FitchRatings

Banks
Universal Commercial Banks
Switzerland

Credit Suisse Group AG

Key Rating Drivers

Business Model Drives Rating Level: Credit Suisse Group AG's (Credit Suisse) ratings are lower than most of the global trading and universal bank peers'. This reflects the relatively large size of the group's investment-banking operations, its risk appetite and profitability that is weaker than its peers'. Balancing these relative weaknesses are the group's strong wealth management franchise and leading universal-banking presence in Switzerland. Asset quality, capitalisation, and funding and liquidity are supportive of the rating.

Negative Outlook on Risk Appetite: Fitch Ratings views the recent increase in the frequency of events that could damage the group financially and reputationally as a negative reflection on its risk appetite and controls, and they could indicate governance and controls shortcomings. The risk to ratings from these events drove the revision of the Outlook to Negative, and of the group's Governance Structure ESG relevance score to '4' from '3' in April 2021.

Well Capitalised to Absorb Loss: The bank has indicated a likely common equity Tier 1 (CET1) ratio of at least 12% and CET1 leverage ratio of at least 3.7% at end-1Q21, after incurring a large CHF4.4 billion loss in relation to its exposure to a failed US hedge fund in its prime brokerage business. The impact has to an extent been buffered by extraordinarily strong underlying profitability, but also a partial cancellation of shareholder distributions.

Setbacks to Earnings Improvements: We see Credit Suisse's earnings trajectory at risk from the fallout of certain events in 1Q21, which have triggered internal and external scrutiny and management changes. Excluding the prime brokerage loss, Credit Suisse's 1Q21 profitability has benefited from strong revenue trends in the investment bank and wealth management businesses. Its 2020 earnings were also resilient to heightened loan impairment charges (LICs) although its revenue was not as buoyant as that of higher-rated peers.

Resilient to Pandemic Disruptions: The high quality of its loan book, its diversified business model, and a benign outlook for the Swiss economy relative to other European markets put the group in a good position to withstand earnings and asset quality pressures from the pandemic.

Diversified Funding, Robust Liquidity: The group has a stable and diversified funding profile and its liquidity position is expected to remain strong at end-1Q21. Credit Suisse has indicated that the liquidity coverage ratio (LCR) is expected to exceeded 200% and high quality liquid assets to reach USD200 billion at end-1Q21.

Rating Sensitivities

Fallout from Recent Setbacks: The potential losses, risk control weaknesses, and any corrective measures the bank may take following the unwinding of the positions related to a failed hedge fund, or of its managed supply chain finance funds could lead to a downgrade of Credit Suisse's ratings. This is because they could put pressure on our assessment of the group's risk appetite, management & strategy, asset quality, profitability and capitalisation.

Financial, Business Impact: The ratings could come under pressure if there is an erosion of the CET1 ratio to below 11% without a clear path to restore it to the longer-term guidance of around 12%. A higher risk appetite than we had assumed, particularly in the investment bank, reputational repercussions that would make it more difficult for the group to meet its pre-tax profit growth ambitions, or significant disruptions to its management and strategy, would also contribute to rating pressure.

Potential Stabilisation: The Outlook could be revised to Stable once we believe that any risk management and governance shortcomings have been remedied, provided that the effect on earnings and capital is limited.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F2
Viability Rating	a-
Support Rating (SR)	5
Support Rating Floor (SRF)	No Floor
Sovereign Risk	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Revises Credit Suisse's Outlook to Negative, Affirms IDR at 'A-' (April 2021)

Global Economic Outlook (March 2021)

Global Trading and Universal Banks: Peer Review (April 2021)

Large European Banks Quarterly Credit Tracker - 4Q20 (March 2021)

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Rated Subsidiaries

Ratings of Main Legal Entities

Rating level	Credit Suisse	CS AG	CS Schweiz	CSI	CSSSV	CSD
Long-Term IDR	A-/Negative	A/Negative	A+/Negative	A/Negative	A/ Negative	A/ Negative
Short-Term IDR	F2	F1	F1	F1	F1	F1
Viability Rating	a-	a-	a			
Support Rating	5	5	1	1	1	1
Support Rating Floor	NF	NF				
Derivative Counterparty Rating		A(dcr)	A+(dcr)	A(dcr)	A(dcr)	

Source: Fitch Ratings

The Long-Term Issuer Default Rating (IDR) and Derivative Counterparty Rating (DCR) of the group's main operating entity, Credit Suisse AG (CS AG), are one notch above its Viability Rating (VR). This reflects the large buffer of junior and holding company senior debt that offers protection to CS AG's third party senior unsecured creditors from default in the event of its failure. We expect this buffer to be sustainable given the requirements of the Swiss too-big-to-fail regulation.

Credit Suisse (Schweiz) AG (CS Schweiz), a subsidiary of CS AG, houses the group's domestic retail and commercial banking activities and broadly corresponds to the group's Swiss Universal Bank (SUB) business division. Its VR is one notch higher than the group's reflecting its low-risk domestic loan book, moderate volumes of trading assets, sound capitalisation and a strong deposit franchise. Its VR also reflects its deep integration with CS and high fungibility of liquidity and capital between the two entities.

Its Long-Term IDR and DCR are one notch above its VR because of significant buffers of junior and internal bail-in-able debt that offer protection to senior creditors of CS Schweiz in the event of its failure. The Outlook on CS Schweiz's Long-Term IDR mirrors that on the parent because we expect their ratings to remain highly correlated.

Credit Suisse International (CSI, based in the UK), Credit Suisse (Deutschland) AG (CSD, based in Germany) and Credit Suisse Securities Sociedad de Valores S.A. (CSSSV, based in Spain) are wholly owned subsidiaries of CS AG. Credit Suisse (USA) Inc (CSUSA) is a US holding company directly held by Credit Suisse Holdings (USA), Inc., the group's US intermediate holding company, which is owned by CS AG. We view these entities as integral to the group's business and core to CS's strategy. Their Long-Term IDRs are aligned with CS AG's IDR.

Issue Ratings

Debt Rating Classes

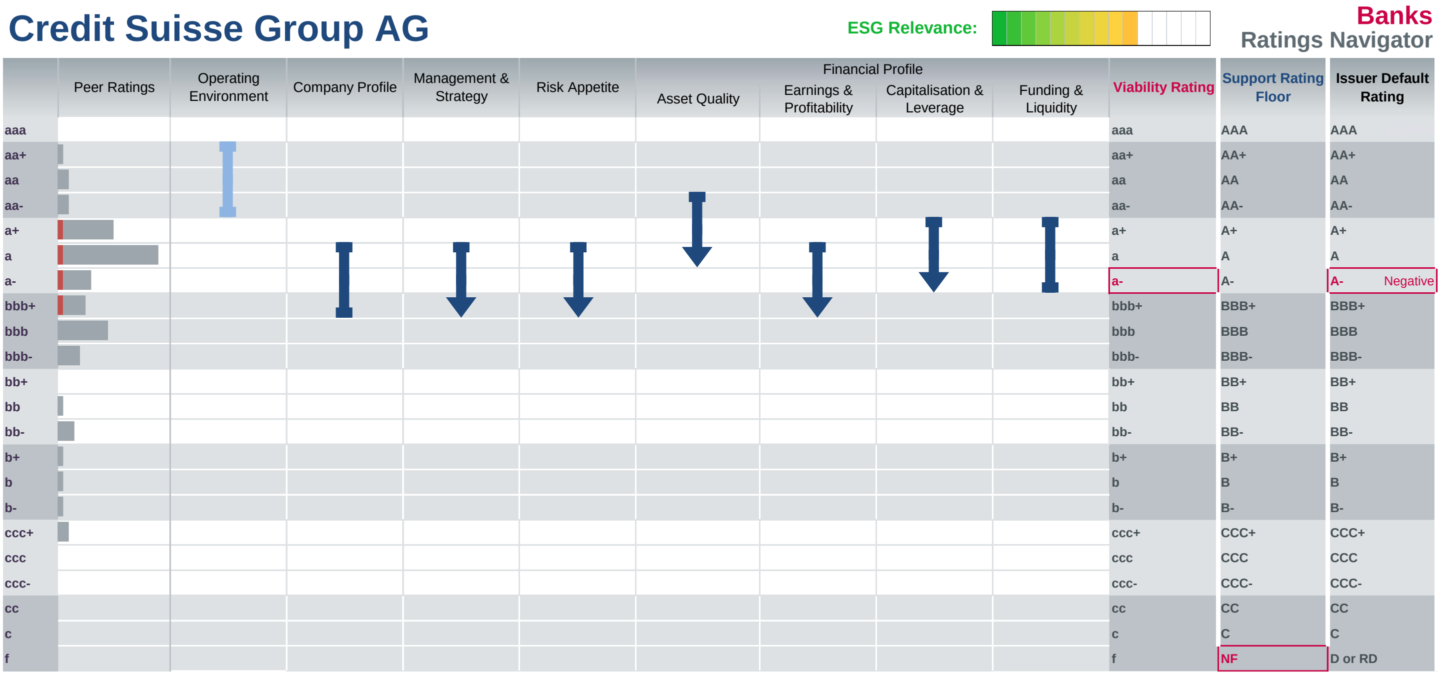
Rating level	CSG	CS AG	CSI	CSD
Deposits				A/F1
Senior unsecured debt	A-/F2[a]	A/F1	A/F1	
Tier 2 subordinated debt	BBB	BBB		
Additional Tier 1 debt	BB+			

[a] Including debt issued by Credit Suisse Group Funding (Guernsey) Ltd
Source: Fitch Ratings

Senior unsecured debt is rated in line with the issuers' IDRs. CSD's deposits are rated in line with its IDRs. CSG's and CS AG's subordinated Tier 2 debt is notched two times off their VRs for loss severity, in line with Fitch's baseline notching for this type of debt.

CSG's additional Tier 1 debt with fully flexible coupons is rated four notches below its VR. The notching comprises two notches for loss severity, reflecting the notes deep subordination, and two notches for incremental non-performance risk relative to the VR, due to fully discretionary coupon omission. We expect the group to maintain adequate buffers above the mandatory coupon omission points of well in excess of 100bp of risk-weighted assets.

Ratings Navigator



Key Latest Developments and Significant Changes

Negative Outlook on Hedge Fund Loss and Frequency of Negative Incidents

In early April 2021, Credit Suisse announced an estimated CHF4.4 billion loss in respect of exiting the positions linked to a failed US hedge fund, which is in line with the drivers of the Negative Outlook on its Long-Term IDR. The announcement did not trigger further rating sensitivities primarily because of the group's ability to buffer the loss in its extraordinarily good underlying profitability, leading to an expected pre-tax loss for the quarter of approximately CHF0.9 billion.

The group's ratings remain at risk from potential follow-up costs including any restructuring charges as the group investigates and works to remediate any risk control shortcomings that allowed the loss to happen. The ratings could also come under pressure from reputational threats to its wealth and asset management franchises and to the investment bank, which could slow down pre-tax profit growth plans.

There is also instability arising from recent management changes, including the head of the investment bank, of the asset management division, the global head of compliance and the chief risk officer, with potential changes in priorities as a new Chairman of the Board takes his role. The magnitude of the loss also raises questions about the suitability of the risk controls employed in the prime brokerage business and potentially in other parts of the bank, which would likely take time to remediate and restore confidence in.

We see these pressures against the backdrop of what had been a relatively benign outlook for profitability in a supportive environment for the investment bank and the wealth management divisions at the start of the year. Furthermore, we expect the group's home market and its loan quality to remain resilient to pandemic disruptions. These factors, together with the benefits of the group's past restructuring which has reduced the size of the investment bank, underpin Credit Suisse's ratings.

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

We also see the group as well capitalised with around a 12% CET1 ratio expected at end-1Q21. The CET1 ratio of 12.9% at end-2020 included a CHF766 million dividend deduction which will have in part been reversed following the group's decision to lower the dividend to CHF0.1 per share from the previously announced CHF0.2926 per share in light of the 1Q21 loss. An ongoing share repurchase plan of CHF1billion to 1.5 billion for 2021 has also been paused to allow for capital preservation.

The expected CET1 leverage ratio of 3.7% at end-1Q21 compares well with international peers - also due to a more stringent requirement in Switzerland of 3.5% for the group. While headroom to CET1 leverage requirements is currently lower than to RWAs-based ratios, we believe that the group has more flexibility to manage this metric than RWAs-based capitalisation due to inclusion of large amounts of cash central bank balances and short-term instruments in the leverage exposure.

Greensill Exposure Creates Litigation Risk

The fallout from the failed supply-chain finance company Greensill Capital also creates financial, reputational and regulatory risks for Credit Suisse. In particular, litigation by fund investors and investigations into the governance of the affected funds could lead to investor compensation and other charges.

The group has identified USD2.3 billion of the funds' USD10 billion initial assets under management as related to problematic clients GFG Alliance, Katerra, and Bluestone. This gives an indication of potential losses to investors that the bank could be made liable for, although ultimately they will depend on whether the group can achieve any recoveries from the defaulted exposure through either insurance or insolvency proceedings. The amount of cash and equivalents in the funds had increased to USD5.4 billion by mid-April, of which USD4.8 billion have been disbursed to investors.

We expect the direct revenue loss associated with the affected funds to be a low single-digit percentage of the asset management unit's revenue, excluding any potential reputational spill-overs. This is low in the context that Credit Suisse Asset Management generated CHF1.1 billion of adjusted revenue in 2020, about 5% of the group's total. In addition, the bank may need to provision for some of its remaining USD90 million collateralised lending exposure to Greensill, which is also manageable financially. The group has also been given an (undisclosed) pillar 2 capital buffer requirement by the Swiss regulator FINMA, which should incentivise it to preserve capital ahead of the materialisation of losses.

Resilient Profitability in 2020 despite One-Offs and Higher Credit Provisioning

Credit Suisse's CHF3.5 billion 2020 pre-tax profit was affected by litigation provisions in relation to its legacy RMBS cases, and an impairment on its investment in York Capital Management, in part offset by positive one-offs. Along with historically elevated LICs (though still below most global peers), these factors resulted in a moderate full-year pre-tax profit of 1.3% of risk-weighted assets (RWAs).

Earnings were helped by growth of pre-tax profit in the investment banking division owing to a buoyant revenue environment. The outlook in 2021 for this division was still strong prior to the failure of the US hedge fund. This was owing to continued monetary stimulus supporting asset prices and trading volumes, to a rebound in some of the businesses where Credit Suisse is more exposed than peers - particularly in credit – and to continued momentum in the special purpose acquisition companies market where the group commands a strong market share. The change in leadership and the potential negative reputational repercussions of the events in1Q21 cast doubt over this outlook. In the medium-term, the uncertainty over the revenue outlook in the investment bank is amplified by the risk of changes to its business model.

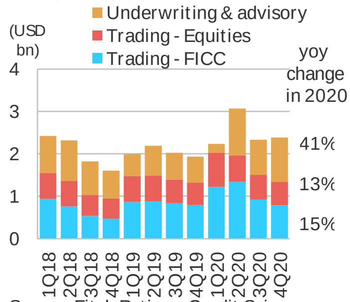
The profitability of the International Wealth Management (IWM) business declined yoy, as revenue declined because of lower net interest income due to lower interest rates and loans, lower transaction and recurring revenue, as well as foreign-exchange headwinds. The bank's pre-tax profit growth ambitions in wealth management (including in other divisions) should benefit from relatively high assets under management (AuM), appetite for lending and cross-divisional collaboration. But recent reputational setbacks may make revenue and business volume growth more difficult.

Credit Suisse Financial Targets

Division/ metric	Target	2020 reported
IB RoRC (%)	10-15	12.2
IB capital utilization (%)	~1/3 of group	32
WM-related RoRC (%)	20-25	18[a]
WM-related pre-tax-income	CHF5-5.5bn	3.8bn[a]
Group RoTE (%)	10-12	6.6
Corporate center pre-tax loss	<CHF1bn loss	-CHF 2.2bn

[a] Excluding significant items
Source: Fitch Ratings

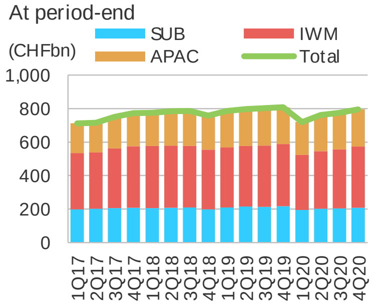
IB Revenues



Source: Fitch Ratings, Credit Suisse

Private Banking AuM

At period-end



Source: Fitch Ratings, Credit Suisse

The APAC division remained highly profitable (20% adjusted return on regulatory capital in 2020, up yoy), as revenue growth, driven by transaction-based revenue and cross-divisional collaboration, in part offset a sharp increase in credit provisions, and the effects of client deleveraging in 1H20.

The Swiss Universal Banking (SUB) division maintained resilient and strong profitability (15% adjusted return on regulatory capital in 2020, stable yoy) despite heightened credit provisions. Branch reductions and other cost reductions should help manage its cost efficiency, after the associated restructuring charges are fully incurred in 1H21.

Loan and securities impairment charges consumed 21% of pre-impairment adjusted operating profit, which compares well with European peers. Provisioning of loans increased to 29bp of average gross loans (2019:11bp), including the effect of transition to Current Expected Credit Loss - CECL- accounting under US GAAP. In 2021, still heightened specific provisions, as well as lending growth, are likely to drive elevated provisioning needs, while CECL charges (about 40% of total loan and securities impairment charges in 2020) should decrease. Loan and securities impairment charges in 2020 were largely driven by the investment bank and to a lesser extent the domestic universal banking business, APAC and wealth management.

A More Benign Outlook for the Swiss Operating Environment

Fitch has revised the outlook on Credit Suisse's operating environment to stable from negative. The Swiss economy performed better than we expected in 2020 and its 3% GDP contraction was less severe than in most neighbouring countries. While the tightening of restrictions in late 2020 and early 2021 acts as a growth headwind, we still expect the Swiss GDP to grow by 3.1% in 2021 and 2022. Policy measures, such as the short-time working scheme continue to support employment and household incomes. We expect unemployment to peak at a relatively low 4% in 2021, which should support Swiss banks' domestic asset quality.

We have also recently upgraded our global growth forecasts and now expect global GDP to expand by 6.1% in 2021 as fiscal support is stepped up sharply, as economies adapt to social distancing, and as the vaccination rollout gathers pace. We now expect the recovery to be faster than after the global financial crisis, and pre-pandemic levels of GDP should be regained sooner than anticipated in our previous Global Economic Outlook published in December 2020.

Key risks to our growth forecasts relate to severe delays in the vaccine rollout, potential asset price volatility in the context of high valuations in the US and in the longer term, as well as the uncertainty around the fundamental health of the private sector once government support is unwound.

Summary Financials and Key Ratios

	31 Dec 20		31 Dec 19	31 Dec 18	31 Dec 17	31 Dec 16
	Year end	Year end	Year end	Year end	Year end	Year end
	(USDm)	(CHFm)	(CHFm)	(CHFm)	(CHFm)	(CHFm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement						
Net interest and dividend income	6,684	5,948.0	7,017.0	7,009.0	6,557.0	7,562.0
Net fees and commissions	11,909	10,597.0	9,882.0	10,631.0	10,387.0	9,637.0
Other operating income	4,849	4,315.0	3,235.0	1,922.0	2,539.0	1,303.0
Total operating income	23,442	20,860.0	20,134.0	19,562.0	19,483.0	18,502.0
Operating costs	18,564	16,519.0	16,056.0	15,993.0	17,459.0	20,882.0
Pre-impairment operating profit	4,878	4,341.0	4,078.0	3,569.0	2,024.0	-2,380.0
Loan and other impairment charges	1,232	1,096.0	324.0	245.0	210.0	252.0
Operating profit	3,647	3,245.0	3,754.0	3,324.0	1,814.0	-2,632.0
Other non-operating items (net)	249	222.0	966.0	48.0	-21.0	366.0
Tax	900	801.0	1,295.0	1,361.0	2,741.0	441.0
Net income	2,996	2,666.0	3,425.0	2,011.0	-948.0	-2,707.0
Other comprehensive income	-3,244	-2,887.0	-2,222.0	776.0	-2,473.0	-117.0
Fitch comprehensive income	-248	-221.0	1,203.0	2,787.0	-3,421.0	-2,824.0
Summary Balance Sheet						
Assets						
Gross loans	329,768	293,444.0	297,725.0	288,483.0	280,031.0	276,914.0
- Of which impaired	3,593	3,197.0	2,126.0	2,192.0	2,110.0	2,472.0
Loan loss allowances	1,726	1,536.0	946.0	902.0	882.0	938.0
Net loans	328,042	291,908.0	296,779.0	287,581.0	279,149.0	275,976.0
Interbank	1,459	1,298.0	741.0	1,142.0	726.0	772.0
Derivatives	28,839	25,662.0	17,914.0	18,345.0	19,671.0	26,930.0
Other securities and earning assets	300,855	267,716.0	298,892.0	287,211.0	306,539.0	330,193.0
Total earning assets	659,194	586,584.0	614,326.0	594,279.0	606,085.0	633,871.0
Cash and due from banks	156,332	139,112.0	101,879.0	100,047.0	109,815.0	121,161.0
Other assets	90,044	80,126.0	71,090.0	74,590.0	80,389.0	64,829.0
Total assets	905,571	805,822.0	787,295.0	768,916.0	796,289.0	819,861.0
Liabilities						
Customer deposits	439,311	390,921.0	383,783.0	363,925.0	361,162.0	355,833.0
Interbank and other short-term funding	125,768	111,915.0	112,881.0	103,465.0	105,872.0	148,100.0
Other long-term funding	163,225	145,246.0	138,988.0	144,092.0	157,816.0	146,851.0
Trading liabilities and derivatives	51,600	45,916.0	38,234.0	42,177.0	39,218.0	44,932.0
Total funding	779,904	693,998.0	673,886.0	653,659.0	664,068.0	695,716.0
Other liabilities	59,608	53,042.0	56,678.0	61,022.0	74,816.0	67,839.0
Preference shares and hybrid capital	17,802	15,841.0	13,017.0	10,216.0	15,216.0	13,995.0
Total equity	48,256	42,941.0	43,714.0	44,019.0	42,189.0	42,311.0
Total liabilities and equity	905,571	805,822.0	787,295.0	768,916.0	796,289.0	819,861.0
Exchange rate		USD1 = CHF0.88985	USD1 = CHF0.97165	USD1 = CHF0.9811	USD1 = CHF0.9758	USD1 = CHF1.0178

Source: Fitch Ratings, Fitch Solutions, Credit Suisse

Summary Financials and Key Ratios

	31 Dec 20	31 Dec 19	31 Dec 18	31 Dec 17	31 Dec 16
Ratios (annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	1.2	1.3	1.2	0.7	-1
Net interest income/average earning assets	1	1.1	1.2	1.1	1.2
Non-interest expense/gross revenue	78.3	80.7	82.7	90.7	114.2
Net income/average equity	5.8	7.8	4.7	-2.2	-6.1
Asset quality					
Impaired loans ratio	1.1	0.7	0.8	0.8	0.9
Growth in gross loans	-1.4	3.2	3	1.1	1.1
Loan loss allowances/impaired loans	48.1	44.5	41.2	41.8	37.9
Loan impairment charges/average gross loans	0.3	0.1	0.1	0.1	0.1
Capitalisation					
Common equity Tier 1 ratio	12.9	12.7	12.6	13.5	13.5
Fully loaded common equity Tier 1 ratio	12.9	12.7	12.6	12.8	n.a.
Tangible common equity/tangible assets	4.1	4.8	4.9	4.4	4.3
Basel leverage ratio	6.4	5.5	5.2	5.6	5.1
Net impaired loans/common equity Tier 1	4.7	3.2	3.6	3.4	4.2
Funding and liquidity					
Loans/customer deposits	75.1	77.6	79.3	77.5	77.8
Liquidity coverage ratio	190	198	184	185	202
Customer deposits/funding	56.5	57	56.1	54.4	51.6
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, Credit Suisse

Sovereign Support Assessment

The SRs of '5' and Support Rating Floors (SRF) of 'No Floor' of Credit Suisse and CS AG reflect Fitch's view that senior creditors can no longer rely on receiving full extraordinary support from the sovereign in the event that the entities become non-viable. This is largely due to progress made in Swiss legislation and regulation to address the 'too big to fail' problem for the two big Swiss banks.

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		✓	

Environmental, Social and Governance Considerations

The group's ESG relevance score for Governance Structure has been revised to '4' from '3' as the group's governance issues are a contributor to the revision of the Outlook to Negative. This has a negative impact on the credit profile and is relevant to the rating in conjunction with other factors.

With the exception of Governance Structure, 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

FitchRatings

Credit Suisse Group AG

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Credit-Relevant ESG Derivation

Credit Suisse Group AG has 1 ESG rating driver and 4 ESG potential rating drivers

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

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

Environmental (E)

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

Social (S)

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

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
Governance Structure	4	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				1

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

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

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

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

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

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.