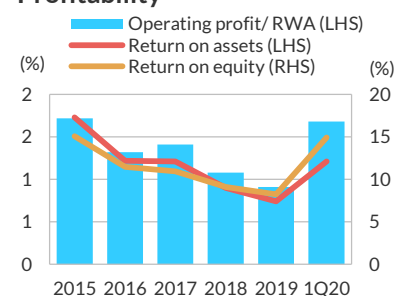
Liquid assets of QAR20.2 billion at end-1Q20 represented a moderate 19% of assets or 37% of customer deposits. Liquid assets broadly cover wholesale funding (excluding repo) due within one year, provided customer deposits are stable. About a third of performing loans had a maturity date under one year at end-1Q20, which could support liquidity.

Asset Quality



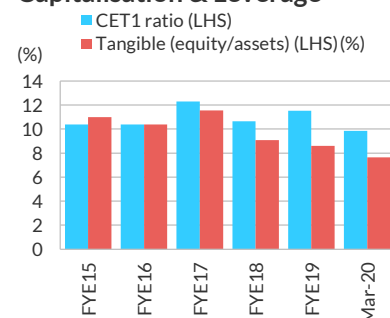
Source: Fitch Ratings, Doha Bank

Profitability



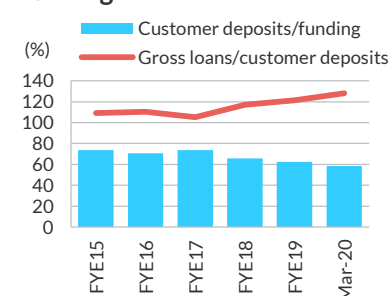
Source: Fitch Ratings, Doha Bank

Capitalisation & Leverage



Source: Fitch Ratings, Doha Bank

Funding Profile



Source: Fitch Ratings, Doha Bank

Environmental, Social and Governance Considerations

FitchRatings Doha Bank Q.P.S.C.

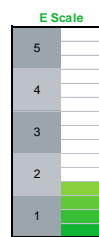
Banks Ratings Navigator

Credit-Relevant ESG Derivation

Doha Bank Q.P.S.C. has 5 ESG potential rating drivers ▶ Doha Bank Q.P.S.C. 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.	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



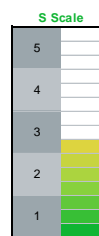
How to Read This Page

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.

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



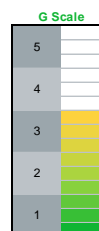
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far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

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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