S&P Global
Ratings

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Various Rating Actions Taken On South African Banks Following Sovereign Downgrade

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Overview

- On April 29, 2020, we lowered our long-term foreign currency ratings on South Africa to 'BB-' from 'BB'.
- COVID-19-related pressure will have significant adverse implications for South Africa's already deficient growth and fiscal outcomes.
- Positively, the South African Reserve Bank's support measures will support the stability of the financial and banking sector.
- We do not rate financial institutions in South Africa above the foreign currency sovereign ratings, given the direct and indirect impact that sovereign distress would have on domestic banks' operations.
- As a result, we are taking various rating actions on South Africa-based institutions.

JOHANNESBURG (S&P Global Ratings) May 7, 2020--S&P Global Ratings today took various rating actions on nine South Africa-based institutions.

Specifically, we:

- Affirmed our 'zaAA' long-term and 'zaA-1+' short-term South Africa national scale rating on Absa Bank Ltd.
- Lowered our long-term issuer credit rating on African Bank Ltd. to 'B' from 'B+' and affirmed our 'B' short-term rating. The outlook is stable. We also affirmed our 'zaA-' long-term and 'zaA-2' short-term South Africa national scale rating on the bank.
- Affirmed our 'zaAA' long-term and 'zaA-1+' short-term South Africa national scale rating on BNP Paribas Personal Finance South Africa Ltd. and the 'zaAAA' rating on the parent-guaranteed domestic MTN program.
- Lowered the long-term issuer credit rating on Capitec Bank Ltd. to 'BB-' from 'BB' and affirmed the 'B' short-term rating. The outlook is stable. We affirmed our 'zaAA' long-term and 'zaA-1+' short-term South Africa national scale rating on the bank.
- Lowered the long-term issuer credit rating on FirstRand Bank Ltd. to 'BB-' from 'BB' and affirmed the 'B' short-term rating. The outlook is stable. We affirmed our 'zaAA' long-term and 'zaA-1+' short-term South Africa national scale rating on the bank.

- Lowered our long-term issuer credit rating on FirstRand Ltd. (nonoperating holding company) to 'B' from 'B+' and affirmed the 'B' short-term rating. The outlook is stable. We affirmed our 'zaA-' long-term 'zaA-2' short-term South Africa national scale rating on the company.
- Lowered the long-term issuer credit rating on Investec Bank Ltd. to 'BB-' from 'BB' and affirmed the 'B' short-term rating. The outlook is stable. We affirmed our 'zaAA' long-term and 'zaA-1+' short-term South Africa national scale rating on the bank.
- Lowered the long-term issuer credit rating on Nedbank Ltd. to 'BB-' from 'BB' and affirmed the 'B' short-term rating. The outlook is stable. We affirmed our 'zaAA' long-term and 'zaA-1+' short-term South Africa national scale rating on the bank.
- Affirmed our 'zaAA' long-term national scale rating on the South African rand (ZAR) 10 billion MTN program issued by BNP Paribas (acting through the South Africa branch).

The rating actions follow our downgrade of South Africa (see "South Africa Lowered To 'BB-' from 'BB' As COVID-19 Further Impairs Fiscal And Growth Prospects; Outlook Stable," published April 29, 2020, on RatingsDirect). We expect South Africa's already contracting economy will face a further sharp COVID-19-related downturn in 2020, and that the pandemic will create additional and more substantial headwinds to GDP growth due to a strict domestic lockdown, a markedly weaker external demand outlook, and tighter credit conditions.

We estimate real GDP growth for South Africa will contract by 4.5% in 2020, largely due to the outbreak of COVID-19, before rebounding to 3.5% in 2021.

Global market dislocations led to massive portfolio outflows in first-quarter 2020 and caused the South African rand to weaken. The combined effect of uncertainties linked to COVID-19 and the expected exit of South Africa bonds from the FTSE Russell WGI index in May 2020, will likely lead to sustained portfolio flow volatility through 2020.

We anticipate the banking sector will contract as a result of the economic crisis. We forecast credit to the private sector will shrink by about 5% in 2020, while we expect very low-single-digit growth in 2021.

We expect sector credit losses will rise to about 1.2% in 2020, mostly affecting retail and small and medium enterprise (SME) loans. Domestic households pose a significant source of risk for banks because of their relatively high leverage and low wealth levels compared with other emerging markets. Household leverage (defined as household debt to disposable income) averaged 72% in the past three years. Household debt metrics, including affordability, will come under pressure in 2020. This is despite lower interest rates due to external shocks and the economic crisis. In addition, we expect stress in the commercial real estate sector on the back of a prolonged economic lockdown and the gradual reopening of the economy.

As a result of the above factors, we have revised down our Banking Industry Country Risk Assessment (BICRA) score for South Africa to group 6 from group 5. The anchor for banks operating only in South Africa is now 'bb+' compared with 'bbb-' previously. However, the lower anchor is neutral to top-tier banks' stand-alone credit profiles (SACPs), which remain 'bbb-'.

Furthermore, the South African Prudential Authority, in line with other G-20 regulators, has been proactive in announcing restructuring, capital relief, and liquidity measures to support banks in their payment relief efforts. We expect banks' regulatory capital will remain strong, despite significant pressure on revenue in 2020-2021 because of higher credit losses.

Recent portfolio outflows and other pressures have led to a pronounced steepening of the domestic yield curve, threatening to tighten domestic credit conditions in the wider economy and cause a further drag on growth. The scale of the selloff was large enough to prompt central bank intervention in late March, whereby the South African Reserve Bank (SARB) committed to an open-ended program of government bond buying in the secondary market to "provide liquidity and promote the smooth functioning of domestic financial markets."

The South African banking sector has made progress in restructuring its funding base, but continues to derive 25% of funding from short-term wholesale deposits from nonbank financial institutions. The South African Reserve Bank's liquidity support via the repurchasing market will ease pressure on banks and asset managers' liquidity requirements, with depositors and investors continuing to favor cash. Furthermore, in a crisis, rand liquidity will remain in the country because of resident exchange controls, which will mitigate this systemwide risk. Additionally, major banks are not exposed to large-scale refinancing risk or a reversal of investor sentiment thanks to their lack of exposure to international funding. This positively differentiates the South African banking sector from other emerging market banking sectors.

Until we have more clarity on the resolution regime's implementation, we do not apply extraordinary support in the form of a notch for additional loss-absorbing capacity (ALAC) to issuer credit ratings on South African banks.

The negative economic risk trend reflects our expectation of a sharp economic contraction in 2020, exacerbated by volatile portfolio flows. We expect credit losses will rise to more elevated levels for top-tier banks to about 1.2% in 2020, compared with 0.7% in 2019. However, credit risks could increase further if provisioning levels are not commensurate with the level of economic risk, or if the sector faces higher credit losses than our forecast suggests.

The stable industry risk trend reflects early adoption of global best practices, effective and proactive regulation and supervision, and good capitalization. The recent regulatory measures toward capital relief and liquidity support are positive for the sector and in line with measures taken by European regulators. These measures will, in turn, support the stability of the banking sector funding and capitalization, despite pressure on profitability stemming from higher impairments.

We lowered our ratings on the above financial institutions because we do not rate South African banks above the foreign currency sovereign credit ratings. This is because of the likely direct and indirect influence of sovereign distress on domestic banks' operations, including their ability to service foreign currency obligations.

Notwithstanding our view of higher systemwide economic risks as indicated by a lower BICRA anchor, we have maintained our assessments of the SACPs of the three major rated banks: FirstRand, Absa, and Nedbank. This reflects our view of their relative resilience to this economic shock under our base-case assumption of a recovery in 2021. Under this scenario, we see a sharp drop in profitability for the major banks, but nevertheless view this as an earnings, rather than a capital, event. Their long track record of sound asset quality, muted risk appetite, and solid regulatory capitalization underpin our view. That said, we see some material risk in sectors such as unsecured lending, commercial real estate, and SMEs. The SACPs of banks that tilt toward those sectors will likely come under pressure if the downturn is deeper and more prolonged than we currently anticipate.

Environmental, social, and governance (ESG) factors relevant to the rating actions:

- Health and safety

African Bank Ltd.

We lowered our ratings on African Bank Ltd., reflecting our view of the susceptibility of the bank's unsecured portfolio and its fairly large number of legacy nonperforming loans (NPLs). We forecast the NPL ratio will increase to 45% in 2020, excluding credit risk mitigants such as payment holidays and credit life policies. As a result, NPL coverage will likely reduce to 75% over the forecast period, supporting our negative view of the bank's risk position. However, we forecast our risk-adjusted capital (RAC) ratio will remain stable over the next 12-18 months at 18%, supported by low risk-weighted asset growth. Although the bank is predominantly wholesale funded, we believe it has sufficient liquidity to cater for maturities over the next 12-18 months. As a result of the above factors, we have lowered the bank's SACP by one notch lower to 'b', which is consistent with our one-notch downward revision of our anchor for South African banks.

Outlook

The outlook on African Bank Ltd. is stable and reflects our expectation that its financial and business profile will remain unchanged over the next 12 months, despite earnings pressure and limited growth opportunities in the current economic downturn.

Downside scenario

We believe downward rating prospects are limited within the next 12 months.

Upside scenario

We could raise our ratings if the bank's asset quality metrics were significantly below our current expectations and our RAC ratio remains above 15%.

Capitec Bank Ltd.

We lowered our ratings on Capitec Bank Ltd. in line with the foreign currency sovereign credit ratings. We forecast the bank will maintain a strong RAC ratio of 12%-13% over the next 12-18 months, despite higher risk weighting caused by a weaker sovereign rating and higher economic risks. We anticipate earnings pressure in 2020-2021 on the back of higher credit losses, which are forecast to rise to 9%, and that charge-offs will average 8% over the next 12-18 months. These higher levels of losses stem from the bank's strong focus on unsecured lending, although it has recently diversified its client base. The bank's limited business diversification remains credit negative in the current economic downturn. More positively, the bank's funding and liquidity profile compares well with the sector average because it is largely reliant on customer deposits. As a result of the above, we have revised down the bank's SACP to 'bb', which is in line with the lower anchor for South African banks.

Outlook

The stable outlook on Capitec Bank reflects the outlook on the sovereign.

Downside scenario

We believe downgrade prospects are limited within the next year and would most likely arise following further deterioration of the sovereign credit rating. This could happen if economic prospects fail to recover during the forecast period, and financing pressures increase.

Upside scenario

We believe an upgrade is unlikely for Capitec Bank in the next year, partly because any improvement in the bank's SACP, by itself, would not result in an upgrade if our sovereign credit rating remains unchanged. Over the medium term, an improvement in South Africa's credit quality would likely result in a higher rating for the bank.

FirstRand Bank Ltd.

We lowered the ratings on FirstRand Bank in line with the foreign currency sovereign credit ratings. However, the bank's 'bbb-' SACP is unchanged, despite the lower anchor for South African banks. We expect the bank's RAC ratio will remain resilient, at 5.5%-6.0% over the next 12-18 months. This is despite higher risk weightings in our capital model caused by the weaker sovereign ratings and higher economic risks. The dividend suspension in 2020 will offset the weaker earnings. Based on our BICRA assumptions, we expect credit losses will rise to about 1.2% in 2020-2021 from 1% in 2019, largely stemming from increases in the retail and SME segments. Credit losses will be mitigated by regulatory forbearance measures introduced by the regulator in 2020 and the low concentration risks of the loan portfolio. The group's stable funding and liquidity profile is supported by the closed rand system. We expect the bank's liquidity coverage ratio (LCR) will remain above 100% in 2020.

Outlook

The stable outlook reflects the outlook on South Africa.

Downside scenario

We believe downgrade prospects are limited within the next year and would most likely arise following further deterioration of the sovereign credit rating. This could happen if economic prospects fail to recover during the forecast period, and financing pressures increase.

Upside scenario

We believe an upgrade is unlikely for FirstRand Bank in the next year, partly because any improvement in the bank's SACP, by itself, would not result in an upgrade if our sovereign credit rating remains unchanged. Over the medium term, an improvement in South Africa's credit quality would likely result in a higher rating for the bank.

FirstRand Ltd.

We lowered the ratings on FirstRand Ltd., the nonoperating holding company of the FirstRand Group, because the ratings remain structurally subordinated to those on the bank.

Outlook

The outlook reflects that on FirstRand Bank Ltd.

Investec Bank Ltd.

We lowered the ratings on Investec Bank Ltd. in line with the foreign currency sovereign credit ratings. However, the bank's 'bbb-' SACP is unchanged, despite the lower anchor for South African banks. Investec Bank has a niche position among South Africa's high-net-worth individuals and professionals. The better-than-average creditworthiness of this specialist bank supports Investec group's resilience and business stability through the cycle. We view the bank's risk position a strength to the ratings, and believe its better cost of risk than rated peers mitigates concentrations in real estate and a relatively small customer base. We believe Investec Bank's 0.3% average cost of risk over the past five years, reflects a clientele more resilient to changes in interest rates and inflation. However, we fully expect losses will increase because commercial real estate and SMEs will face adverse economic conditions. We forecast credit losses will rise to 0.5% by 2021 and will normalize at about 0.30% afterward. As a result, we estimate core earnings to adjusted assets will halve through the forecast period and the RAC ratio will average at about 5.5% over the next 12-18 months, supported by the regulatory dividend suspension guidance in 2020. Our forecast also reflects pressure on the bank's net interest margins as a result of the 200 basis point interest rate cut in 2020. Our view of the group's RAC and earnings capacity, combined with its credit risk profile, is neutral to the ratings and compares adequately with that of South Africa's large banks. We expect the bank will maintain a stable funding and liquidity profile, further supported by the closed rand system. We expect the bank's LCR will remain above 100% in 2020.

Outlook

The stable outlook reflects the outlook on South Africa.

Downside scenario

We believe downgrade prospects are limited within the next year and would most likely arise following further deterioration of the sovereign credit rating. This could happen if economic prospects fail to recover during the forecast period, and financing pressures increase.

Upside scenario

We believe an upgrade is unlikely for Investec Bank in the next year, partly because any improvement in the bank's SACP, by itself, would not result in an upgrade if our sovereign rating remains unchanged. Over the medium term, an improvement in South Africa's credit quality would likely result in a higher rating for the bank.

Nedbank Ltd.

We lowered the ratings on Nedbank Ltd. in line with the foreign currency sovereign credit rating. However, the bank's 'bbb-' SACP is unchanged, despite the lower anchor for South African banks. The bank has demonstrated a lower credit loss experience compared with that of most of its peers in the South African market over the past six years, with an average cost of risk of 0.64% over the past five years compared with a sector average of 1%. However, we expect credit losses will rise through 2021 and average 1%. Credit losses should be mitigated by regulatory forbearance measures introduced by the regulator in 2020 and the bank's diversified loan portfolio.

That said, downside risks will likely stem from a combination of the bank's exposures to retail, SMEs, and commercial real estate. The combination of pressure on net interest margins and higher impairment charges will lead to earnings pressure throughout the period. Therefore, we forecast the bank's RAC ratio will come under pressure and be closer to the 5% limit through our forecast horizon at 5.0%-5.3%, because of higher risk weights stemming from higher economic risks in our BICRA assumptions, a weaker sovereign credit rating, and its commercial real estate exposure attracting higher risk charges in our capital model. The group has improved its funding stability over the past few years, and recorded an average LCR of 125% at end-December 2019. The closed rand system will continue to support the bank's stable funding and liquidity profile.

Outlook

The stable outlook reflects the outlook on South Africa.

Downside scenario

We believe downgrade prospects are limited within the next year and would most likely arise following further deterioration of the sovereign credit rating. This could happen if economic prospects fail to recover during the forecast period, and financing pressures increase.

Upside scenario

We believe an upgrade is unlikely for Nedbank in the next year, partly because any improvement in the bank's SACP, by itself, would not result in an upgrade if our sovereign credit rating remains unchanged. Over the medium term, an improvement in South Africa's credit quality would likely result in a higher rating for the bank.

Absa Bank Ltd.

We affirmed the national scale ratings on Absa Bank Ltd. in line with the remapping of the South African national scale rating. The bank's 'bbb-' SACP is unchanged, despite the lower anchor for South African banks. The higher risk weightings in our capital model are the result of the weaker sovereign credit ratings and higher economic risks. We forecast that the RAC ratio will come under pressure in the next 12-18 months, but will remain at 5.0%-5.5%, supported by limited risk-weight asset growth and dividend suspension in 2020. The loan portfolio is sensitive to the current economic downturn due to the group's retail and SMEs franchise, as well as its exposure to the rest of Africa. The latter is a combination of exposures to oil producing countries and economies susceptible to external shocks. We expect the group will post a cost of risk averaging 1.2% in 2020-2021, and NPLs will average 5.5% over the same period, in line with our expectations for the sector average. We expect the group will maintain a stable funding and liquidity profile through the forecast horizon, supported by its franchise and the closed rand system.

We do not assign outlooks to national scale ratings. However, our national scale ratings on Absa Bank Ltd. would likely move in line with any rating action on South Africa.

BNP Paribas Personal Finance South Africa Ltd.

We affirmed the national scale ratings on BNP Paribas Personal Finance South Africa Ltd. in line with the remapping of the South African national scale rating. In general, we do not rate nonbank financial institutions above the foreign currency ratings on the country of domicile, even when the institution is part of a highly rated banking group. We therefore cap the ratings on the entity to reflect its very high exposure to South Africa) accounting for over 95% of credit exposures), dependence on local funding markets, and the potential for direct and indirect regulatory intervention affecting the group. The ratings are supported by our opinion that the company is a highly strategic subsidiary of BNP Paribas Personal Finance S.A. and, in turn, France-based BNP Paribas. Our opinion of the subsidiary's high strategic importance remains underpinned by its 100% ownership by BNP Paribas and the strong ongoing support it receives, illustrated by the amount and quality of funding provided by its French parent. The ratings on the guaranteed domestic MTN program remain unchanged.

We do not assign outlooks to national scale ratings. However, our national scale ratings on the entity would likely move in line with any rating action on South Africa.

BNP Paribas

The national scale ratings on the ZAR10 billion domestic MTN program are supported by the global scale ratings on BNP Paribas but constrained by the foreign currency sovereign credit rating on South Africa.

Table 1

South Africa BICRA Score Snapshot

	To	From
BICRA Group	6	5
Economic Risk/Trend	7/Negative	6/Negative
Economic Resilience	Very High	Very High
Economic Imbalances	High	Low
Credit Risk in the Economy	High	High
Industry Risk/Trend	5/Stable	5/Stable
Institutional Framework	Intermediate	Intermediate
Competitive Dynamics	Intermediate	Intermediate
Systemwide Funding	High	High
Government Support	Uncertain	Uncertain

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Ratings List

*************** **Absa Bank Ltd.** ***************		
Ratings Affirmed		
Absa Bank Ltd.		
South Africa National Scale	zaAA/--/zaA-1+	
************** **African Bank Ltd.** **************		
Downgraded; Outlook Action; Ratings Affirmed		
African Bank Ltd.		
Issuer Credit Rating	B/Stable/B	B+/Negative/B

Ratings Affirmed		
African Bank Ltd.		
South Africa National Scale	zaA-/--/zaA-2	
Downgraded		
African Bank Ltd.		
Senior Unsecured	B	B+
	To	**From**
*************** **BNP Paribas** ***************		
Ratings Affirmed		
BNP Paribas Personal Finance South Africa Ltd.		
South Africa National Scale	zaAA/--/zaA-1+	
************** **Capitec Bank Ltd.** **************		
Downgraded; Outlook Action; Ratings Affirmed		
	To	**From**
Capitec Bank Ltd.		
Issuer Credit Rating	BB-/Stable/B	BB/Negative/B
Ratings Affirmed		
Capitec Bank Ltd.		
South Africa National Scale	zaAA/--/zaA-1+	
	To	**From**
*************** **FirstRand Ltd.** ***************		
Downgraded; Outlook Action; Ratings Affirmed		
FirstRand Ltd.		
Issuer Credit Rating	B/Stable/B	B+/Negative/B
Ratings Affirmed		
South Africa National Scale	zaA-/--/zaA-2	
Downgraded; Outlook Action; Ratings Affirmed		
FirstRand Bank Ltd.		
Issuer Credit Rating	BB-/Stable/B	BB/Negative/B
Ratings Affirmed		
FirstRand Bank Ltd.		
South Africa National Scale	zaAA/--/zaA-1+	
Downgraded		
FirstRand Bank Ltd.		
Subordinated	B	B+
Subordinated	zaA	zaA+
Junior Subordinated	zaBBB+	zaA-

************** Investec Bank Ltd. **************		
Downgraded; Outlook Action; Ratings Affirmed		
	To	**From**
Investec Bank Ltd.		
Issuer Credit Rating	BB-/Stable/B	BB/Negative/B
Ratings Affirmed		
Investec Bank Ltd.		
South Africa National Scale	zaAA/--/zaA-1+	
************** Nedbank Group Ltd. **************		
Downgraded; Outlook Action; Ratings Affirmed		
	To	**From**
Nedbank Ltd.		
Issuer Credit Rating	BB-/Stable/B	BB/Negative/B
Ratings Affirmed		
Nedbank Ltd.		
South Africa National Scale	zaAA/--/zaA-1+	

Regulatory Disclosures

Primary Credit Analyst: Samira Mensah, Director (Nedbank)

Primary Credit Analyst: Trevor Barsdorf, Associate Director (BNP Paribas Personal Finance South Africa Ltd., Capitec Bank Ltd., FirstRand Bank Ltd., FirstRand Ltd., Investec Bank Ltd.)

Primary Credit Analyst: Sahil Tribhowan, Associate Director (Absa Bank Ltd., African Bank Ltd.)

Rating Committee Chairperson: Nigel Greenwood

Date initial rating assigned:

- Absa Bank Ltd.: Nov. 30, 2015
- African Bank Ltd.: April 5, 2016
- BNP Paribas Personal Finance South Africa Ltd.: Nov. 15, 2016
- Capitec Bank Ltd.: Oct. 13, 2015
- FirstRand Bank Ltd.: Oct. 29, 1999
- First Rand Ltd.: April 14, 2011
- Investec Bank Ltd.: Feb. 19, 2014
- Nedbank Ltd.: Dec. 10, 2012

Date of previous review:

- Absa Bank Ltd.: Nov. 26, 2019
- African Bank Ltd.: March 30, 2020

- BNP Paribas Personal Finance South Africa Ltd.: April 23, 2020
- Capitec Bank Ltd.: Nov. 26, 2019
- FirstRand Bank Ltd.: Nov. 26, 2019
- First Rand Ltd.: Nov. 26, 2019
- Investec Bank Ltd.: Nov. 26, 2019
- Nedbank Ltd.: Nov. 26, 2019

Disclaimers

This rating has been determined by a rating committee based solely on the committee's independent evaluation of the credit risks and merits of the issuer or issue being rated in accordance with S&P Global Ratings published criteria and no part of this rating was influenced by any other business activities of S&P Global Ratings.

This credit rating is solicited. The rated entity did participate in the credit rating process. S&P Global Ratings did have access to the accounts, financial records and other relevant internal, non-public documents of the rated entity or a related third party. S&P Global Ratings has used information from sources believed to be reliable but does not guarantee the accuracy, adequacy, or completeness of any information used.

Materials Used In The Credit Rating Process: Sufficient information in general consists of both (i) financial statements that describe the Issuer's financial condition, results of operations and cash-flows, and (ii) a description of the activities and obligations of the entity including of its governance and legal structure.

This credit rating was disclosed to the rated entity or related third party before being issued.

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Glossary

- Anchor: The starting point for assigning a bank a long-term rating, based on economic and industry risk
- Business position: A measure of the strength of a bank's business operations
- Capital and earnings: A measure of a bank's ability to absorb losses
- Cost of funds: Interest expense to interest bearing liabilities, expressed as a percentage
- Cost of risk: As a percentage of total loans, the charge for bad and doubtful debts
- Counterparty credit rating: A form of issuer credit rating, which is a forward-looking opinion about an obligor's overall creditworthiness
- Credit losses: Loan loss provisions to average customer loans expressed as a percentage

- Date initial rating assigned: The date Standard & Poor's assigned the long-term foreign currency issuer credit rating on the entity
- Date of previous review: The date Standard & Poor's last reviewed the credit rating on the entity
- Funding and liquidity: A combined assessment of the strength and stability of a bank's funding mix and its ability to manage its liquidity needs in adverse market and economic conditions over an extended period
- Group credit profile (GCP): Standard & Poor's opinion of a group's creditworthiness as if the group were a single legal entity, and is conceptually equivalent to an ICR. A GCP does not address any specific obligation
- National scale rating: An opinion of an obligor's creditworthiness or overall capacity to meet specific financial obligations, relative to other issuers and issues in a given country or region
- Risk position: Our view of the specific risk characteristics of a particular bank
- Sovereign support: An assessment of the likelihood that the government would provide extraordinary support to a bank
- Stand-alone credit profile (SACP): An interim step in assessing a bank's overall creditworthiness. It includes government support, but not extraordinary government support

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.