

Global Bank Rating Trends: 2H19

Rating Trends Stay Positive: Fitch Ratings changed 79^a bank Issuer Default Ratings (IDRs) in 2H19, up from 64 in 1H19. The number of downgrades (33) remained broadly stable while the number of upgrades (46) increased significantly and was well above the historical mean. Unlike in previous periods, 2H19 rating trends were positive both in developed markets (DMs) and in emerging markets (EMs), largely reflecting positive actions in EM Europe.

Russia, Ukraine Drive Many Upgrades: Over two thirds of upgrades in 2H19 took place in EM Europe, underpinned by positive actions in Ukraine and Russia. Outside of these two countries, upgrades were widely spread and we had upgrades in all regions except the Middle East and Africa (MEA). About half of all upgrades globally were due to banks' stronger standalone profiles as expressed by their Viability Ratings (VRs). We have also upgraded 13 banks on higher probability of institutional support and nine banks on higher probability of state support.

Downgrades in EM Americas, MEA: In 2H19, EM Americas and MEA accounted for all downgrades in EMs but one, and for about 80% of all downgrades globally. Downgrades were concentrated in Turkey and Argentina where they followed sovereign rating actions. The majority of downgrades were driven by market-wide weaknesses in respective countries. Bank-specific developments caused a quarter of all downgrades, mainly in DM Europe and DM Americas.

HSBC Downgraded: In December 2019, Fitch downgraded HSBC Holdings plc to 'A+'. HSBC's international network positively differentiates the group from other highly rated banks in terms of franchise, business model and through-the-cycle earnings capacity. However, the lowering of its return targets and the expected material restructuring of two core business units has, in our view, highlighted weaknesses in the stability of HSBC's business model and the earnings capacity of the group's geographic footprint that is inconsistent with a VR of 'aa'.

UK Banks Off RWN: In December 2019, Fitch removed the Rating Watch Negative (RWN) on the Long-Term IDRs of 19 UK banking groups reflecting the reduced short-term risk of a disruptive 'no-deal' Brexit. The Outlooks on most UK banks are now Stable, despite the Negative Outlook on the UK sovereign. This reflects our view that these banks' ratings would remain resilient to a moderate deterioration in UK economic growth. Most UK banks are well-capitalised, with impaired loans at cyclical lows, and with sound liquidity buffers.

Outlook Balance Improved, but Remains Negative: The Outlook balance has benefited from the stabilisation of Outlooks on Turkish banks and the removal of the RWN on UK banks. However, the share of Negative Outlooks (13%) still materially exceeds the share of Positive Outlooks (5%). EM Americas and MEA remain the regions with the most negative Outlook balance and together account for 54% of all Negative Outlooks in the sample.

^a The report's sample covers entities with both an IDR and a VR, and includes only one entity per banking group per country.

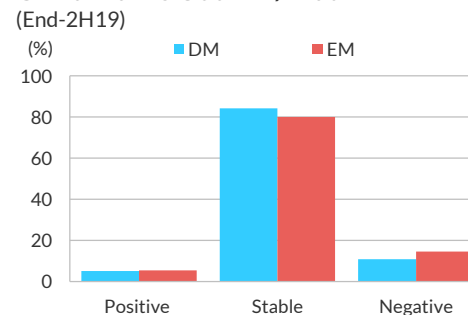


James Longsdon
Managing Director, Banks
james.longsdon@fitchratings.com



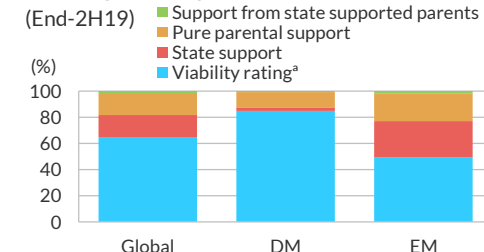
Konstantin Yakimovich
Senior Director, Banks
konstantin.yakimovich@fitchratings.com

Global Banks Outlook/Watch (End-2H19)



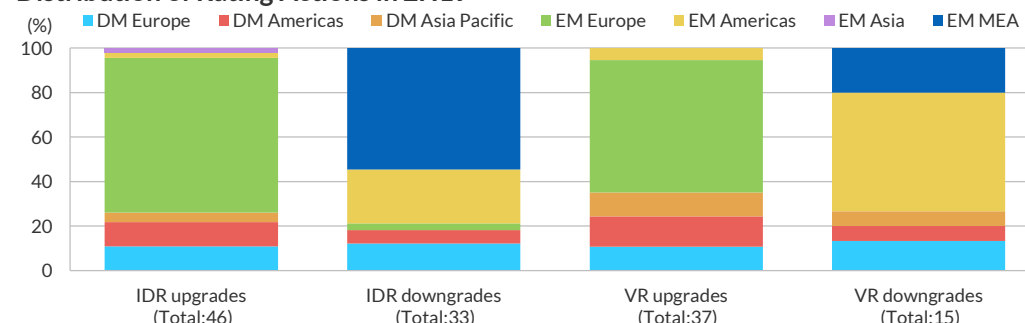
Source: Fitch Ratings

Drivers of IDRs (End-2H19)



^a For 26 entities (4 in DMs and 22 in EMs), IDRs are also underpinned by sovereign support and for 11 entities (3 in DMs and 8 in EMs) - by institutional support.
Source: Fitch Ratings

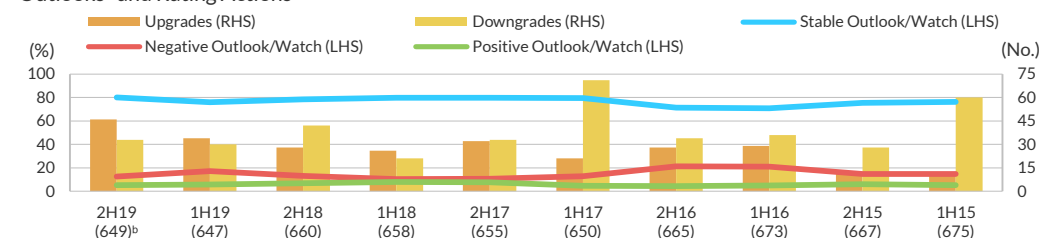
Distribution of Rating Actions in 2H19



Source: Fitch Ratings

Global Banks: Long-Term IDR

Outlooks^a and Rating Actions



^a Rating Watch or Outlook is applied selectively to ratings in the 'CCC', 'CC' and 'C' categories

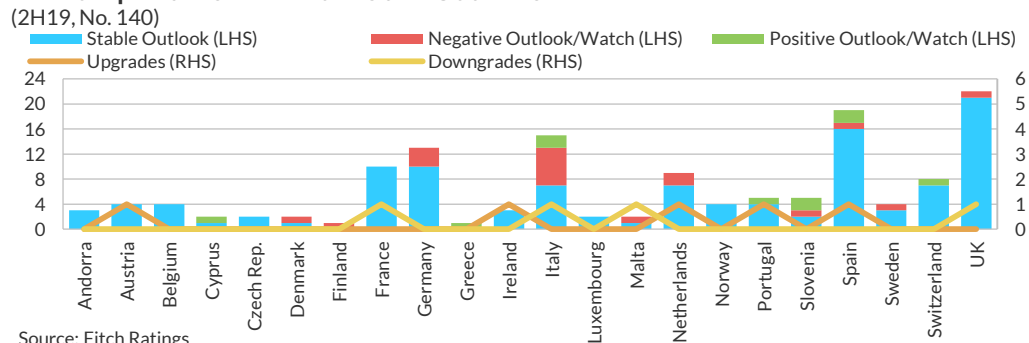
^b Number of rated entities with both an IDR and a VR, only one entity per banking group per country
Source: Fitch Ratings

DM Banks: Few but Mostly Positive Actions, Earnings Drive Outlook Revisions

Out of 12 DM bank upgrades in 2H19, five were in the US. In three of these cases, the upgrades reflected our positive view on the banks' operating performance and execution against stated goals (supported, in one case, by above-peers capital ratios and strong asset quality). Out of five upgrades in DM Europe, three were driven by stronger asset quality (upgrades in Ireland, Portugal and Spain). We also upgraded two banks in Taiwan on improvements in their franchise and risk appetite. The downgrades of HSBC and its subsidiaries accounted for three out of a total of six DM downgrades. We also downgraded two EMEA-focused trade finance banks, in one case due to weakened institutional support and in the other case due to the erosion of its capital ratios.

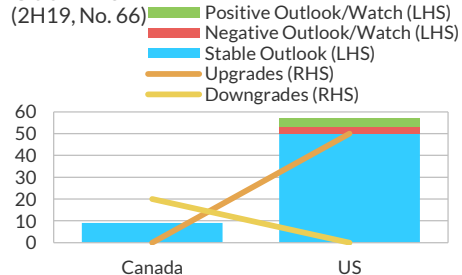
The share of Negative Outlooks reduced to 11% at end-2019 but remains above that of Positive Outlooks (5%). Profitability was one of the main drivers for Outlook revisions. Increased earnings pressure and limited rating headroom have led to Negative Outlook revisions on [Commerzbank](#) and [Nordea](#). Similarly, we have revised to Negative the Outlook on [Mitsubishi UFJ Financial Group](#) to reflect the challenges it faces in restoring profitability in an unsupportive environment. Expected earnings developments also contributed to Outlook revisions on [two large regional US banks](#) (in one case to Positive, and in another to Negative).

DM Europe Banks' IDR Actions and Outlooks



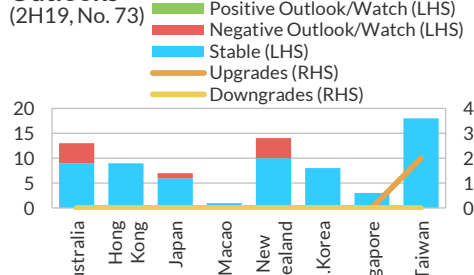
Source: Fitch Ratings

DM Americas Banks' IDR Actions and Outlooks



Source: Fitch Ratings

DM Asia Pacific Banks' IDR Actions and Outlooks



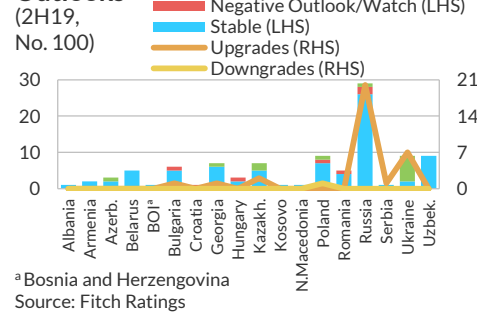
Source: Fitch Ratings

EM Banks: Improved but Still Negative Outlook Balance

Fitch upgraded 34 and downgraded 27 banks in EMs. Sovereign actions and developments in EM countries' operating environments remained the main reasons behind rating actions in 2H19. These led to upgrades of 15 banks included in the sample in Russia, seven in Ukraine and one in Serbia, and to downgrades in Turkey (12), Argentina (six), Bolivia (two), Lebanon (two) and Saudi Arabia (two). We have upgraded five other banks in Russia where upgrades were driven by strengthened franchises or business models coupled with supportive financial metrics (four), or due to stronger parent support ability (one). In China, we upgraded one mid-tier bank due to its increased systemic importance. In December 2019, we downgraded two rated Lebanese banks to 'Restricted Default' due to the introduction of regulatory measures, which impede their ability to service foreign currency deposits in full compliance with original terms.

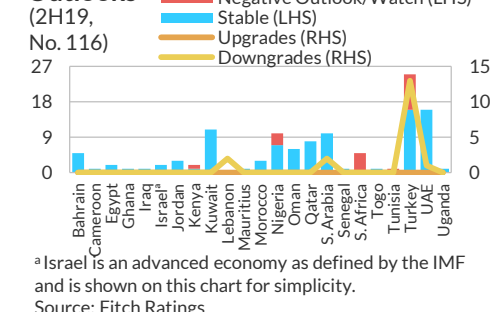
The share of Positive Outlooks was stable in 2H19 at 5% while the share of Negative Outlooks (14%) declined to its lowest level in the past five years. The latter reflected the stabilisation of Outlooks on most Turkish banks, which more than offset sovereign-driven Outlook revisions in South Africa and Nigeria. The decline in the share of Negative Outlooks also reflected the higher share of banks without an Outlook (3%) following downgrades in Argentina and Lebanon, as Outlooks are typically not assigned to banks rated in the 'CCC' range and below.

EM Europe Banks' IDR Actions and Outlooks



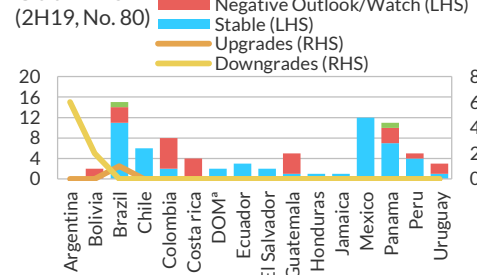
*Bosnia and Herzegovina
Source: Fitch Ratings

EM MEA Banks' IDR Actions and Outlooks



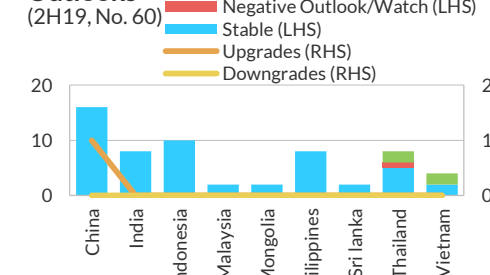
*Israel is an advanced economy as defined by the IMF and is shown on this chart for simplicity.
Source: Fitch Ratings

EM Americas Banks' IDR Actions and Outlooks



*Dominican Republic
Source: Fitch Ratings

EM Asia Banks' IDR Actions and Outlooks



Source: Fitch Ratings

Links to Related Rating Action Commentaries – IDR Changes

DM Americas		EM Asia	
Canada	Fitch Downgrades Central 1's Long-Term IDR to 'A-'; Removes Rating Watch Negative; Outlook Stable (November 2019) Fitch Downgrades HSBC Bank Canada's Long-Term IDR to 'A+'; Remains on Rating Watch Negative (December 2019)	China	Fitch Upgrades Industrial Bank to 'BBB-'; Affirms Five Chinese Mid-Tier Banks (August 2019)
USA	Fitch Upgrades CVB Financial Corp. to 'BBB+'; Outlook Revised to Stable (August 2019) Fitch Upgrades Ally Financial to 'BBB-'; Outlook Revised to Stable (August 2019) Fitch Upgrades Amerant Bancorp Inc. to 'BB+'; Outlook Revised to Stable (September 2019) Correction: Fitch Upgrades CIT Group Inc. to 'BBB-'; Outlook Revised to Stable (November 2019) Fitch Upgrades Zions Bancorporation, N.A. to 'BBB+'; Outlook Revised to Stable (November 2019)	EM Europe	
DM Asia & Australia		Bulgaria	Fitch Upgrades 3 Hungarian OTP Subsidiaries (July 2019)
Taiwan	Fitch Upgrades Jih Sun Financial Holding and Subsidiaries to 'BBB-'; Outlook Stable (July 2019) Fitch Upgrades SinoPac Financial, Bank SinoPac, Bank SinoPac (China) (September 2019)	Georgia	Fitch Upgrades Halyk Bank Georgia to 'BB'; Outlook Positive (December 2019)
DM Europe		Kazakhstan	Fitch Upgrades 21 Russian and Russian-owned Financial Institutions on Sovereign Upgrade (August 2019) Fitch Upgrades Halyk, Revises Outlook on Forte to Positive, Affirms 3 Other Kazakh Fis (December 2019)
Austria	Fitch Upgrades 2 Sberbank European Subsidiaries Following Parent Upgrade (August 2019)	Poland	Fitch Downgrades mBank to 'BBB-' on Sale Announcement; on Rating Watch Positive (October 2019)
France	Fitch Downgrades HSBC France to 'A+'; Maintains RWN on Similar Action on Parent (December 2019)	Russia	Fitch Upgrades 3 Hungarian OTP Subsidiaries (July 2019) Fitch Upgrades 21 Russian and Russian-owned Financial Institutions on Sovereign Upgrade (August 2019) Fitch Upgrades Four Russian Regional Banks (August 2019) Fitch Upgrades National Clearing Centre's LTFC IDR to 'BBB'; Affirms VR at 'bbb' (August 2019) Fitch Upgrades Locko-bank; Affirms 3 Mid-Sized Russian Banks (August 2019) Fitch Upgrades SDM-Bank to 'BB'; Outlook Stable (September 2019) Fitch Upgrades Expobank to 'BB-'; Outlook Stable (September 2019) Fitch Upgrades Sovcombank to 'BB+'; Rates Upcoming Tier 2 Eurobond 'BB(EXP)' (September 2019) Fitch Upgrades Tinkoff to 'BB'; Affirms Home Credit and OTP (October 2019) Fitch Upgrades Asian-Pacific Bank to 'B'; Outlook Stable (October 2019) Fitch Upgrades Uralsib to 'BB-'; Outlook Stable (November 2019) Fitch Upgrades Russia-based Unicredit to 'BBB-/Negative; Affirms 3 Other Russian Foreign-owned Banks (December 2019)
Ireland	Fitch Upgrades AIB Group to 'BBB' and AIB to 'BBB+'; Outlook Stable (October 2019)	Serbia	Fitch Upgrades ProCredit Bank ad Beograd to 'BBB-'; Outlook Stable (October 2019)
Italy	Fitch Downgrades Banca UBAE to 'B+'; Outlook Stable (July 2019)	Ukraine	Fitch Upgrades 7 Ukrainian Banks on Sovereign Rating Change (September 2019)
Malta	Fitch Downgrades Fimbank to 'BB-'; Outlook Stable (July 2019)	EM MEA	
Netherlands	Fitch Upgrades KAS BANK to 'A+' on CACEIS Acquisition; Outlook Stable (October 2019)	Lebanon	Fitch Downgrades Lebanon's Bank Audi to 'CCC' (September 2019) Fitch Downgrades Lebanon's Byblos Bank to 'CCC' (September 2019) Fitch Downgrades Lebanon's Audi Bank to 'CCC-'; on Negative Watch (October 2019) Fitch Downgrades Lebanon's Byblos Bank to 'CCC-'; on Negative Watch (October 2019) Fitch Downgrades Lebanese Banks to 'RD' (December 2019)
Portugal	Fitch Upgrades Caixa Geral de Depositos to 'BB+'; Outlook Stable (October 2019)	Saudi Arabia	Fitch Downgrades Two Saudi Banks Following Sovereign Downgrade (October 2019)
Spain	Fitch Upgrades Caja Rural del Sur to 'BBB+'; Outlook Stable (July 2019)	Turkey	Fitch Downgrades Sekerbank to 'B-'; Outlook Negative (July 2019) Fitch Downgrades 14 Turkish Banks; Outlook Negative (July 2019) Fitch Downgrades Takasbank to 'BB-/Negative on Sovereign Rating Action (July 2019)
UK	Fitch Downgrades HSBC Holdings to 'A+'; Maintains Rating Watch Negative (December 2019)	UAE	Fitch Downgrades HBME to 'A+'; Maintains on RWN (December 2019)
EM Americas			
Argentina	Fitch Reviews The Ratings of Argentine FIs after Sovereign Downgrade (August 2019) Fitch Reviews Seven Argentine FIs After Sovereign Downgrade (September 2019) Fitch Downgrades Banco de la Ciudad de Buenos Aires' IDRs Following City of Buenos Aires Downgrade (September 2019)		
Bolivia	Fitch Downgrades Bolivian Banks Following Sovereign Rating Downgrade; Outlook Negative (November 2019)		
Brazil	Fitch Upgrades Bannisul's Ratings to 'BB-' and 'A+(bra)' (July 2019)		

Links to Related Rating Action Commentaries (Cont.) – Outlook Changes

DM Americas

Canada [Fitch Affirms HSBC Bank Canada's Long-Term IDR; Removes RWN \(December 2019\)](#)
 USA [Fitch Affirms Banesco USA at 'BB-'; Outlook Revised to Positive \(September 2019\)](#)
[Fitch Affirms Citizens Financial at 'BBB+'; Outlook Positive \(December 2019\)](#)
[Fitch Affirms Comerica Incorporated at 'A'; Outlook Revised to Negative \(December 2019\)](#)
[Fitch Affirms Regions Financial Corporation at 'BBB+'; Outlook Revised to Positive \(December 2019\)](#)

DM Asia & Australia

Australia [Fitch Revises ANZ's Outlook to Negative; Affirms Ratings at 'AA-' \(July 2019\)](#)
[Fitch Revises WBC's Outlook to Negative; Affirms Ratings at 'AA-' \(July 2019\)](#)
 Japan [Fitch Revises MUFG's Outlook to Negative; Affirms Ratings \(October 2019\)](#)
 New Zealand [Fitch Revises ANZ's Outlook to Negative; Affirms Ratings at 'AA-' \(July 2019\)](#)
[Fitch Revises WBC's Outlook to Negative; Affirms Ratings at 'AA-' \(July 2019\)](#)
[Fitch Revises Outlook on Nelson Building Society to Stable; Affirms at 'BB+' \(December 2019\)](#)
 Taiwan [Fitch Revises Outlook on Taishin Holdco and Taishin Securities to Stable; Affirms Taishin Group \(July 2019\)](#)

DM Europe

Finland [Fitch Revises Nordea's Outlook to Negative; Affirms at 'AA-' \(November 2019\)](#)
 France [Fitch Affirms HSBC France at 'A+'; off Rating Watch Negative; Outlook Stable \(December 2019\)](#)
 Germany [Fitch Revises Commerzbank's Outlook to Negative; Affirms IDR at 'BBB+' \(October 2019\)](#)
 Ireland [Fitch Affirms 19 UK Banking Groups; off RWN \(December 2019\)](#)
 Italy [Fitch Revises Rating Watch on Carige to Positive on Capital Increase Approval \(September 2019\)](#)
 Malta [Fitch Revises Bank of Valletta's Outlook to Negative; Affirms IDR at 'BBB' \(October 2019\)](#)
 Netherlands [Fitch Revises ABN AMRO's Outlook to Negative; Affirms at 'A+' \(October 2019\)](#)
[Fitch Revises the Outlook on Rabobank to Negative; Affirms at 'AA-' \(October 2019\)](#)
 Portugal [Fitch Revises Banco Comercial Portugues' Outlook to Positive; Affirms at 'BB' \(October 2019\)](#)
 Switzerland [Fitch Affirms EFG International at 'A'; Revises Outlook to Stable \(July 2019\)](#)
 UK [Fitch Affirms 19 UK Banking Groups; off RWN \(December 2019\)](#)

EM Americas

Brazil [Fitch Affirms BMG's IDRs at 'B+' and Revises Outlook to Positive; National Rating Upgraded \(November 2019\)](#)
 Ecuador [Fitch Revises Three Ecuadorian Banks To Outlook Stable Following Sovereign Action \(August 2019\)](#)
 Panama [Fitch Affirms Bladex's IDR at 'BBB+'; Outlook Revised to Negative \(July 2019\)](#)
[Fitch Affirms Bogota at 'BBB'; Outlook Remains Negative; Multibank and MFG on Positive Watch \(November 2019\)](#)

EM Asia

Philippines [Fitch Affirms RCBC at 'BB+', off RWN; Outlook Stable \(July 2019\)](#)
 Thailand [Fitch Upgrades Thai EXIM's ST Rating to 'F1'; Revises Outlooks on EXIM, IBANK and KTB to Positive \(July 2019\)](#)
[Fitch Revises Outlook on TMB Bank to Positive; Affirms at 'BBB-' \(September 2019\)](#)
[Fitch Revises Outlooks on Bank of Ayudhya and EASY BUY to Negative; Affirms Ratings \(November 2019\)](#)

EM Europe

Russia [Fitch Revises Outlook on Russia's Alfa-Bank to Positive; Affirms at 'BB+' \(October 2019\)](#)

EM MEA

Nigeria [Fitch Revises Outlook on FBNH to Stable; Affirms at 'B-' \(October 2019\)](#)
[Fitch Revises Outlook on 4 Nigerian Banks to Negative on Sovereign Action \(December 2019\)](#)
 South Africa [Fitch Revises Outlook on South African Banks to Negative Following Sovereign Outlook Revision \(August 2019\)](#)
 Turkey [Fitch Revises Outlook on Arap Turk to Negative; Affirms at 'B+' \(July 2019\)](#)
[Fitch Revises 20 Turkish Banks' Outlooks to Stable on Sovereign Change \(November 2019\)](#)
[Fitch Revises Takasbank's Outlook to Stable following Sovereign Action; Affirms at 'BB-' \(November 2019\)](#)
[Fitch Revises YKB's Outlook to Negative On Planned Ownership Change \(December 2019\)](#)

Analysts

James Longsdon

Head EMEA Bank Ratings

+44 20 3530 1076

james.longsdon@fitchratings.com

Jonathan Cornish

Head of APAC Financial Institutions

+852 2263 9901

jonathan.cornish@fitchratings.com

Christopher Wolfe

Head of North America Banks

+1 212 908 0771

christopher.wolfe@fitchratings.com

Alejandro Garcia

Head of Latin America Financial Institutions

+1 212 908 9137

alejandro.garcia@fitchratings.com

Konstantin Yakimovich

+44 20 3530 1789

konstantin.yakimovich@fitchratings.com

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.