FitchRatings

Switzerland

Basler Kantonalbank

Key Rating Drivers

Support Drives Ratings: Basler Kantonalbank's (BKB) Long-Term Issuer Default Rating (IDR) and Shareholder Support Rating (SSR) are based on support from its majority owner, the Canton of Basel-Stadt, and reflect Fitch Ratings' view of an extremely high probability of timely support, if needed. The canton owns 86% of BKB and holds 100% of its voting rights.

Cantonal Guarantee: The ratings are underpinned by Fitch's view of the canton's creditworthiness and by the cantonal guarantee of BKB's non-subordinated liabilities under a specific cantonal law (the BKB Law). The cantonal guarantee applies to BKB as a legal entity and excludes BKB's operating subsidiaries, notably Bank Cler. However, in practice, Fitch believes that the canton would provide some indirect support to Bank Cler, as Fitch expects the supervisory authorities would require BKB to support Bank Cler in case of failure.

Support Manageable for Canton: BKB's consolidated assets (CHF56 billion at end-2024) are large relative to the canton's GDP (CHF41 billion at end-2022) and budgetary resources, but Fitch believes the bank's stable and resilient business model and its capital buffers mean recapitalisation needs would be manageable for the canton in a realistic stress scenario. This view is underpinned by the canton's strong economic fundamentals, including strong financial flexibility and low debt burden. We believe that support would be provided in a timely fashion, as BKB's default would constitute a huge reputational risk for the canton.

Universal Cantonal Bank: BKB's Viability Rating (VR) is based on our assessment of its consolidated profile and reflects its stable and low-risk business model, although it is concentrated on residential real estate in the Basel region and, through Bank Cler, across Switzerland. Our assessment benefits from low levels of impaired loans and strong capitalisation. It also reflects BKB's small size, modest nationwide franchise, adequate but consistent profitability, and sound funding.

Large Real Estate Exposure: We view BKB's asset quality as strong, benefitting from conservative underwriting standards in mostly low-risk mortgage lending, which should protect it from a meaningful real estate price correction. We expect the impaired loans ratio (end-2024: 0.7%) to remain below 1% in 2025. Residential mortgage loans account for around three-quarters of the loan book. Non-residential mortgage loans relate mainly to office and commercial spaces, which are higher risk, and industrial premises.

Declining Profitability: BKB's profitability has been relatively stable but is modest relative to peers. We forecast the operating profit/risk-weighted assets (RWAs) ratio will drop just below 1% in 2025, as net interest income, the bank's main revenue pillar, decreases due to lower policy rates. We expect the earnings contribution from fee income to be broadly stable and loan impairment charges to normalise but remain low. Operating costs are likely to increase on the back of higher staff costs and continued IT investments.

Strong Capitalisation: The bank's end-2024 common equity Tier 1 ratio was 17.6%, comparable with that of domestic peers. The canton expects a minimum dividend from BKB of CHF65 million annually averaged over the four-year strategy period, although the actual pay-out is typically higher. The canton has also agreed that the bank maintains a 3%–7% buffer over total capital regulatory requirements on an unconsolidated basis.

Stable Funding: BKB's funding benefits from its stable and granular retail deposit base, with a loans/deposits ratio of 123% at end-2024, down from 130% at end-2023. We view the bank's capital market franchise as weaker than listed Swiss peers, and with some concentration of large institutional deposits and a reliance on short-term funding. However, we also believe that funding and liquidity benefit from the cantonal guarantee.

Ratings

Foreign Currency	
Long-Term IDR	AAA
Short-Term IDR	F1+
Viability Rating	a
Shareholder Support Rating	aaa
Sovereign Risk (Switzerland)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms Basler Kantonalbank at 'AAA'; Outlook Stable (June 2025)

Fitch Affirms Switzerland at 'AAA'; Outlook Stable (April 2025)

Global Economic Outlook (June 2025)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

BKB's IDRs and SSR are primarily sensitive to adverse changes in our assessment of the canton's ability or propensity to support the bank. A material increase in the canton's contingent liabilities, which are dominated by BKB, could put pressure on BKB's IDRs. Contingent liabilities could increase, for instance, because of sustained growth of the bank's balance sheet in excess of the canton's GDP growth or due to a material delay by the canton in promptly addressing a potential capital shortfall at BKB. A deterioration of the canton's creditworthiness would also result in a downgrade of BKB.

BKB's IDRs and SSR are also sensitive to unfavourable changes in its relationship with the canton, particularly if the BKB Law is amended in a way that would weaken the guarantee's effectiveness or cast doubt on the timeliness of support. This could also negatively affect the VR, as our assessments of BKB's business profile (especially franchise), and funding and liquidity both include ordinary support. However, we view this scenario as unlikely.

The VR would be likely to be downgraded on a sharp drop in property prices in Switzerland, resulting in significant asset-quality deterioration, with an impaired loans ratio materially and durably above 2%, and a common equity Tier 1 ratio below 16%. However, Fitch does not expect a significant house price correction in Switzerland over the next few years.

The VR would also come under pressure if profitability materially deteriorates or if BKB increases its risk appetite, which could be indicated by higher loan growth at the expense of underwriting standards.

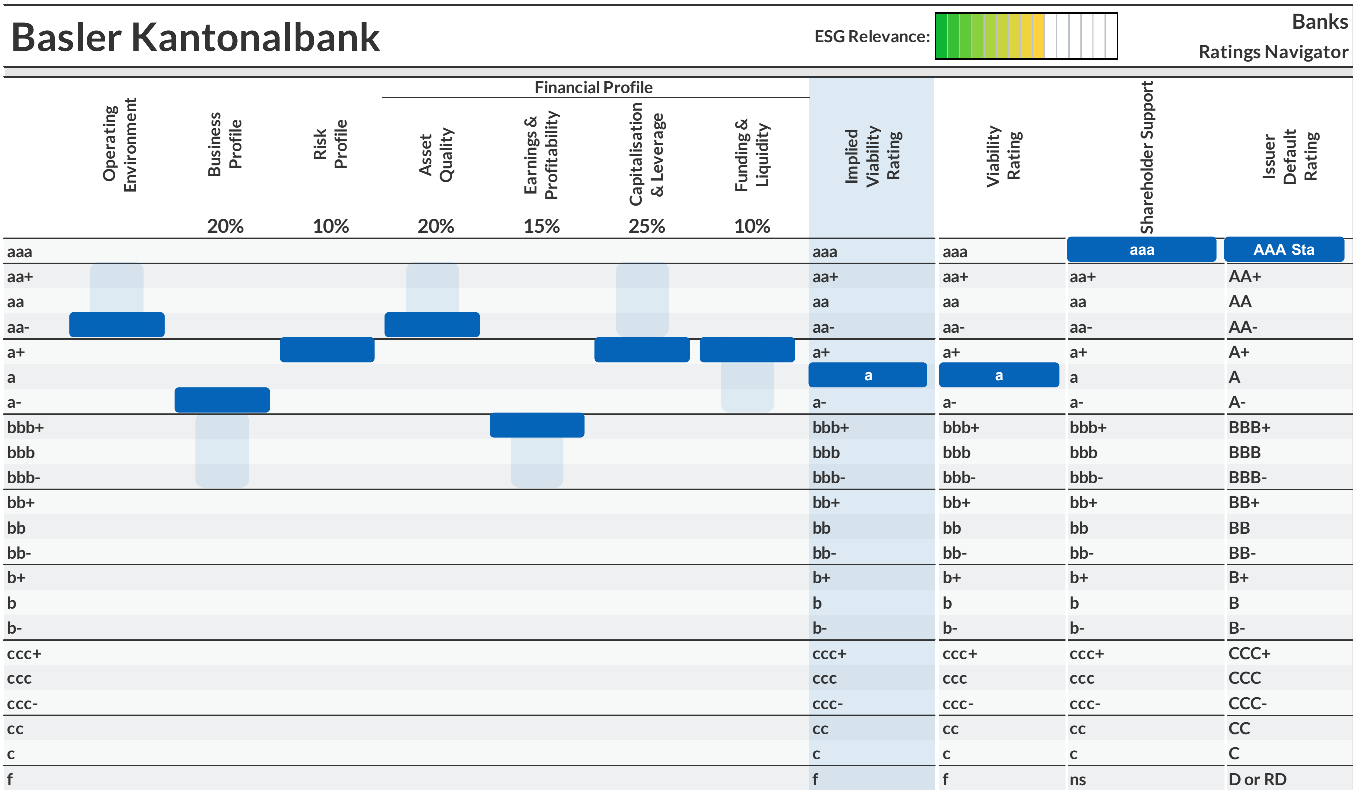
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The Long-Term IDR is at the highest level on Fitch's scale and cannot be upgraded.

An upgrade of BKB's VR would require an improved business profile, particularly a more diverse business model, leading to more diversified revenue, together with a record of strengthened profitability and healthy financial metrics, notably capitalisation.

FitchRatings

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The business profile score of ‘a-’ is above the ‘bbb’ category implied score due to the following adjustment reason: business model (positive).

The capitalisation and leverage score of ‘a+’ is below the ‘aa’ category implied score due to the following adjustment reason: capital flexibility and ordinary support (negative).

Company Summary and Key Qualitative Factors

Business Profile

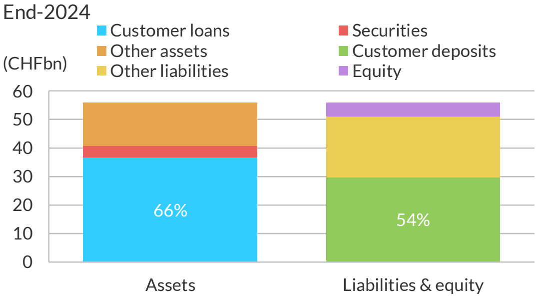
BKB is Switzerland's fourth-largest cantonal bank. Its business model, underpinned by its public service mandate outlined in the BKB Law, focuses on providing financial services to retail and commercial customers in the Canton of Basel-Stadt, supporting the regional economy. However, the group is also active throughout Switzerland through its wholly owned subsidiary Bank Cler, whose activities are excluded from the cantonal guarantee and are not governed by the regional public mandate. Bank Cler accounts for over a third of BKB's consolidated assets and is a nationwide retail and SME bank, focusing mainly on residential real estate lending.

BKB is well established in Basel, with strong local mortgage market shares. However, the group's nationwide franchise is modest, with low single-digit market shares in domestic deposits and mortgage loans, reflecting the cantonal bank's local focus and Bank Cler's small size.

BKB's strategic objectives are well-articulated and their stability is ensured by the bank's public service mandate. BKB's focus lies on digitalisation, increased efficiency and process optimisation and commitment to sustainability in both core business and operations. The bank is aiming for profitable growth in its core segments and new niches, with partnerships being an important pillar in its strategy implementation.

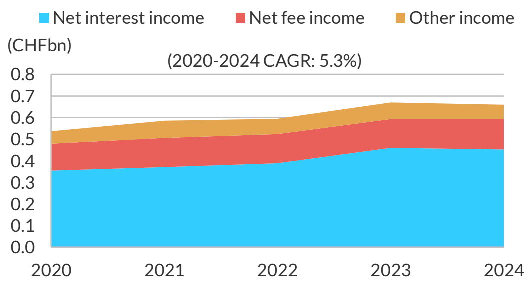
Balance Sheet

End-2024



Source: Fitch Ratings, Fitch Solutions, BKB

Revenue Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, BKB

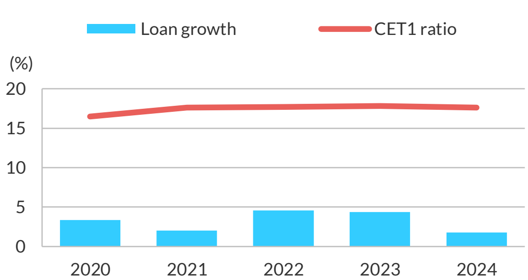
Risk Profile

We view BKB's underwriting standards as low risk and conservative. The BKB Law requires the bank to avoid excessive risk-taking, which has resulted in broadly stable and sound asset-quality metrics. Lending is focused mainly on residential mortgage loans. Average loan-to-value (LTV) ratios are in line with Swiss peers', but higher than European peers' due to many clients stopping loan amortisations after target LTV ratios are reached (typically two-thirds). The assumptions used to determine property values are conservative and should protect the bank from losses should there be a meaningful decline in real estate prices. In line with Swiss peers, BKB applies stressed interest rates when calculating loan affordability.

Gross loan growth slowed in 2024 to 1.8% and we expect it to remain around these levels or lower in the next two years. Loan growth is driven by residential property financing (2024: 3%), largely for investment properties. Non-residential real estate financing decreased in 2024 and remains a fairly small part of the overall loan book.

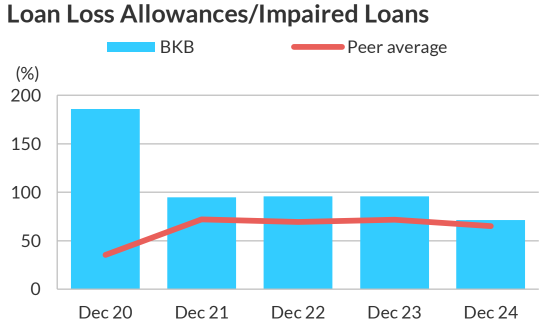
Market risk is mainly structural interest rate risk in the banking book, which is appropriately managed through hedging. Trading assets are moderate in proportion to the balance sheet and are mostly to support client needs.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, BKB

Loan Loss Allowances/Impaired Loans



Source: Fitch Ratings, Fitch Solutions, banks

Financial Profile

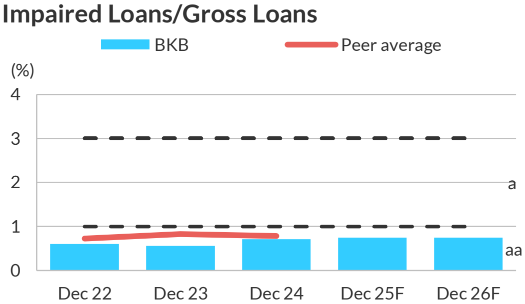
Asset Quality

BKB's asset-quality metrics remain strong, and it has had limited credit losses, due to its focus on low-risk mortgage lending and sound underwriting standards. Low mortgage interest rates relative to the bank's stressed interest rates used for affordability calculations, in combination with a resilient labour market in Switzerland, support credit performance further. The impaired loans ratio increased slightly to 0.7% at end-2024 (end-2023: 0.6%).

BKB's CHF37.1 billion loan book is dominated by mortgage loans (end-2024: 90% of gross loans), with about a third of financed properties in the Basel region. Mortgage loans are mostly residential and include a significant share of investment properties, to both private and professional investors. There are some mortgages to finance office and commercial properties, which are more exposed to structural changes and price corrections, but these are generally extended at lower LTV ratios. The bank also finances some industrial premises. Other loans are mainly unsecured, diversified by industry, and relate to corporate and SME borrowers.

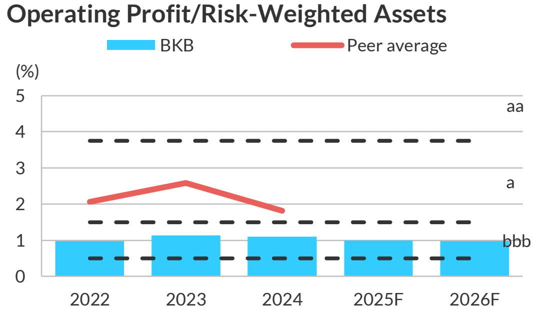
The bank's material real estate exposure means that a sharp drop in prices is a key risk; we continue to view office and commercial property as vulnerable to a price correction. We believe that a sharp decline in residential property prices is unlikely in the medium term due to strong immigration and lagging supply, but vacancies could increase and prices come under pressure if the economy deteriorates alongside a sharp rise in unemployment and lower immigration. We expect the impaired loans ratio to only slightly increase over the next two years, supported by our expectation of declining policy rates and a strong labour market.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

BKB's revenue is reliant on net interest income (NII) (69% of 2024 operating income) and is less diverse than that of its closest domestic peer, Zuercher Kantonalbank (AAA/Stable/a+). BKB's net income increased by 10% in 2024 to CHF186 million. The main driver behind this increase was lower contributions to reserves for general banking risks, with operating profit unchanged. Lower operating costs as calculated by Fitch and higher net fees and commissions compensated for decreasing NII (2%) and trading income (13%). The group's asset quality benefitted from broadly favourable economic conditions in Switzerland in 2024, resulting in low loan impairment charges. Operating costs spiked in 2023 on higher project and staff costs, but decreased by 3% in 2024. This led to the cost/income ratio improving to 59% (2023: 60%).

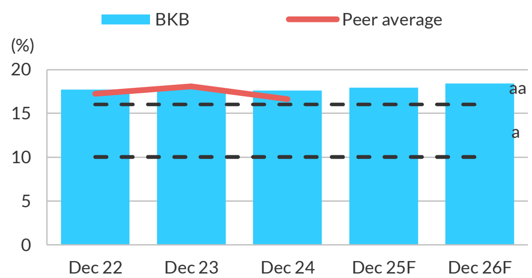
We expect BKB's operating profit/RWAs ratio to decline in 2025 as lower policy rates will continue to affect NII. We expect trading income contributions to remain modest and a generally stable proportion of fee income. Discretionary wealth management mandates are increasing, but from a low base. BKB's cost/income ratio is higher than European retail banking peers'. BKB continues to streamline processes and simplify operations, but its public service mandate and commitment to maintain a dense branch network are likely to keep the cost base larger and less flexible than at peers without such a mandate. We expect rising loan impairment charges in 2025, although they will remain low on robust economic conditions including a resilient labour market and low interest rates.

Capitalisation and Leverage

BKB's capital ratios are high compared with European peers' and in line with domestic peers'. This is despite BKB's higher RWA density due to the bank's standardised approach for calculating credit-risk RWAs, which it plans to maintain. BKB's total capital ratio decreased marginally to 18.5% at end-2024 from 18.7% at end-2023, which is still comfortably above the 13% regulatory minimum requirement and strategic target of 16%.

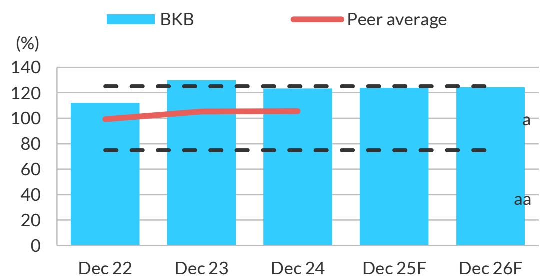
Reserves for general banking risks and retained earnings accounted for 92% of BKB's capital at end-2024, excluding own capital held by the bank. The remaining 8% comprised mainly BKB's CHF304 million endowment capital, provided by the canton for an unlimited period, and CHF50.2 million listed profit participation notes (without voting rights). BKB can draw a further CHF46 million endowment capital from the canton – an arrangement that has been in place since 2000. Any additional increase is subject to the approval of the canton's parliament. The BKB Law also states that participation capital cannot exceed the level of outstanding endowment capital, limiting BKB's ability to raise equity capital on the market.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

BKB's funding profile is underpinned by its large, and mainly retail, customer deposit base, which forms more than half of its total liabilities and equity. There is some concentration of institutional and corporate deposits at the parent bank, which occasionally drives loans/deposits ratio fluctuations. We do not expect the loans/deposits ratio to increase substantially, although competition for deposits is likely to intensify.

The parent bank and Bank Cler are funded separately, with limited intragroup funding. BKB issues covered bonds regularly via the Pfandbriefzentrale der schweizerischen Kantonalbanken AG and issued two senior unsecured bonds in 2024. Its wholesale funding access benefits from the bank's strong financial profile and the cantonal guarantee covering most of its liabilities. Funding is mainly in Swiss francs and remains fairly reliant on short-term instruments; wholesale maturity volumes in the next five years are manageable.

BKB's large portfolio of high-quality liquid assets (end-2024: CHF7.7 billion) mainly comprises Swiss National Bank sight deposits, cash holdings and Swiss covered bonds held as financial investments. BKB's liquidity coverage ratio remained resilient at 132% and the net stable funding ratio (end-2024: 126.6%) was comfortably above the 100% regulatory requirement.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macroeconomic forecasts, outlook of the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

The peer average includes Zuercher Kantonalbank (VR: a+), Raiffeisen Group (a+), UBS Switzerland AG (a), Santander UK Group Holdings plc (a) and de Volksbank N.V. (a-).

FitchRatings

Financials

Financial Statements

	31 Dec 21 12 months (CHFm)	31 Dec 22 12 months (CHFm)	31 Dec 23 12 months (CHFm)	31 Dec 24 12 months (CHFm)	31 Dec 25F 12 months (CHFm)	31 Dec 26F 12 months (CHFm)
Summary income statement						
Net interest and dividend income	370	389	459	453	-	-
Net fees and commissions	135	135	134	140	-	-
Other operating income	85	74	80	71	-	-
Total operating income	590	598	674	664	655	648
Operating costs	371	368	399	387	395	400
Pre-impairment operating profit	219	230	275	277	260	248
Loan and other impairment charges	-4	-1	-1	2	9	2
Operating profit	222	231	276	275	251	246
Other non-operating items (net)	-90	-79	-91	-75	-	-
Tax	11	13	16	14	-	-
Net income	121	139	169	186	179	168
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	121	139	169	186	-	-
Summary balance sheet						
Assets						
Gross loans	33,456	34,977	36,499	37,144	37,515	37,890
– Of which impaired	222	211	205	263	-	-
Loan loss allowances	211	202	196	187	-	-
Net loans	33,245	34,775	36,303	36,957	-	-
Interbank	555	821	306	1,026	-	-
Derivatives	322	115	160	263	-	-
Other securities and earning assets	9,159	10,584	8,372	10,026	-	-
Total earning assets	43,281	46,295	45,140	48,272	-	-
Cash and due from banks	9,870	8,086	6,952	7,252	-	-
Other assets	319	848	584	368	-	-
Total assets	53,470	55,229	52,677	55,892	56,331	56,781
Liabilities						
Customer deposits	27,922	31,205	28,082	30,132	30,283	30,435
Interbank and other short-term funding	9,598	8,361	8,276	9,100	-	-
Other long-term funding	10,920	10,905	11,383	11,722	-	-
Trading liabilities and derivatives	605	305	214	80	-	-
Total funding and derivatives	49,045	50,776	47,955	51,035	-	-
Other liabilities	348	243	341	314	-	-
Preference shares and hybrid capital	-	-	-	-	-	-
Total equity	4,077	4,211	4,381	4,544	-	-
Total liabilities and equity	53,470	55,229	52,677	55,892	56,331	56,781
Exchange rate	USD1 = CHF0.9202	USD1 = CHF0.9303	USD1 = CHF0.8547	USD1 = CHF0.8966	-	-

Source: Fitch Ratings, Fitch Solutions, Basler Kantonalbank

Key Ratios

(%)	31 Dec 21	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25F	31 Dec 26F
Profitability						
Operating profit/risk-weighted assets	1.0	1.0	1.1	1.1	1.0	1.0
Net interest income/average earning assets	0.8	0.9	1.0	1.0	0.9	0.9
Non-interest expense/gross revenue	63.4	62.0	59.7	58.7	60.3	61.8
Net income/average equity	3.0	3.4	4.0	4.2	-	-
Asset quality						
Impaired loans/gross loans	0.7	0.6	0.6	0.7	0.8	0.8
Growth of gross loans	2.0	4.6	4.4	1.8	1.0	1.0
Loan loss allowances/impaired loans	95.0	95.7	95.8	71.3	69.8	69.8
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.0	0.0	0.0
Capitalisation						
Common equity Tier 1 capital ratio	17.6	17.7	17.8	17.6	17.9	18.4
Fully loaded common equity Tier 1 capital ratio	-	-	-	17.6	-	-
Tangible common equity/tangible assets	7.6	7.6	8.3	8.1	-	-
Basel leverage ratio	6.9	6.9	7.2	7.1	-	-
Net impaired loans/common equity Tier 1	0.3	0.2	0.2	1.7	-	-
Funding and liquidity						
Gross loans/customer deposits	119.8	112.1	130.0	123.3	123.9	124.5
Gross loans/customer deposits + covered bonds	95.1	91.0	103.4	99.5	100.1	100.7
Liquidity coverage ratio	233.6	154.5	140.0	132.4	-	-
Customer deposits/total non-equity funding	57.1	61.8	58.8	59.1	-	-
Net stable funding ratio	125.6	122.4	123.1	126.6	-	-

Source: Fitch Ratings, Fitch Solutions, Basler Kantonalbank

Support Assessment

Shareholder Support	
Shareholder IDR	
Total Adjustments (notches)	
Shareholder Support	aaa
Shareholder ability to support	
Shareholder Rating	
Shareholder regulation	Equalised
Relative size	1 Notch
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	1 Notch
Support record	Equalised
Subsidiary performance and prospects	Equalised
Legal commitments	Equalised

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

BKB's SSR is based on support from the Canton of Basel-Stadt, the bank's guarantor and majority owner, and our view of the canton's creditworthiness. The canton guarantees all non-subordinated liabilities of the bank, but the guarantee specifically excludes liabilities of the cantonal bank to its subsidiaries and the liabilities of those subsidiaries.

The canton's guarantee does not explicitly address the timeliness of support, but Fitch believes that, if necessary, support would be provided in a timely fashion, given BKB's high importance for the region and the potential repercussions of the bank's failure for the regional economy and the Swiss financial sector.

Environmental, Social and Governance Considerations

FitchRatings **Basler Kantonalbank**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Basler Kantonalbank has 5 ESG potential rating drivers				ESG Relevance to Credit Rating
Basler Kantonalbank 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.	key driver	0	issues	5
Governance is minimally relevant to the rating and is not currently a driver.	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
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	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

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

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h 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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	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; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	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	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

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

CREDIT-RELEVANT ESG SCALE

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

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