FitchRatings

Banks
Universal Commercial Banks
Israel

Israel Discount Bank Limited

Key Rating Drivers

VR and Support Drive IDRs: Israel Discount Bank Limited's Long-Term Issuer Default Rating (IDR) is driven by its Viability Rating (VR) and underpinned by Fitch Ratings' view of a very high probability that Israel (A/Negative/F1+) would provide support to IDB, if needed. Fitch assesses Israel's ability and propensity to support IDB as very high, particularly given the bank's systemic importance in the country, with about 15% of banking system assets.

Universal Banking Franchise: IDB's Viability Rating (VR) reflects a good domestic universal banking franchise, improved asset quality and profitability, and adequate capitalisation and funding. IDB is required to reduce its shareholdings in its credit card subsidiary, Israel Credit Cards Ltd. (Cal), to improve competition. It also recently sold a minority stake in its US subsidiary bank. However, these actions do not significantly change our view of IDB's business profile.

High Loan Growth: The bank has grown its mortgage book in recent years, taking market share from competitors, but we view this segment as lower risk due to conservative underwriting standards as a result of prudent regulatory limits and close oversight. IDB has also increased construction and real estate lending, a higher-risk subsector, although demand is driven by high population growth, which supports housing credit demand and mitigates risks.

Sound Asset Quality: Impaired loans were 0.8% of gross loans at end-3Q24, which compares favourably with both domestic and international peers. Loan growth has been high in recent years, so we expect higher loan impairment charges as new loans season. We also expect the impaired loans ratio to be slightly higher than domestic peers through the cycle as long as IDB owns a credit card subsidiary, but to remain below 1.5% over the next two years.

Growth, Higher Rates Benefit Earnings: Net interest income has benefitted from interest-rate rises and higher loan volumes in recent years. Operating profitability, which has historically been lower than peers', is benefitting from improved cost efficiency, with a Fitch-calculated cost/income ratio of 51% in 9M24, compared with an average of 68% over the past decade. We expect operating profit to continue to benefit from net interest income, due to higher interest rates and improving cost controls.

Adequate Capital Buffers: Headroom in our assessment is limited, but capitalisation has remained adequate, with a 10.57% common equity Tier 1 (CET1) ratio at end-3Q24 versus its 9.19% minimum regulatory requirement. We expect the bank to manage its capitalisation proactively, particularly during periods of high growth, and to maintain the current buffers over regulatory requirements.

Our capitalisation assessment also considers the bank's improved internal capital generation and its fairly high ratio of risk-weighted assets (RWAs) to total assets (end-3Q24: 70%), as the bank uses the standardised approach to calculate credit-risk RWAs.

Sound Funding and Liquidity: IDB's 88% loans/deposits ratio is higher than its largest domestic peers, but broadly in line with international peers. Funding benefits from the bank's stable and granular deposit base, split equally between retail and corporate deposits. Liquidity is sound, with a liquidity coverage ratio averaging 131% in 3Q24.

IDB's 'F1' Short-Term IDR is the higher of two possible Short-Term IDRs that map to an 'A-' Long-Term IDR. This is because we view the sovereign's propensity to support as more certain in the near term.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F1
Long-Term IDR (xgs)	A-(xgs)
Short-Term IDR (xgs)	F2(xgs)
Viability Rating	a-
Government Support Rating	a-
Sovereign Risk (Israel)	
Long-Term Foreign-Currency IDR	A
Long-Term Local-Currency IDR	A
Country Ceiling	AA-
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Israel Discount Bank at 'A-'; Outlook Negative (November 2024)

Global Economic Outlook (September 2024)

Fitch Downgrades 4 Israeli Banks to 'A-'/Negative/'F1' after Sovereign Action (August 2024)

Fitch Downgrades Israel to 'A'; Outlook Negative (August 2024)

Major Israeli Banks – Peer Review 2024 (February 2024)

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Rating Sensitivities

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

A downgrade of the sovereign ratings would result in a downgrade of IDB's Long-Term IDR and senior debt ratings if accompanied by a downgrade of the bank's VRs.

A sharp increase in the bank's risk environment that increases the likelihood of asset quality deterioration could result in a downgrade. A deterioration of asset quality that results in an impaired loan ratio of above 2% for an extended period, combined with the CET1 declining below current levels and weakening internal capital generation, could also result in a VR downgrade. Given the bank's significant exposure to the real estate sector, a sharp decline in real estate prices would put pressure on asset quality, and therefore on the VR.

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

An upgrade of IDB's IDRs is unlikely due to the Negative Outlook on the sovereign's Long-Term IDR. We would revise the Outlook to Stable if the sovereign Outlook was revised to Stable.

An upgrade of IDB's VR is unlikely given the bank's geographical concentration and would require a material and structural improvement in profitability that allows the bank to generate a stronger and more stable operating profit/RWAs ratio, while also maintaining materially higher capital ratios, which we do not expect.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior unsecured: long term	A-

Source: Fitch Ratings

IDB's senior unsecured notes are rated in line with the Long-Term IDR. This reflects our view that a default on senior unsecured debt equates to a default of the bank. It also reflects Fitch's expectation of average recovery prospects.

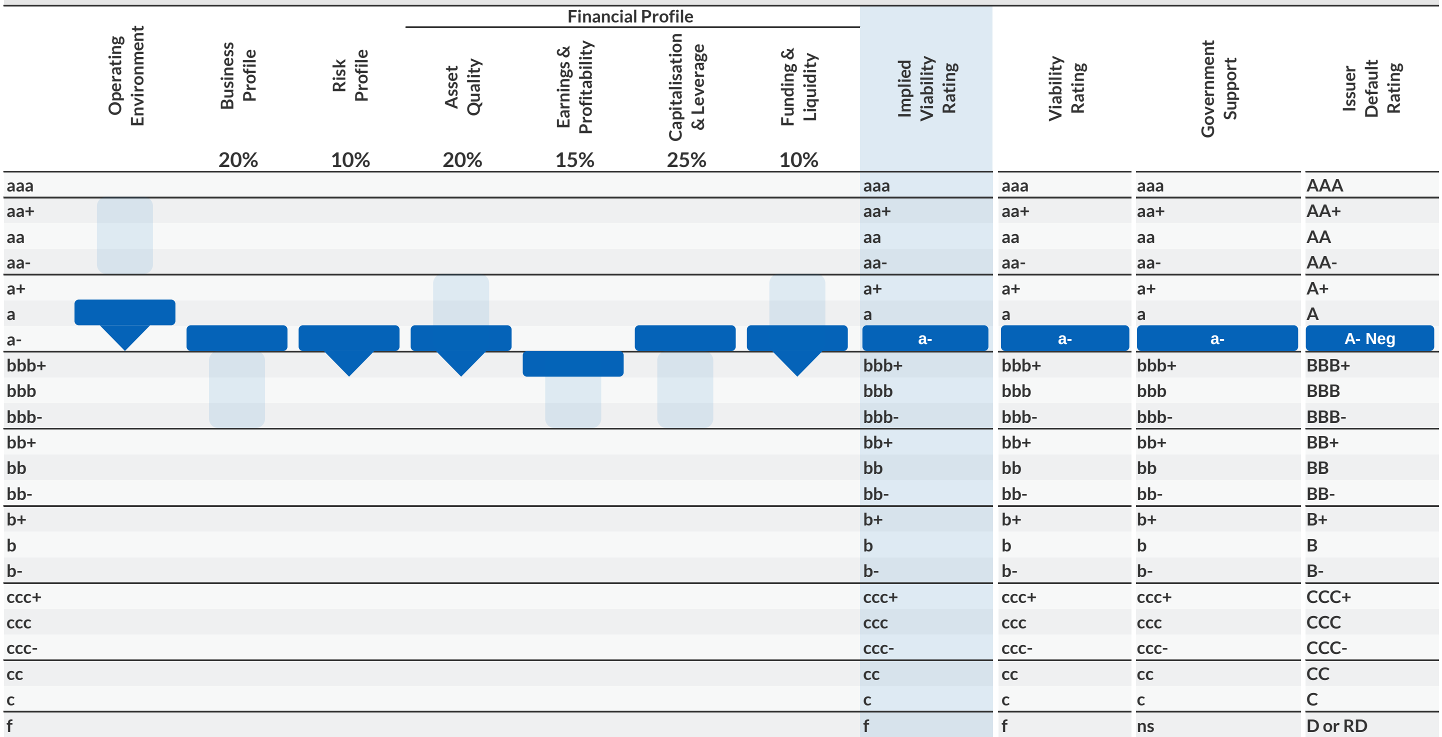
The Long-Term IDR (xgs) of 'A-(xgs)' is at the level of the VR. The Short-Term IDR (xsg) of 'F2(xgs)' is the lower of two possible options that map to a 'A-' Long-Term IDR (xgs) due to IDB's 'a-' funding & liquidity score.

Ratings Navigator

Israel Discount Bank Limited

ESG Relevance:

Banks
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 operating environment score has been assigned below the implied score due to the following adjustment reasons: sovereign rating (negative), size and structure of economy (negative).

The business profile score has been assigned above the implied score due to the following adjustment reason: market position (positive).

The capitalisation & leverage score has been assigned above the implied score due to the following adjustment reason: leverage and risk-weight calculation (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Fitch downgraded Israel's sovereign rating one notch to 'A'/Negative in August 2024 due to the impact of the continuation of the war, including pressure on public finances. However, our operating environment assessment for Israeli banks is unchanged as, in our view, the sovereign downgrade does not reduce the banks' ability to generate new business within their current risk appetites.

Our operating environment assessment also reflects our view that the resilience of the sector is a regulatory priority. Government support for borrowers has supported banks' asset quality. The Bank of Israel has also used its foreign-exchange reserves to intervene in the currency market and reduce the volatility in the shekel. While Israeli banks do not have high foreign-currency exposures, the interventions support wider macroeconomic stability.

The negative outlook on the operating environment score reflects the Negative Outlook on the sovereign rating, which caps the score.

Business Profile

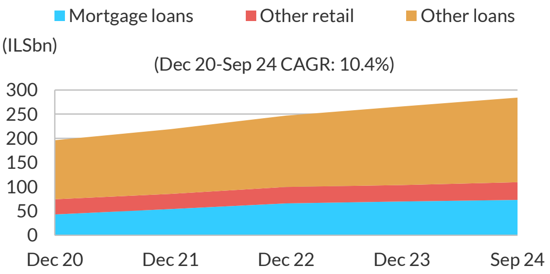
IDB is Israel's fourth-largest bank by total assets. It is publicly traded on the Tel Aviv Stock Exchange and widely held by the public, with no individual shareholder exercising significant control. IDB operates a universal banking model and provides a wide range of retail, commercial and private banking services. In recent years, IDB has grown its market share of mortgage loans in particular.

In addition to its main brand, Discount Bank, which had 99 branches at end-3Q24, IDB also offers banking services through its Mercantile Bank subsidiary, which had 73 branches. Mercantile has a particular focus on small business and retail banking. Mercantile has its own management team but operates on IDB's IT platform. Other subsidiaries include Cal, a credit card issuer; Discount Capital Markets, an investment banking entity that also holds equity stakes in domestic private equity funds and individual non-financial companies; and Tafnit, an asset manager for retail clients and institutions.

IDB was allowed in 2019 to retain majority control of Cal even though its larger domestic peers were required to sell their credit card subsidiaries to promote stronger competition. However, this decision was reviewed in January 2023, and IDB is now required to reduce its shareholding by 2026. Cal represented 7.8% of net income in 9M24, but its sale would not fundamentally alter IDB's strategy. Like the larger domestic banks, IDB would continue to receive income related to credit card distribution to its customers, mitigating some lost income, even if it does not own the card issuer.

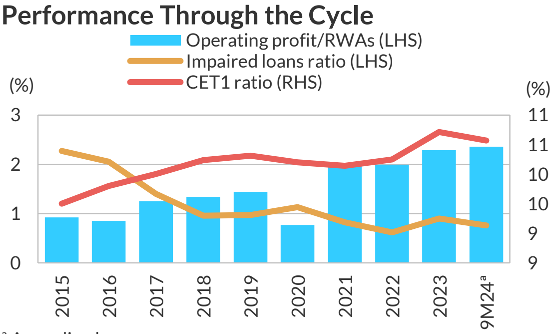
In August 2024, IDB announced the sale of a 15% equity stake in its US subsidiary, Israel Discount Bank of New York (IDBNY) to an investment fund. Given IDBNY's small size compared to the wider group, this does not affect our assessment of IDB.

Loan Book Breakdown



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

Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, IDB

Risk Profile

Loan underwriting is conservative by global standards and similar to that of domestic peers. A high proportion of the loan book is secured at low loan-to-value (LTV) ratios – maximum 75% LTV for first-time buyer mortgage loans under regulations – and the collateral is subject to robust valuations. This limits banks' ability to weaken underwriting standards to grow market share. Loan loss allowances are high, due partly to conservative provisioning policies required by the regulator, and sector concentrations are also subject to regulatory limits.

Commercial loans for the construction of residential real estate are a significant, higher-risk lending segment. The Bank of Israel has temporarily allowed banks to increase their exposure to the construction and real estate sector

(CRE) to 26% of total credit, but expects banks to lower this to the original 20% limit, beginning in 2026. Some of this exposure includes infrastructure projects with implicit or explicit government support. The syndication of large infrastructure loans reduces concentrations to individual projects.

Exposure to market risk consists primarily of interest rate and CPI risks in the banking book, and sensitivities to interest rate and CPI changes are subject to the bank's framework of risk limits as well as close regulatory oversight. CPI exposure is lower than peers' because of IDB's lower exposure to mortgage loans, which often have a CPI-linked component. A 3% decrease in CPI would reduce capital by ILS620 million, or about 21bp of RWAs at end-3Q24. Interest rate risk is appropriately managed, and the bank's sensitivity analysis indicates a parallel 1% increase in interest rates would only reduce capitalisation by about 14bp.

IDB is also exposed to market risk through Discount Capital's investments in domestic equity funds, which totalled ILS2.9 billion at end-3Q24, or 9% of CET1 capital. We do not expect equity investments to increase significantly from current levels. IDB's exposure to foreign-exchange risk is higher than peers' because of its larger US operations, but mismatches between foreign-currency assets and liabilities are well managed with derivatives when necessary.

Class-action lawsuits, often relating to the fair treatment of retail and SME customers, are a major operational risk for Israeli banks. IDB's 9M24 auditors' review included an 'emphasis of a matter' statement as some of these lawsuits are at too early a stage to assess the probable outcome. These lawsuits often involve multiple banks and so, in our view, are typically more reflective of sector-wide operational risks.

We view risk controls as robust, although there are risks as a result of the Israel–Hamas war. In particular, operational risk, including cyber risk, is heightened. IDB and other banks may be more exposed to market risks because of the potential impact of different war scenarios on the exchange rate, interest rates and inflation.

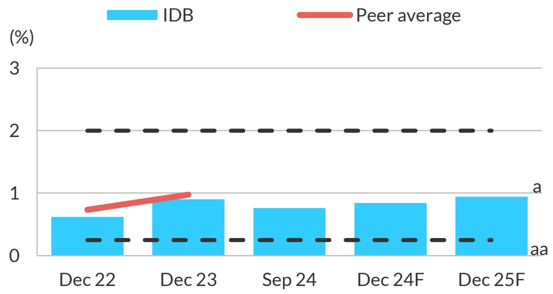
Financial Profile

Asset Quality

Lending to individuals represented 38% of credit exposure at end-3Q24 of which about two-thirds was mortgage lending. Construction and real estate lending, which we view as a higher-risk segment, represented 22% of credit exposure. Like peers, IDB's construction and real estate exposure is approaching regulatory concentration limits set specifically for the sector, which has a strong demand for credit driven by Israel's high population growth and resulting demand for new housing construction in particular.

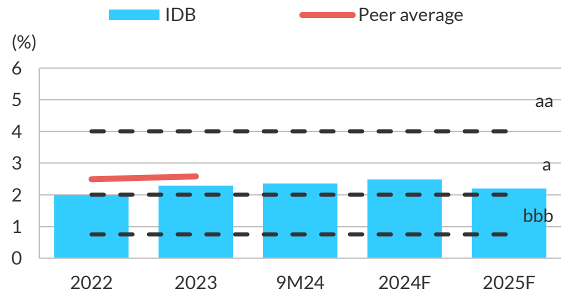
We expect IDB's through-the-cycle impaired loans ratio to be slightly higher than domestic peers' as long as it owns a credit card subsidiary but to remain less than 1.5% over the next two years.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

IDB's 3.2% net interest margin in 9M24 was at the higher end of domestic peers, and partly reflects the credit card business. The net interest margin was also strong on an international basis due to a large base of stable and low-cost current accounts. Profitability has benefitted from improved cost efficiency in recent years, and we expect the higher interest rates and continued improvement in cost controls to continue to support risk-adjusted operating profit at above 2% over the next two years.

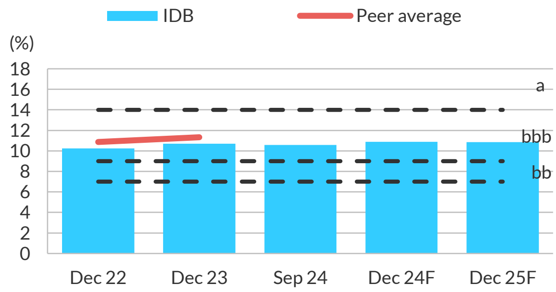
Net interest income accounted for 69% of operating income in 9M24. IDB has historically had a higher proportion of fee income than peers because of its majority ownership of a credit card subsidiary. CPI-linked finance income is also material, contributing ILS740 million in 9M24, or about 6% of operating income.

Capitalisation and Leverage

IDB's regulatory capital requirements are about 100bp lower than its largest domestic peers due to its smaller size. The bank's conservative provisioning for credit losses reduces the risk of a sharp deterioration in asset quality reducing capitalisation. We expect the bank to maintain management buffers over regulatory requirements around current levels.

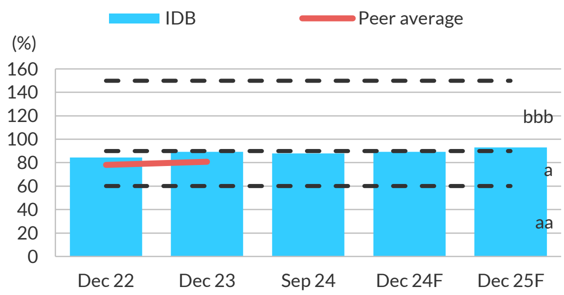
RWA density (RWAs/total assets: 70% at end-3Q24) is high against international peers' average of closer to 40%. IDB's 6.7% leverage ratio is similar to peers' and comfortably above the current 4.5% regulatory requirement, as well as the higher 5.0% requirement that will take effect in 1H26.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

IDB's gross loans/customer deposits ratio was 88% at end-3Q24. About half of deposits came from households, with the other half from business customers. About half of the business deposits are from SMEs, which we view as stable. Non-interest-bearing balances have been stable, at about 20% of total deposits, as the movement into savings accounts has slowed. We expect IDB's deposit stability and funding costs to continue to benefit significantly from its high proportion of low-cost current accounts.

Wholesale funding needs are limited because of IDB's low loan/deposit ratio, but regular issuance supports funding diversification. IDB has good access to domestic-currency wholesale funding as a frequent issuer in the local debt-capital market, as well as more recent access to international markets, which has further diversified its funding base.

Liquidity is sound, with an average liquidity coverage ratio of 131% in 3Q24. High-quality liquid assets of ILS81 billion represented 19% of total assets at end-3Q24.

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 at 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 M&A 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 'a' category. 'F' represents Fitch's forecasts. The peer average includes Bank Leumi Le-Israel B.M. (VR: a-), Bank Hapoalim B.M. (a-) and Mizrahi Tefahot Bank Ltd (a-).

Financials

Financial Statements

	30 Sep 24		31 Dec 23	31 Dec 22	31 Dec 21
	9 months - 3rd quarter	9 months - 3rd quarter	Year end	Year end	Year end
	(USDm)	(ILSm)	(ILSm)	(ILSm)	(ILSm)
	Reviewed – unqualified (emphasis of matter)	Reviewed – unqualified (emphasis of matter)	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	2,228	8,267	10,956	8,707	6,540
Net fees and commissions	737	2,736	3,495	3,404	3,125
Other operating income	294	1,091	1,302	499	858
Total operating income	3,260	12,094	15,753	12,610	10,523
Operating costs	1,651	6,124	7,966	7,217	6,858
Pre-impairment operating profit	1,609	5,970	7,787	5,393	3,665
Loan and other impairment charges	182	674	1,607	467	-591
Operating profit	1,427	5,296	6,180	4,926	4,256
Other non-operating items (net)	n.a.	n.a.	415	421	90
Tax	543	2,013	2,316	1,806	1,516
Net income	885	3,283	4,279	3,541	2,830
Other comprehensive income	106	393	457	-734	-374
Fitch comprehensive income	991	3,676	4,736	2,807	2,456
Summary balance sheet					
Assets					
Gross loans	76,589	284,144	266,014	246,887	218,860
- Of which impaired	579	2,149	2,384	1,520	1,797
Loan loss allowances	1,155	4,285	4,214	3,209	3,040
Net loans	75,434	279,859	261,800	243,678	215,820
Derivatives	2,473	9,176	11,106	11,420	5,522
Other securities and earning assets	18,562	68,865	61,490	47,003	46,285
Total earning assets	96,469	357,900	334,396	302,101	267,627
Cash and due from banks	15,584	57,816	51,115	65,713	59,638
Other assets	3,020	11,206	10,213	8,940	7,823
Total assets	115,073	426,922	395,724	376,754	335,088
Liabilities					
Customer deposits	87,240	323,659	297,673	292,410	261,253
Interbank and other short-term funding	5,877	21,802	23,970	19,115	12,534
Other long-term funding	5,598	20,768	15,491	12,308	13,219
Trading liabilities and derivatives	2,115	7,846	10,469	9,348	6,323
Total funding and derivatives	100,829	374,075	347,603	333,181	293,329
Other liabilities	5,608	20,807	18,883	18,095	17,759
Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	1,852
Total equity	8,636	32,040	29,238	25,478	22,148
Total liabilities and equity	115,073	426,922	395,724	376,754	335,088
Exchange rate		USD1 = ILS3.71	USD1 = ILS3.627	USD1 = ILS3.519	USD1 = ILS3.15

Source: Fitch Ratings, Fitch Solutions, Israel Discount Bank Limited

Key Ratios

	30 Sep 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.4	2.3	2.0	2.0
Net interest income/average earning assets	3.2	3.4	3.1	2.6
Non-interest expense/gross revenue	50.8	50.5	57.4	65.4
Net income/average equity	14.3	15.6	14.7	13.4
Asset quality				
Impaired loans ratio	0.8	0.9	0.6	0.8
Growth in gross loans	6.8	7.8	12.8	11.7
Loan loss allowances/impaired loans	199.4	176.8	211.1	169.2
Loan impairment charges/average gross loans	0.3	0.6	0.2	-0.3
Capitalisation				
Common equity Tier 1 ratio	10.6	10.7	10.3	10.1
Tangible common equity/tangible assets	7.5	6.5	5.9	5.7
Basel leverage ratio	6.7	6.7	6.2	6.0
Net impaired loans/common equity Tier 1	-6.8	-6.3	-6.7	-5.7
Funding and liquidity				
Gross loans/customer deposits	87.8	89.4	84.4	83.8
Liquidity coverage ratio	130.5	130.7	130.5	123.1
Customer deposits/total non-equity funding	88.4	88.3	90.3	90.4
Net stable funding ratio	121.2	122.3	124.8	126.7

Source: Fitch Ratings, Fitch Solutions, Israel Discount Bank Limited

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a- or bbb+
Actual jurisdiction D-SIB GSR	a-
Government Support Rating	a-
Government ability to support D-SIBs	
Sovereign Rating	A/ Negative
Size of banking system	Neutral
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Positive
Liability structure	Positive
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

IDB's IDRs are driven by its GSR, which is in line with the domestic systemically important bank (D-SIB) GSR for Israel and reflects Fitch's view of a very high probability that Israel would provide support to IDB, if needed. Fitch believes Israel's ability and propensity to support IDB are very high, particularly given IDB's systemic importance in the country with a market share of about 15% of banking-sector assets.

Environmental, Social and Governance Considerations

FitchRatings **Israel Discount Bank Limited**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Israel Discount Bank Limited has 5 ESG potential rating drivers
- Israel Discount Bank Limited 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
	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 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.

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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