MOODY'S
INVESTORS SERVICE

CREDIT OPINION
16 January 2020

Update

Rate this Research

RATINGS

Bank Vontobel AG

Domicile	Zurich, Switzerland
Long Term CRR	A3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Bank Vontobel AG

Update to credit analysis

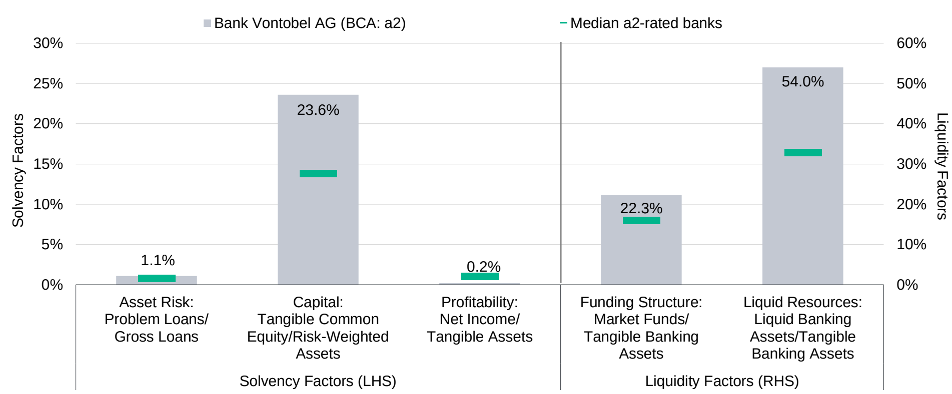
Summary

We assign Aa3(stable)/P-1 deposit ratings to Bank Vontobel AG (Bank Vontobel). We further assign A3/P-2 Counterparty Risk Ratings, as well as an a2 Baseline Credit Assessment (BCA) and Adjusted BCA. We also assign A3(stable) issuer ratings to Vontobel Holding AG (Vontobel Holding or the group).

Bank Vontobel AG is the main operating entity of Vontobel Holding AG, being a listed holding company. Bank Vontobel's Aa3 deposit ratings reflect its a2 Baseline Credit Assessment (BCA) and the application of Moody's Advanced Loss Given Failure (LGF) analysis to its liabilities. Moody's does not incorporate rating uplift from government support for Vontobel Holding and Bank Vontobel due to their small domestic market share and low importance to the Swiss banking system.

Bank Vontobel's a2 BCA reflects the bank's strong capital and liquidity profile, with funding predominantly stemming from customer deposits and liquid resources that represent more than half of its assets. The BCA incorporates that Bank Vontobel's credit risks from its asset portfolio are fairly limited but also that the bank's private banking business model exposes it foremost to market and operational risks.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Improved capitalisation for Bank Vontobel following the acquisition of Notenstein

» High volume of liquid resources

» Limited on-balance-sheet lending risks, which mainly arise from Lombard loans

Credit challenges

» Low profitability at the bank level, reflecting expenses for shared services of group activities

» High sensitivity to market risks inherent in the bank's business model

Outlook

» The stable outlook reflects our expectation that challenges surrounding the bank's franchise and operating performance will be compensated for by organic growth and growing earnings in its other banking and capital market activities.

Factors that could lead to an upgrade

» Ratings of Bank Vontobel could be upgraded following an upgrade of the bank's BCA and Adjusted BCA, or higher rating uplift resulting from our LGF analysis.

» The bank's BCA could be upgraded if it achieves a sustainable and significant improvement in its profitability, coupled with meaningfully lower earnings volatility while not encountering a weakening of key scorecard ratios.

» The bank's Adjusted BCA could be upgraded if the group materially reduces its market funding dependency, which results predominantly from its structured product business.

» LGF analysis-related upward pressure on the bank's ratings could be triggered by continued and sustainable growth in the volume of debt instruments that absorb losses prior to deposits such that is reduces the loss-given-failure and results in additional notches of rating uplift.

Factors that could lead to a downgrade

» A downgrade of Bank Vontobel's deposit ratings is likely to follow (1) a downgrade of the bank's BCA or Adjusted BCA; or (2) a reduction in the rating uplift resulting from our Advanced LGF analysis, driven by substantially lower volumes of deposits.

» A downgrade of Bank Vontobel's BCA or Adjusted BCA could follow (1) an unexpected materialisation of operational risks, specifically if caused by litigation charges in connection with typical wealth management lawsuits or IT security issues that are severe enough to impact the bank's or the group's reputation; (2) substantial capital reductions; (3) any substantial and persistent outflow of client funds, causing sustained and significant profitability pressures; or (4) acquisitions that are unduly aggressive from a commercial, financial or operational risk viewpoint.

Key indicators

Exhibit 2
Bank Vontobel AG (Consolidated Financials) [1]

	12-18[2]	12-17[2]	12-16[2]	12-15[2]	12-14[2]	CAGR/Avg.[3]
Total Assets (CHF Billion)	19.2	15.4	13.4	12.1	12.2	12.0[4]
Total Assets (USD Billion)	19.5	15.8	13.2	12.1	12.3	12.2[4]
Tangible Common Equity (CHF Billion)	1.1	0.6	0.6	0.7	0.6	15.0[4]
Tangible Common Equity (USD Billion)	1.1	0.7	0.6	0.7	0.6	15.2[4]
Problem Loans / Gross Loans (%)	0.7	1.2	1.3	1.5	1.1	1.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	23.6	17.6	18.7	22.8	18.9	20.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	3.4	6.2	6.1	5.6	4.5	5.2[5]
Net Interest Margin (%)	0.6	0.9	0.8	0.7	0.7	0.7[5]
PPI / Average RWA (%)	1.0	1.4	0.3	1.7	2.4	1.4[6]
Net Income / Tangible Assets (%)	0.2	0.3	0.1	0.5	0.5	0.3[5]
Cost / Income Ratio (%)	94.1	91.2	98.2	88.9	85.7	91.6[5]
Market Funds / Tangible Banking Assets (%)	22.3	25.7	19.7	16.6	15.2	19.9[5]
Liquid Banking Assets / Tangible Banking Assets (%)	54.0	60.7	58.4	57.7	62.9	58.8[5]
Gross Loans / Due to Customers (%)	40.4	35.0	30.9	30.1	26.9	32.7[5]

[1]All figures and ratios are adjusted using Moody's standard adjustments. [2]Basel III - fully-loaded or transitional phase-in; LOCAL GAAP. [3]May include rounding differences due to scale of reported amounts. [4]Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5]Simple average of periods presented for the latest accounting regime. [6]Simple average of Basel III periods presented.
Source: Moody's Investors Service; Company Filings

Profile

Bank Vontobel AG (Bank Vontobel) is the main operating entity of Vontobel Holding AG, a Switzerland-based provider of private banking, institutional asset management and investment banking services.

As of year-end 2018, Bank Vontobel reported assets of CHF19 billion (2017: CHF15 billion). Bank Vontobel assets under management (AUM) increased in 2018 to CHF71 billion from CHF59 billion in 2017, largely due to the integration of the acquisition of private bank Notenstein. At the group level, Vontobel Holding reported half-year 2019 consolidated assets of CHF27 billion (2018: CHF26 billion) and total advised client assets of CHF213 billion (2018: CHF193 billion), consisting of CHF186 billion of AUM, CHF10 billion of structured products and CHF17 billion of other advised client assets.

Investment banking, performed out of Bank Vontobel and Vontobel Holding, comprises client-driven activities, such as structured products, brokerage (including research and sales), corporate finance, mainly for medium-sized companies in Switzerland, and services for external asset managers, as well as transaction banking.

Recent developments

In December 2019, Vontobel announced that it intends to reorganise itself in the first quarter of 2020 and focus on becoming a pure-play active buy-side investment manager. The group plans to exit its sell-side activities and capital markets business in 2020. Vontobel's reorganizsation will increase its focus on customers to foster revenue growth and growth in advised client assets. Vontobel will be offering its products and services through its four client units (1) Asset Management, (2) Wealth Management, (3) Platforms & Services for external asset managers and other intermediaries, and (4) Digital Investing, a segment whose services will be offered to clients across the group. As part of the announcement, Vontobel confirmed its group-wide financial targets for 2020.

Detailed credit considerations

Improved capitalisation following the acquisition of Notenstein

Bank Vontobel's aa2 Capital score is assigned one notch below its initial score to reflect (1) moderate earnings retention at the bank level, and (2) our expectation of loan growth to deepen its relationships with private banking clientele.

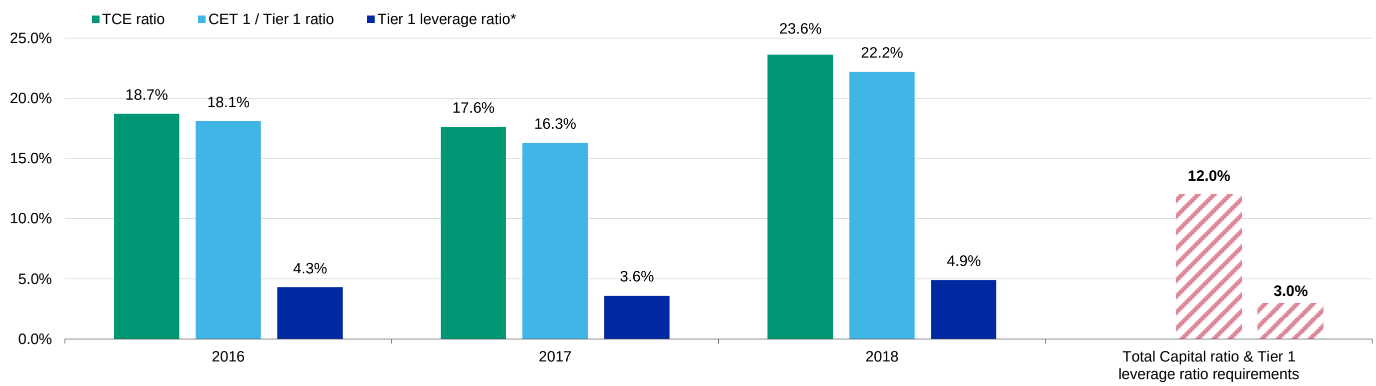
Following the acquisition of Notenstein, Bank Vontobel and Vontobel Holding remain strongly capitalised compared with their peers, which strongly underpins both entities' credit profiles. At the group level, Vontobel Holding's capital benefits from the issuance of a CHF450 million high-trigger Additional Tier 1 securities to finance the Notenstein acquisition. Bank Vontobel's improved capitalisation reflects higher capital following the merger with Notenstein and the addition of risk-weighted asset-light items, such as cash and high-quality financial securities. As of year-end 2018, Bank Vontobel's tangible common equity ratio increased to 23.6% from 17.6% in 2017, a trend also visible in its Common Equity Tier 1 (CET1) capital ratio, which increased to 22.2% from 16.3% over the same period.

This strength is also reflected in Bank Vontobel's improved regulatory leverage ratio, which increased to 4.9% as of year-end 2018, compared with 3.6% in 2017 (Vontobel Holding: 4.9% and 4.7% over the same period).

At half-year 2019, Vontobel Holding reported a Tier 1 ratio of 18.2% and a Tier1 leverage ratio of 4.9%.

Designated as Category 3 financial institution according to the Swiss Financial Market Authority's definition, Bank Vontobel and Vontobel Holding comfortably exceed the regulators minimum capital requirements, for example, a 7.8% minimum for Common Equity Tier 1 capital.

Exhibit 3
Bank Vontobel's capitalisation comfortably exceeds regulatory minima
Capital % risk-weighted assets



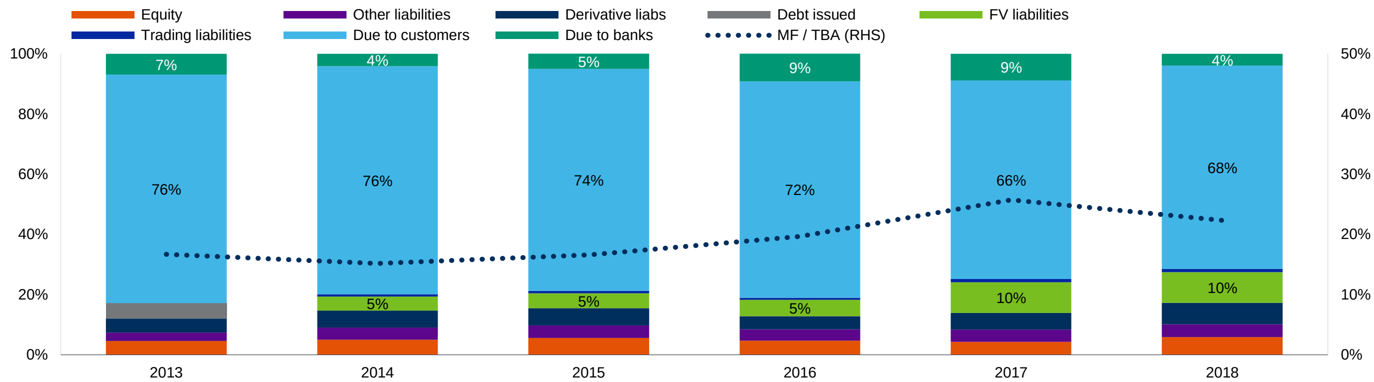
Note: *The leverage ratio compares Tier 1 capital to leverage exposure.
Source: Moody's Financial Metrics

Enlarged balance sheet with high liquidity and low market funding dependence

Bank Vontobel continues to operate with sizeable liquidity and benefits from a very limited degree of market funding reliance. This view is reflected in the bank's assigned a1 Combined Liquidity score.

Because of sizeable customer deposits, which accounted for around CHF13 billion or 68% of the bank's assets (2017: 66%), Bank Vontobel's credit profile benefits from low market funding. Our assigned a2 Funding Structure score is two notches above the bank's initial score, reflecting intragroup liabilities sourced from other entities within the group, which we regard as less confidence-sensitive market funding compared with placements with institutional investors. If arising at all, funding requirements for Bank Vontobel are limited and are mainly sourced through the interbank and repo markets. We have not observed any significant concentration risks in the bank's liability structure, including deposits.

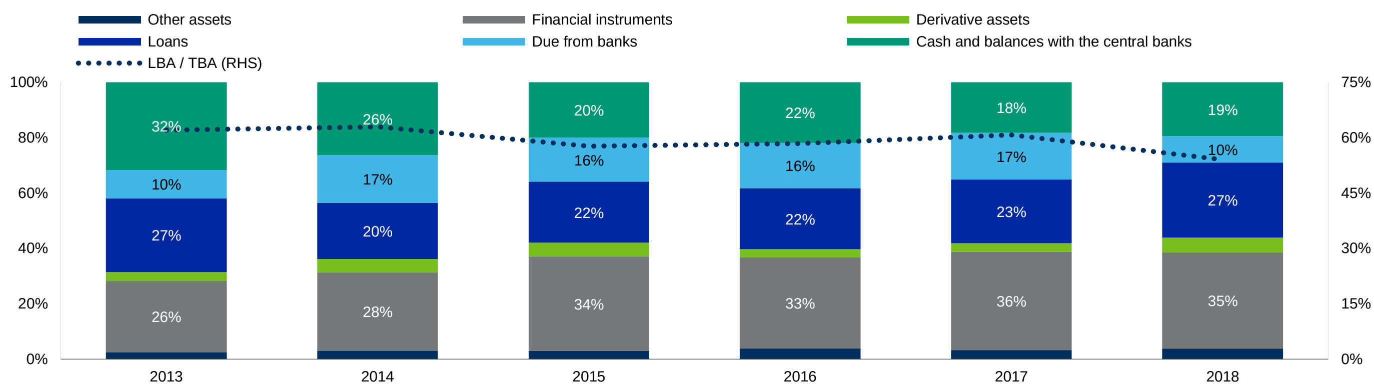
Exhibit 4
Bank Vontobel displays low market funding dependence
Liability breakdown % Total Assets (LHS), Market Funds % Tangible Banking Assets (RHS)



Source: Moody's Financial Metrics

Bank Vontobel manages sizeable liquidity, which is reflected in our assigned aa2 Liquid Assets score. Our view takes into account around CHF10.3 billion of higher-quality liquid assets as of year-end 2018 (2017: CHF9.3 billion). Cash and cash equivalent positions, predominantly held at central banks, accounted for CHF3.7 billion or 19% of its assets (2017: 18%). The average liquidity coverage ratio for the fourth quarter of 2018 was 150.8% for Bank Vontobel (Vontobel Holding: 207%), compared with a minimum requirement of 90%. The net stable funding ratio will be introduced in Switzerland in 2019.

Exhibit 5
Bank Vontobel liquidity benefits from cash and high-quality financial instruments
Asset breakdown % Total Assets (LHS), Liquid Banking Assets % Tangible Banking Assets (RHS)



Source: Moody's Financial Metrics

Low profitability at the bank level, reflecting expenses for shared services of group activities

Our ba1 Profitability score is three notches higher than Bank Vontobel's initial score. Our assessment takes into account our expectation that Bank Vontobel will benefit from additional earnings of around CHF50 million annually as a result of the Notenstein acquisition.

However, our assessment also reflects the bank's high earnings dependence on capital market developments and trading income, which increases its earnings volatility, a credit negative. Bank Vontobel's dependence on revenue from capital market activities means that its earnings may decline faster than expected and may not be compensated for by other income streams, exerting pressure on Bank Vontobel's earnings in time of economic stress. Despite the bank's earnings being dependent on and, thus, sensitive to activities in and the performance of international capital markets, we expect its profitability to continuously benefit from stable fee and commission income from the bank's off-balance-sheet asset and wealth management businesses, stabilising its net income ratio.

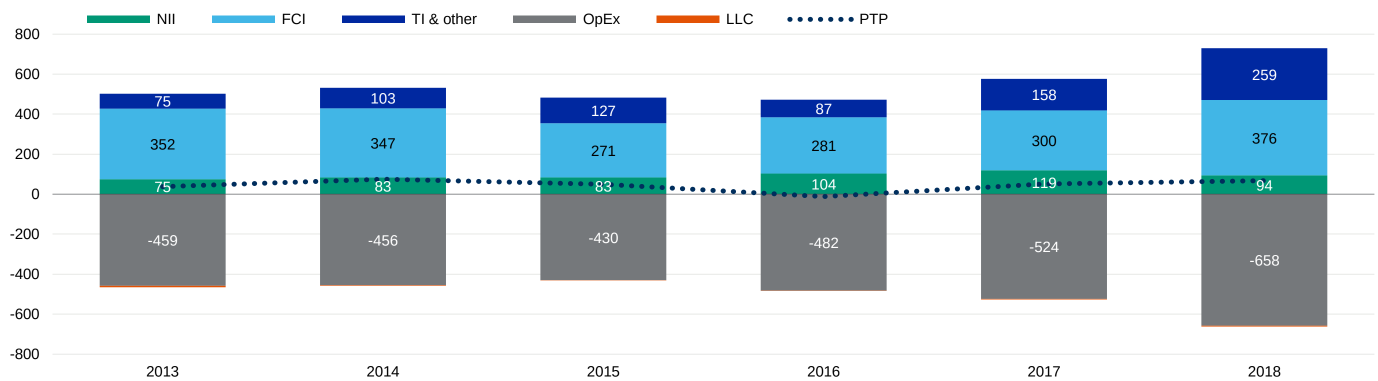
Compared with its peers, Bank Vontobel exhibited a relatively high cost-to-income ratio at around 94% in 2018 (2017: 91%), reflecting operating expenses for shared services that benefit group activities, including asset management.

In 2018, Bank Vontobel's net income almost doubled to CHF91 million (2017: CHF49 million) as a result of extraordinary gains relating to the merger with Notenstein. The bank's operating profit declined by 6.4% to CHF47 million because of (1) 21% higher operating expenses owing to higher staff levels, as well as integration costs; (2) a 20% decrease in net interest income from a year earlier to CHF94 million on the back of lower interest and dividend income from financial assets; and (3) higher value adjustments on participations and depreciation.

These negatives were only partly mitigated by (1) a 26% increase in fee and commission income to CHF376 million; and (2) a significant increase in its trading revenue to CHF188 million (2017: CHF82 million), driven by a strong demand for structured products and a substantial increase in client-related trading activities for foreign currencies and precious metals.

Exhibit 6

Expenses for shared services of group activities and the recent acquisitions drive costs
CHF million



Note: NII = net interest income; FCI = net fee and commission income; TI = trading income; OpEx = total operating expenses, includes other provisions; LLC = loan loss charges; PTP = pre-tax profit
Source: Moody's Financial Metrics

In the first half of 2019, Vontobel Holding's revenues increased by 7% to CHF626 million from the same period a year earlier, benefitting from an increased balance sheet and client asset base after the Notenstein acquisition and the Lombard Odier portfolio acquisition. The increase as of June 2019 was largely driven by a 8% increase in fees and commissions to CHF410 million and a 23% increase in net interest income to CHF46 million because of higher gross loans, which largely offset margin pressures. Trading income for the first six months was down -2% at CHF162 million resulting from lower client activity and a weaker market demand for structured products which were not fully offset by valuation gains on the group's financial securities portfolio.

Vontobel Holding's operating expenses increased by 13% from a year earlier to CHF476 million, largely driven by higher personnel expenses of CHF316 million (+14%) related to the full integration of Notenstein, as well as software amortization.

For the first six months of 2019, Vontobel Holding reported net income of CHF131 million, compared with CHF133 million, down -1% year-over-year.

Limited on-balance-sheet lending risks, which mainly arise from Lombard loans

Our assigned a2 Asset Risk score for Bank Vontobel is three notches below its aa2 initial score and captures our adjustments for the bank's and the group's susceptibility to a considerable degree of reputational, legal (litigation) and operational risks, in line with our assessments for all wealth managers. Our assessment also takes into account both entities' very limited on-balance-sheet lending risks, marked by the near absence of problem loans. Changes in our assessment of legacy and future business-model risks will thus be captured in our Asset Risk score. Further, the dependence of Bank Vontobel's and Vontobel Holding's revenue and earnings on capital market developments and their potential adverse effects on AUM and related revenue streams further constrain our Asset Risk score.

Lending risks are relatively low and arise largely from the bank's CHF5.2 billion gross loans as of year-end 2018 (2017: CHF3.5 billion), which include CHF1.0 billion mortgages (2017: CHF0.2 billion) and the remainder relating to highly securitised Lombard loans. We expect the volume of impaired loans to continue to fluctuate around historically very low levels, while the cost of credit risk for the bank and the group will remain negligible.

Vontobel operates an integrated business model with three segments

Bank Vontobel is Vontobel Holding's main operating entity and accounted for around 74% of the group's consolidated assets (2017: 67%). Compared with pure-play private banking peers, Vontobel Holding performs non-private banking-related activities, which we believe add additional risks to its credit profile, mitigated by diversification benefits to its earnings.

Based on the group's segment reporting, client assets that relate to the group's wealth management/private banking represented CHF55 billion (23% of total) and asset management CHF117 billion (47%), while the remainder relates to the group's investment banking segment, including client assets from structured products and asset custody. Vontobel's asset management and investment banking subsidiaries — the latter including the Dubai-based structured product business — are consolidated under the holding company. In 2018, these segments added around 49% and 25% of the group's pretax profit, respectively (excluding Corporate Centre).

Therefore, we believe that the group's integrated business model provides for additional earnings outside the Zurich-based bank and benefits from some earnings diversification. However, Vontobel Holding's high dependence on client-driven trading revenue, for example, from Vontobel-issued financial products, renders its earnings highly correlated with volatile capital markets. Further, the issuance of structured products, amounting to CHF7.9 billion in 2018 (2017: CHF8.5 billion), add to risk management complexities because it requires constant and sizeable hedging activities to limit market risks for the group.

Environmental, social and governance considerations

Bank Vontobel and Vontobel Holding's exposure to Environmental risks is low, consistent with our general assessment for the global banking sector.[1] See our Environmental risk heat maps for further information.

Overall, we consider banks and wealth managers to face moderate social risks.[2] See our Social risk heat maps for further information.

Governance is highly relevant for Bank Vontobel and Vontobel Holding, as it is to all players in the banking and wealth management industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit a bank's credit profile. Governance risks are largely internal rather than externally driven, and for Bank Vontobel and Vontobel Holdings we do not have any particular governance concerns and their risk management frameworks are commensurate with its risk appetite. For Swiss private banks, we consider a high degree of reputational, legal (litigation) and operational risks, which is reflected in our Asset Risk score. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Affiliate support

Based on our assessment of the intrinsic financial strength of Vontobel Holding, Bank Vontobel's 100% owner, we believe there is only limited additional support available for the bank. As a result, Bank Vontobel does not receive any affiliate support uplift.

Loss Given Failure (LGF) analysis

Bank Vontobel and the group are subject to Swiss banking regulations, which we consider an operational resolution regime. We, therefore, apply our Advanced LGF analysis, considering the risks faced by the different debt and deposit classes across the liability structure at failure. We assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and assign a 100% probability to deposits being preferred to senior unsecured debt, thereby reflecting depositor preference by law in Switzerland.

For Bank Vontobel's deposits, our Advanced LGF analysis indicates a very low loss given failure, resulting in two notches of rating uplift from the bank's a2 Adjusted BCA. This is because of the substantial volume of deposits protecting deposit holders in the unlikely event of failure or resolution.

For Vontobel Holding's issuer ratings, our Advanced LGF analysis indicates a high loss given failure, leading to a positioning one notch below the bank's a2 Adjusted BCA, considering the preference of deposits in resolution, the limited volume of bail-in-able debt outstanding and our assumption that holding company debt ranks junior to bank debt holders in resolution.

Government support considerations

We do not incorporate any rating uplift for Bank Vontobel or Vontobel Holding from support by the Government of Switzerland (Aaa stable), reflecting our assumption of a low probability of systemic support in the event of a stress scenario, given the bank's and the holding company's marginal importance to the domestic deposit-taking market and the Swiss payment system.

Counterparty Risk (CR) Assessment

The CR Assessment is an opinion of how counterparty obligations are likely to be treated if a bank fails and is distinct from debt and deposit ratings in that it (1) considers only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default; and (2) applies to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

Bank Vontobel's CR Assessment is A2(cr)/P-1(cr).

For Bank Vontobel, our LGF analysis indicates a very low loss-given-failure for the CR Assessment, leading to two notches of rating uplift from the bank's a2 Adjusted BCA. In Switzerland, counterparty obligations rank above senior unsecured debt, but below deposits, given Switzerland's explicit depositor preference.

Counterparty Risk Ratings (CRRs)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

Bank Vontobel's CRRs are A3/P-2.

The bank's long-term CRR is positioned one notch above its a2 Adjusted BCA, reflecting the low loss-given-failure from the moderate volume of instruments that are subordinated to CRR liabilities in our Advanced LGF analysis.

Methodology and scorecard

Methodology

The principal methodology we used in rating Bank Vontobel was Banks methodology, published in November 2019.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by the raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 7

Bank Vontobel AG

Macro Factors		
Weighted Macro Profile	**Very Strong -**	**100%**

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.1%	aa2	←→	a2	Litigation risk	Market risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	23.6%	aa1	←→	aa2	Expected trend	
Profitability						
Net Income / Tangible Assets	0.2%	b1	←→	ba1	Expected trend	Earnings quality
Combined Solvency Score		a1		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	22.3%	baa1	←→	a2	Extent of market funding reliance	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	54.0%	aa2	←→	aa2	Stock of liquid assets	
Combined Liquidity Score		a2		a1		
Financial Profile				a2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a1 - a3		
Assigned BCA				a2		
Affiliate Support notching				0		
Adjusted BCA				a2		

Balance Sheet	**in-scope (CHF Million)**	**% in-scope**	**at-failure (CHF Million)**	**% at-failure**
Other liabilities	5,902	30.9%	7,192	37.6%
Deposits	12,649	66.1%	11,359	59.4%
Preferred deposits	9,360	48.9%	8,892	46.5%
Junior deposits	3,289	17.2%	2,467	12.9%
Equity	574	3.0%	574	3.0%
Total Tangible Banking Assets	19,125	100.0%	19,125	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	3.0%	3.0%	3.0%	3.0%	-1	-1	-1	-1	0	a3
Counterparty Risk Assessment	3.0%	3.0%	3.0%	3.0%	0	0	0	0	0	a2 (cr)
Deposits	15.9%	3.0%	15.9%	3.0%	1	1	1	2	0	aa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	-1	0	a3	0	A3	A3
Counterparty Risk Assessment	0	0	a2 (cr)	0	A2(cr)	
Deposits	2	0	aa3	0	Aa3	Aa3

[1]Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 8

Category	Moody's Rating
BANK VONTOBEL AG	
Outlook	Stable
Counterparty Risk Rating	A3/P-2
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	a2
Adjusted Baseline Credit Assessment	a2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
PARENT: VONTOBEL HOLDING AG	
Outlook	Stable
Issuer Rating	A3
Pref. Stock Non-cumulative -Dom Curr	Baa3 (hyb)

Source: Moody's Investors Service

Endnotes

1 Environmental risks can be defined as environmental hazards encompassing the impacts of air pollution, soil/water pollution, water shortages and natural and man-made hazards (physical risks). Additionally, regulatory or policy risks, like the impact of carbon regulation or other regulatory restrictions, including the related transition risks like policy, legal, technology and market shifts, that could impair the evaluation of assets are an important factor. In our Environmental risk heat map, we scored 84 sectors according to their overall exposure to environmental risks.

2 The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which is partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage due to product mis-selling or other types of misconduct is a further social risk. Social trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services increasing information technology cost, aging population concerns in several countries impacting demand for financial services or socially driven policy agendas that may translate into regulation that affects banks' revenue base.

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