FitchRatings

Banks
Universal Commercial Banks
Switzerland

Basler Kantonalbank

Ratings

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 IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

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 on 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 to require BKB to support Bank Cler in case of failure.

Support Likely Manageable: BKB's consolidated assets (CHF55 billion at end-2022) are large relative to the canton's GDP (CHF39 billion at end-2021) 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 a low debt burden.

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, albeit with concentration on residential real estate in the Basel region and, via Bank Cler, across Switzerland. Our assessment benefits from low levels of impaired loans, strong capitalisation and stable funding. It also reflects BKB's small size, modest nationwide franchise, and adequate but consistent profitability.

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 the bank from a meaningful real estate price correction. Its impaired loan ratio was a low 0.6% at end-2022. Residential mortgage loans accounted for 74% of the loan book. Non-residential mortgage loans (16%) related mainly to office and commercial spaces, where we see more risks, and industry premises.

Stable Profitability: BKB's profitability has been stable but remains modest relative to peers', with an operating profit of 1% of risk-weighted assets. Net interest income forms around two-thirds of revenues and we expect it to improve in 2023 as deposits reprice only slowly. Earnings contribution from fee income will remain broadly stable, while trading income decreased after the bank exited proprietary trading.

We expect loan impairment charges to normalise from 2023 following two years of write-backs but to remain low given the still robust economy.

Strong Capitalisation: BKB's end-2022 common equity Tier 1 (CET1) ratio was 17.7%, comparable to domestic peers'. The canton expects a dividend pay-out from BKB (total payments to the canton averaged CHF80 million over 2020-2022) but has also agreed that the bank maintains a 3pp-7pp 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 loan/deposit ratio of 112% at end-2022, down from 120% a year ago. We view the bank's capital-market franchise weaker than listed Swiss peers', and with some concentration of large institutional deposits at the parent bank and certain reliance on short-term funding. However, we also believe that funding and liquidity benefit from the bank's cantonal guarantee.

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Fitch Affirms Basler Kantonalbank at 'AAA'; Outlook Stable (July 2023)

Fitch Affirms Switzerland at 'AAA'; Outlook Stable (May 2023)

Global Economic Outlook (June 2023)

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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 currently 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. A downgrade of the Swiss sovereign rating could indirectly also drive a downgrade of BKB's support-driven ratings.

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 both our assessment of BKB's business profile (notably franchise), and funding and liquidity include ordinary support. However, we currently view this scenario as unlikely.

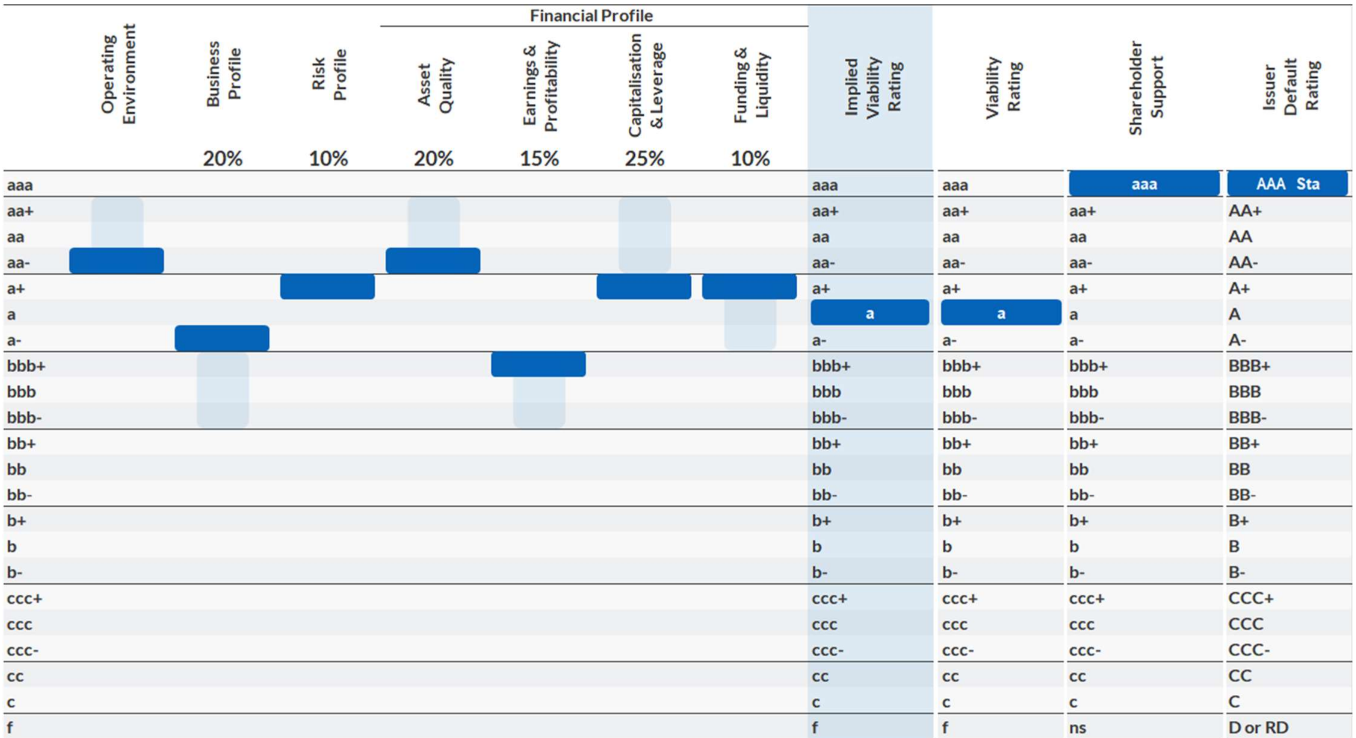
The VR would likely be downgraded on a sharp drop in property prices in Switzerland, resulting in significant asset-quality deterioration, with an impaired loans ratio materially and durably above 2%, and a CET1 ratio below 16%. However, Fitch does not expect a significant house price correction in Switzerland over the next six months.

The rating 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, in particular a more diverse business model, leading to more diversified revenue, together with a record of strengthened profitability and healthy financial metrics, notably capitalisation.

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 & ordinary support (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Fitch expects Swiss GDP growth of 0.8% in 2023, after 2.1% in 2022, with subdued global growth weighing on domestic activity. The economy performed unexpectedly well in 1Q23, but survey data and business sentiment point to slowing growth for the rest of 2023. Unemployment is very low and Fitch expects the unemployment rate to fall again this year to 2%, with the shortage of labour a constraint on growth in the medium term. In the short term, it is supportive of the credit performance of the banks' retail portfolios dominated by mortgage loans.

Weaker economic growth, uncertainty on capital markets and worsening credit conditions have not weighed on new business volumes at banks so far and we do not expect significant declines across their main lending products. The banks' profitability is benefitting from rising policy rates, and we expect net interest income (NII) and margins to improve further, given also Fitch's expectation of a policy rate of 2% at end-2023. The pass-through of rising policy rates to customer deposits has been limited so far, but is gradually increasing, pushing funding costs up. We do not expect higher interest rates to lead to significant asset-quality deterioration, given prudent underwriting standards (including an affordability stress test rate of around 5%), and a high share of secured exposures.

Business Profile

BKB is Switzerland's fourth-largest cantonal bank and the 10th-largest bank in the country by total assets at end-2022. 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 thus 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 predominantly 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. We do not expect BKB's franchise to strengthen materially as a result of Credit Suisse Group AG's takeover by UBS Group AG given the relatively small size of the bank, its local mandate and largely different client base.

BKB's strategic objectives are well articulated and their stability is ensured by BKB's public service mandate. The bank aspires to profitable growth in its core segments and attractive niches, with partnerships being an important pillar in its strategy implementation. The current focus lies on sustainability, digitisation, increased efficiencies and process optimisation.

Risk Profile

We view BKB's underwriting standards as low-risk and conservative. BKB Law requires the bank to avoid excessive risk-taking, which has resulted in broadly stable and sound asset-quality metrics. Lending is focussed primarily on residential mortgage loans. Average loan-to-value ratios are in line with Swiss peers' but high compared with European peers' due to many clients stopping loan amortisations after target loan-to-value ratios are reached (typically two-thirds). The assumptions used to determine property values are conservative and should effectively 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, which protects it against defaults in the rising interest rate environment.

Loan growth has been driven by residential property financing in recent years (+4.4% in 2022), but we expect it to slow somewhat given the subdued economic outlook and rising interest rates. Non-residential real estate financing increased by 13% in 2022 but remains a small part of the overall real estate portfolio.

Market risk is mainly in the form of 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. BKB exited proprietary trading in 2021.

Financial Profile

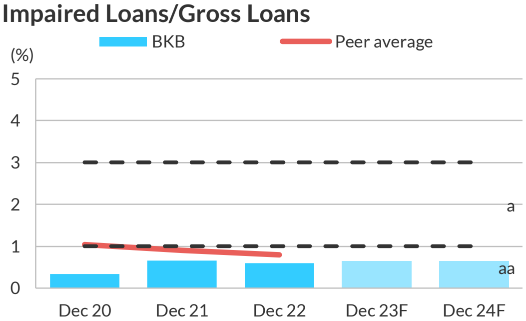
Asset Quality

BKB's asset-quality metrics remain strong and credit losses are limited, due to the bank's 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 slightly declined to 0.6% at end-2022 (2021: 0.7%).

BKB's CHF35 billion loan book is dominated by mortgage loans (90% of end-2022 gross loans), with about a third of financed properties in the Basel region. Residential mortgage lending, which includes a significant share of buy-to-let (both private and professional investors), dominates the mortgage book; the remainder is mainly office and commercial properties, which are more exposed to structural changes but have proven resilient so far, and industrial premises. Other loans are mainly unsecured and relate to corporate and SME borrowers and are diversified by industry.

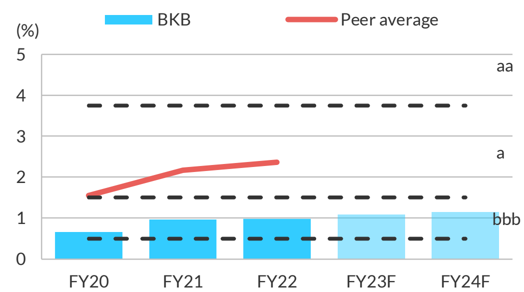
BKB's material real estate exposure means that a sharp drop in prices is a key risk for the bank; we continue to view office and commercial property as more vulnerable to a price correction. We believe that a sharp decline in residential property prices is unlikely in the short term due to supply shortages, but vacancies could increase and prices could come under pressure if the economy deteriorates along with a sharp rise in unemployment and lower immigration. We expect the impaired loans ratio to only slightly increase over the next two years.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

BKB's net income stood at CHF139 million in 2022, up 15% yoy. NII was up 5% due to growth in lending and a higher net interest margin (NIM), which had been declining due to negative interest rates and competitive pressures in Switzerland until 2021. We expect NIM to increase further in 2023 as interest rates continue to increase while customer deposits reprice slowly. BKB has increased interest paid on its retail term and savings deposits only once so far, but we expect deposit pricing to increase as competition and political pressure to remunerate retail deposits intensifies.

Net fee and commission income was flat in 2022 and trading income decreased 13% yoy as a result of the group's exit from proprietary trading. Broadly favourable economic conditions in Switzerland in 2022 supported the group's risk position and led to a net loan impairment charges (LIC) reversal of CHF0.9 million. We expect 2023 LICs to be limited, helped by still robust economic conditions, including a resilient labour market, and still low mortgage interest rates compared with affordability stress rates used by the bank.

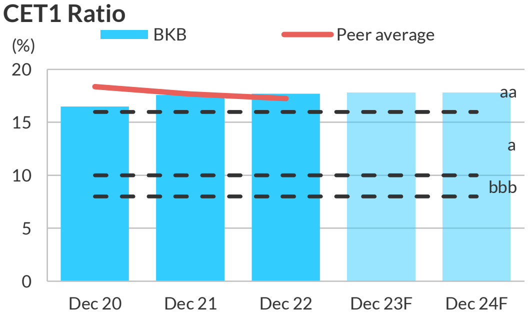
BKB's revenues remain less diversified than that of its closest domestic peer Zuercher Kantonalbank (ZKB, AAA/Stable/a+). We expect trading income contributions to remain modest and the proportion of fee income to remain broadly stable. Discretionary wealth management mandates are increasing, but from a low base. BKB's cost/income ratio is high in comparison with European retail banking peers' and we expect some cost savings from reductions in staff and streamlining of processes. However, the bank's public service mandate and its commitment to maintain a dense branch network is likely to keep the cost base heavier and less flexible than that of peers without such a mandate. We expect BKB's operating profit to be above 1% of RWAs in 2023 and 2024, slightly above prior years.

Capital 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 (43% at end-2022) due to the bank's standardised approach for calculating credit-risk RWAs, which it plans to maintain. BKB's total capital ratio increased to 18.6% at end-2022 on higher regulatory capital, and is comfortably above the 13% regulatory minimum requirement.

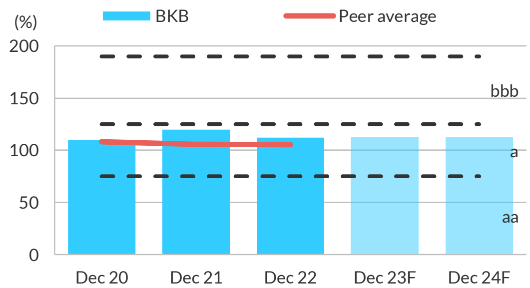
Reserves for general banking risks and retained earnings accounted for almost 90% of BKB's capital at end-2022. The remaining 10% comprised mainly BKB's CHF304 million endowment capital, provided by the canton for an unlimited period and CHF50.2 million listed profit participation notes (without voting 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

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

BKB's funding strength is underpinned by its large customer deposit base, which forms more than half of its total liabilities and equity, although some concentration of institutional and corporate deposits is present at the parent bank. The parent bank and Bank Cler are funded separately and the amount of intragroup funding is limited. BKB issues covered bonds regularly and in the year to date was able to issue two bonds following the Credit Suisse takeover as its wholesale funding access benefits from the bank's strong financial profile and the cantonal guarantee covering most of its liabilities. Funding is predominantly in Swiss francs and is fairly reliant on short-term funding, but wholesale maturity volumes in the next five years are manageable

BKB's large portfolio of high-quality liquid assets (end-2022: CHF10 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 154.5% and the net stable funding ratio was 122.4% at end-2022 (versus 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 the agency's *Bank Rating Criteria*. They are based on a combination of Fitch's macroeconomic forecasts, outlook of the sector 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. Light-blue columns represent Fitch's forecasts.

Peer average includes Zuercher Kantonalbank (VR: a+), Raiffeisen Group (a+), UBS Switzerland AG (a), Swedbank AB (aa-), Santander UK Group Holdings plc (a), Yorkshire Building Society (a-), de Volksbank N.V. (a-).

Financials

Financial Statements

	31 Dec 22		31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
	(USDm)	(CHFm)	(CHFm)	(CHFm)	(CHFm)	(CHFm)
Summary income statement						
Net interest and dividend income	418	388.9	370.4	353.9	346.1	362.0
Net fees and commissions	145	135.0	134.6	125.9	125.2	123.0
Other operating income	80	74.3	84.8	60.5	80.0	71.3
Total operating income	643	598.2	589.8	540.3	551.3	556.3
Operating costs	396	368.0	371.2	372.3	387.5	364.7
Pre-impairment operating profit	247	230.2	218.6	168.0	163.8	191.6
Loan and other impairment charges	-1	-0.9	-3.6	10.7	3.0	-2.8
Operating profit	248	231.1	222.2	157.3	160.8	194.4
Other non-operating items (net)	-84	-78.6	-90.0	-35.7	-38.5	8.1
Tax	14	13.2	11.1	13.3	10.5	12.1
Net income	150	139.3	121.1	108.3	111.8	190.4
Summary balance sheet						
Assets						
Gross loans	37,597	34,976.9	33,456.3	32,805.4	31,742.1	30,478.6
- Of which impaired	227	211.2	222.4	110.3	79.4	85.7
Loan loss allowances	217	202.2	211.3	205.2	190.6	183.4
Net loans	37,380	34,774.7	33,245.0	32,600.2	31,551.5	30,295.2
Interbank	882	820.9	554.8	2,522.2	2,647.4	2,569.3
Derivatives	124	115.3	321.9	513.2	399.5	431.0
Other securities and earning assets	11,377	10,584.2	9,159.1	6,711.8	3,711.6	3,222.7
Total earning assets	49,764	46,295.1	43,280.8	42,347.4	38,310.0	36,518.2
Cash and dues from banks	8,692	8,086.1	9,869.6	11,755.3	6,202.1	7,144.4
Other assets	912	848.3	319.4	332.8	308.1	368.5
Total assets	59,367	55,229.5	53,469.8	54,435.5	44,820.2	44,031.1
Liabilities						
Customer deposits	33,543	31,205.0	27,921.8	29,851.5	26,456.2	24,934.8
Interbank and other short-term funding	8,988	8,361.1	9,598.0	8,773.1	3,860.4	5,595.2
Other long-term funding	11,722	10,904.7	10,920.5	10,852.4	9,634.2	8,494.4
Trading liabilities and derivatives	328	305.0	605.0	471.9	484.7	598.6
Total funding and derivatives	54,580	50,775.8	49,045.3	49,948.9	40,435.5	39,623.0
Other liabilities	261	242.9	347.7	520.9	480.1	562.1
Total equity	4,526	4,210.8	4,076.8	3,965.7	3,904.6	3,846.0
Total liabilities and equity	59,367	55,229.5	53,469.8	54,435.5	44,820.2	44,031.1
Exchange rate		USD1 = CHF0.9303	USD1 = CHF0.9202	USD1 = CHF0.88985	USD1 = CHF0.97165	USD1 = CHF0.9811

Source: Fitch Ratings

Key Ratios

	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
Profitability					
Operating profit/risk-weighted assets	1.0	1.0	0.7	0.7	0.9
Net interest income/average earning assets	0.9	0.8	0.9	0.9	1.0
Non-interest expense/gross revenue	62.0	63.4	69.5	71.6	66.5
Net income/average equity	3.4	3.0	2.8	2.9	4.9
Asset quality					
Impaired loans ratio	0.6	0.7	0.3	0.3	0.3
Growth in gross loans	4.6	2.0	3.4	4.2	5.6
Loan loss allowances/impaired loans	95.7	95.0	186.0	240.1	214.0
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.0	0.0
Capitalisation					
Common equity Tier 1 ratio	17.7	17.6	16.5	17.1	17.0
Tangible common equity/tangible assets	7.6	7.6	7.3	8.7	8.7
Basel leverage ratio	6.9	6.9	8.2	7.9	8.1
Net impaired loans/common equity Tier 1	0.2	0.3	-2.4	-2.9	-2.6
Funding and liquidity					
Gross loans/customer deposits	112.1	119.8	109.9	120.0	122.2
Liquidity coverage ratio	154.5	233.6	230.4	136.6	128.1
Customer deposits/total non-equity funding	61.8	57.1	60.0	65.7	63.3
Net stable funding ratio	122.4	125.6	n.a.	n.a.	n.a.

Source: Fitch Ratings

Support Assessment

Shareholder Support	
Shareholder IDR	
Total Adjustments (notches)	0
Shareholder Support Rating	aaa
Shareholder ability to support	
Shareholder Rating	AAA/ Stable
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

- 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.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
not a rating driver	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

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

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 result in 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.

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.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.