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# Bank Cler AG

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# Bank Cler AG

| SACP | a- |
|---|---|

| Anchor | a- | |
|---|---|---|
| Business Position | Weak | -2 |
| Capital and Earnings | Strong | +2 |
| Risk Position | Adequate | 0 |
| Funding | Average | 0 |
| Liquidity | Adequate | |

+

| Support | 0 |
|---|---|
| ALAC Support | 0 |
| GRE Support | 0 |
| Group Support | 0 |
| Sovereign Support | 0 |

+

| Additional Factors | 0 |
|---|---|

| Issuer Credit Rating |
|---|
| A-/Stable/-- |

## Major Rating Factors

| Strengths: | Weaknesses: |
|---|---|
| • Very strong capitalization.<br>• Leading digital banking app attracts new customers.<br>• Some potential for extraordinary support by parent Basler Kantonalbank (BKB) if needed. | • Small scale and concentration in competitive Swiss retail mortgages.<br>• Relatively weak profitability from the balancing of physical and digital growth. |

**Outlook: Stable**

The stable outlook reflects our expectation that the Swiss housing market will emerge largely unscathed from the pandemic-induced recession in 2020 and our expectations that Bank Cler will be able to improve efficiency, while retaining its very strong capital buffer over the coming 12-24 months.

### Downside scenario

We consider a negative rating action as remote, since we would likely offset weaker stand-alone creditworthiness with support from BKB, so long as BKB maintains its stand-alone strengths and no doubts arise on the likelihood of support.

However, if we see materially rising credit losses in Bank Cler's mortgage book that would erode its profitability and indicate weaker asset quality than we currently assess, we could revise down the stand-alone credit profile (SACP). This could also be the case if operating efficiency does not improve while low interest rates or increasing competition continue to pressure margins.

### Upside scenario

We consider an upgrade as remote, particularly in the current environment. In the longer term, an upgrade could be spurred by successful execution of its digital banking strategy, along with stable growth of its branch-based business that would translate into material and sustainable improvements in operating efficiency and profitability.

We could also consider an upgrade if we revised our SACP on BKB upward, indicating stronger capacity to support Bank Cler if needed.

## Rationale

Bank Cler is a small universal bank operating across Switzerland through a slim branch network and a leading digital banking app. Its strong focus on residential mortgage lending results in very stable revenue but also relatively low profitability and concentrated revenue streams. Synergies with its new parent BKB (assumed full ownership in 2019) will improve the costs base, but the bank will only be able to monetize its digital venture over time and its efficiency will remain a relative weakness for some time.

Bank Cler's capitalization is its main rating strength, supported by our forecast that our risk-adjusted capital ratio (RAC) will remain above 21% over the next 24 months, a very strong level in global comparison. We consider Bank Cler's asset quality average, considering the strong collateralization of its mortgage book, but are mindful of the inherent risk of house price decreases and some single-name concentration.

We expect Bank Cler will retain a sound liquidity and funding profile, benefitting from a stable customer franchise and low dependence on wholesale funding. While we see some potential for extraordinary group support from BKB, this currently does not lead to any rating uplift, considering our 'a-' assessment of Bank Cler's SACP , one notch below that of BKB.

### Anchor:'a-' as a commercial bank operating in Switzerland

The 'a-' anchor draws on our Banking Industry Country Risk Assessment's economic risk and industry risk scores. It takes into account our industry risk score of '2' and economic risk score of '2', due to Bank Cler's domicile in Switzerland and marginal exposure in other countries. We consider the trend for economic and industry risk in Switzerland stable.

We expect Switzerland's economy will fully recover over the coming two years from the material contraction in 2020 due to the spread of COVID-19 . Under this base case, we think the Swiss banking sector will remain resilient, supported by the country's diversified and competitive economy, very high household income levels, and a stress-resilient corporate sector. We think Swiss authorities' material support measures for domestic firms and households should cushion the short-term effect on Swiss banks' loan books. Additionally, we view positively banks' prudent loan underwriting standards and high collateralization of the residential mortgage loans, which dominate most banks' customer portfolios. Considering these factors, we expect only a limited increase in credit losses, from historical lows. We also expect that affordability risk in the housing market could slightly reduce over the coming years as price growth in the owner-occupied segment is likely to remain muted in the wake of COVID-19. However, we note that an ongoing risk is the investment property segment (estimated 30% of the market), where we already observed signs of a price correction before the pandemic.

Our view of industry risk in Switzerland encompasses the stability of the domestic banking sector and our expectation that damage from the pandemic will remain contained. We view positively the limited presence of foreign players, the banks' high capitalization in an international comparison, and their low reliance on capital markets for funding. In our view, the Swiss regulator's initiatives remain more stringent than those in other European banking sectors. We expect that banks' net interest margins will further decline gradually in a permanent low-interest-rate environment, as higher-yield assets mature and retail deposit rates remain floored at zero. However, we expect that repricing of lending products, additional fee income from investment advisory-related activities, and ongoing cost management could offset some of the pressure. We consider risk for Swiss banks from tech disruption as limited as of today, given the population's preference for cash payments, the small size of the market with high barriers of entry, and technologically well-equipped banks.

**Table 1**

Bank Cler AG--Key Figures

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **(Mil. CHF)** | **2020*** | **2019** | **2018** | **2017** | **2016** |
| Adjusted assets | 19,595 | 18,812 | 17,900 | 17,507 | 16,878 |
| Customer loans (gross) | 16,280 | 16,026 | 15,494 | 14,961 | 14,574 |
| Adjusted common equity | 1,236 | 1,209 | 1,200 | 1,180 | 1,166 |
| Operating revenues | 123 | 241 | 247 | 244 | 244 |
| Noninterest expenses | 89 | 184 | 186 | 208 | 167 |
| Core earnings | 27 | 44 | 48 | 39 | 60 |

*Data as of June 30. CHF--Swiss franc.

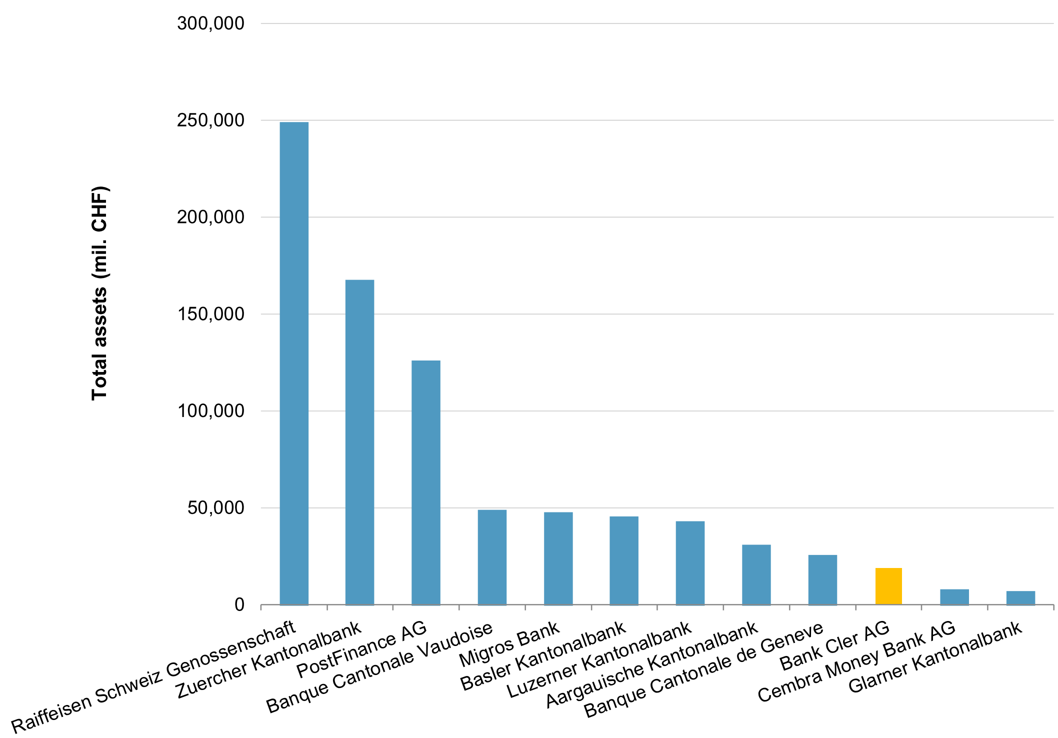
## Business position: Constrained by the bank's scale and concentration on mortgage lending

Our view of Bank Cler's business strength is limited by its small size and market share, and its concentration on mortgage lending, which could make it less resilient in downturns than larger and better diversified peers.

**Chart 1**

**Bank Cler's Scale Is Limited Relative To Peers'**

Despite Switzerlandwide operations




CHF--Swiss franc.Source: S&P Global Ratings. Data as of year-end 2019.



Bank Cler operates across Switzerland through a slim network of 31 branches and the banking app Zak, with more than 35,000 customers. Despite an increasing digital product range, including free accounts and cards as well as digital wealth management, this area will likely remain a customer acquisition tool for Bank Cler for some time, while it tries to cross-sell more complex and profitable mortgage and wealth-management products via its branch network. Given Swiss clients' conservative and loyalnature, we believe it could take a while to significantly increase client numbers and monetize digital investments.

Bank Cler's strong retail focus generates stable interest and fee income from its residential mortgage lending and wealth-management activities. However, the bank's low market share in the retail business and continuing margin pressure from competition and low interest rates will make expanding its mortgage-related revenue difficult.

Bank Cler's previous management board stepped down in mid-2019, when BKB decided to further integrate Bank Cler into BKB thereby reducing the strategic independence of Bank Cler. We expect the new management board will gradually expand the business while aligning the operations with BKB's strategy.

Bank Cler has recently operated with below-average efficiency, partly spurred by information technology (IT) investments to ramp up its digital banking app. The balancing of its physical and digital presence is reflected in a cost-to-income ratio of 76% in 2019. We believe this to improve to about 72% by 2022, but expect the bank will remain a negative outlier among peers for several years until its digitalization strategy plays out. This low efficiency is a rating weakness and limits our view of its relative business strength compared with peers.

**Table 2**

| Bank Cler AG--Business Position | | | | | |
|---|---|---|---|---|---|
| | --Year ended Dec. 31-- | | | | |
| **(%)** | **2020*** | **2019** | **2018** | **2017** | **2016** |
| Loan market share in country of domicile | N/A | 1.3 | N/A | N/A | N/A |
| Deposit market share in country of domicile | N/A | 1.0 | N/A | N/A | N/A |
| Total revenues from business line (mil. CHF) | 122.7 | 241.2 | 249.2 | 262.7 | 246.3 |
| Commercial & retail banking/total revenues from business line | 96.4 | 95.8 | 95.7 | 95.6 | 95.5 |
| Trading and sales income/total revenues from business line | 3.6 | 4.2 | 4.3 | 4.4 | 4.5 |
| Investment banking/total revenues from business line | 3.6 | 4.2 | 4.3 | 4.4 | 4.5 |
| Return on average common equity | 3.2 | 3.2 | 3.3 | 4.0 | 3.9 |

*Data as of June 30. N/A--Not applicable. CHF--Swiss franc.

### Capital and earnings: Extraordinarily strong capitalization in a global comparison

We consider Bank Cler's capitalization a key rating strength. This takes into account our RAC ratio of 21.8% as of year-end 2019, and our expectation that the bank will maintain its strong capital buffer at least over the next two years.

In our forecast, we assume moderate mortgage growth of 1.5%-3.0% annually, with profitability offset by further reduction in the net interest margin to about 1.00% from 1.07% in 2019. Our base case includes our expectation that rising fee income and the gradual reduction in operating costs from synergies and automation should ensure gradual growth in operating income. This should allow Bank Cler to uphold its very strong capital base, while paying a constant dividend of Swiss franc (CHF) 30 million (about €28 million). In October 2020, the bank strengthened its capital base with the issuance of a CHF90 million regulatory additional tier 1 instrument that we consider as having intermediate equity content.

**Table 3**

| Bank Cler AG--Capital And Earnings | | | | | |
|---|---|---|---|---|---|
| | --Year ended Dec. 31-- | | | | |
| **(%)** | **2020*** | **2019** | **2018** | **2017** | **2016** |
| Tier 1 capital ratio | N/A | 16.1 | 16.2 | 16.3 | 16.4 |
| Adjusted common equity/total adjusted capital | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Net interest income/operating revenues | 73.5 | 71.6 | 71.3 | 71.4 | 70.6 |
| Fee income/operating revenues | 21.5 | 23.0 | 22.3 | 22.5 | 23.3 |
| Market-sensitive income/operating revenues | 3.6 | 4.2 | 4.3 | 4.7 | 4.6 |
| Cost to income ratio | 72.3 | 76.2 | 75.5 | 85.4 | 68.8 |
| Preprovision operating income/average assets | 0.4 | 0.3 | 0.3 | 0.2 | 0.5 |
| Core earnings/average managed assets | 0.3 | 0.2 | 0.3 | 0.2 | 0.4 |

*Data as of June 30. N/A--Not available.

**Table 4**

**Bank Cler AG--Risk-Adjusted Capital Framework Data**

| (CHF 000s) | Exposure* | Basel III RWA | Average Basel III RW(%) | S&P Global Ratings' RWA | Average S&P Global Ratings' RW (%) |
|---|---|---|---|---|---|
| **Credit risk** | | | | | |
| Government & central banks | 2,383,743.3 | 64,839.3 | 2.7 | 2,746.6 | 0.1 |
| Of which regional governments and local authorities | 7,568,264,272.0 | 64,839,281,192.0 | 856,725,913,124,932.0 | 272,457,513,792.0 | 36.0 |
| Institutions and CCPs | 1,116,152.0 | 18,074.6 | 1.6 | 77,890.8 | 7.0 |
| Corporate | 925,644.9 | 549,316.4 | 59.3 | 621,925.2 | 67.2 |
| Retail | 15,259,853.0 | 6,339,072.7 | 41.5 | 4,187,604.8 | 27.4 |
| Of which mortgage | 13,588,439.3 | 4,975,327.7 | 36.6 | 3,146,887.9 | 23.2 |
| Securitization§ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other assets† | 17,868.2 | 12,853.7 | 71.9 | 23,181.8 | 129.7 |
| Total credit risk | 19,703,261.4 | 6,984,156.7 | 35.4 | 4,913,349.2 | 24.9 |
| **Credit valuation adjustment** | | | | | |
| Total credit valuation adjustment | -- | 3,051.7 | -- | 0.0 | -- |
| **Market Risk** | | | | | |
| Equity in the banking book | 23,233.3 | 34,849.1 | 150.0 | 174,249.9 | 750.0 |
| Trading book market risk | -- | 2,115.1 | -- | 3,172.7 | -- |
| Total market risk | -- | 36,964.2 | -- | 177,422.6 | -- |
| **Operational risk** | | | | | |
| Total operational risk | -- | 396,696.8 | -- | 462,761.3 | -- |

| | Exposure | Basel III RWA | Average Basel II RW (%) | S&P Global Ratings' RWA | % of S&P Global Ratings' RWA |
|---|---|---|---|---|---|
| **Diversification adjustments** | | | | | |
| RWA before diversification | -- | 7,519,784.6 | -- | 5,553,533.1 | 100.0 |
| Total diversification/ concentration adjustments | -- | -- | -- | 3,282,002.9 | 59.1 |
| RWA after diversification | -- | 7,519,784.6 | -- | 8,835,535.9 | 159.1 |

| | | Tier 1 capital | Tier 1 ratio (%) | Total adjusted capital | S&P Global Ratings' RAC ratio (%) |
|---|---|---|---|---|---|
| **Capital ratio** | | | | | |
| Capital ratio before adjustments | | 1,213,172.0 | 16.1 | 1,209,117.0 | 21.8 |
| Capital ratio after adjustments‡ | | 1,213,172.0 | 16.1 | 1,209,117.0 | 13.7 |

**Table 4**

| Bank Cler AG--Risk-Adjusted Capital Framework Data (cont.) |
|---|

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CHF--Swiss franc. Sources: Company data as of Dec. 31, 2019, S&P Global Ratings.

## Risk position: Sound asset quality balances concentration in Swiss mortgages

We see the bank's risk profile as largely in line with that of peers operating in Switzerland and other countries with similar economic risks. The assessment reflects our view on the robustness of the Swiss real estate sector and strong collateralization of the bank's lending, which mitigate our concerns over its high sensitivity to potential adverse scenarios.

The inherent concentration in Swiss residential mortgages makes Bank Cler susceptible to tail risk, such as the pandemic-induced recession. Bank Cler's exposure to commercial real estate accounts for less than 10% of the total mortgage book, but we believe it is more susceptible to loan losses than residential real estate in the current environment, despite relatively limited exposure to the hardest hit sectors. The predominance of fixed-rate mortgages makes Bank Cler prone to sudden interest rate increases, although overall sensitivity is in line with peers'.

We consider Bank Cler's asset quality average, given that 99% of its customer loans are conservatively collateralized by real estate. We are mindful of the inherent risk of house price decreases, a relatively larger share of buy-to-let mortgages, and some single-name concentrations. We understand that Bank Cler's largest exposures are predominantly collateralized by real estate portfolios, not single objects, which somewhat mitigates these concentration risks.

**Table 5**

**Bank Cler AG--Risk Position**

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2020*** | **2019** | **2018** | **2017** | **2016** |
| Growth in customer loans | 3.2 | 3.4 | 3.6 | 2.7 | 1.7 |
| Total managed assets/adjusted common equity (x) | 15.9 | 15.6 | 14.9 | 14.8 | 14.5 |
| New loan loss provisions/average customer loans | 0.0 | 0.0 | 0.0 | (0.1) | (0.0) |
| Net charge-offs/average customer loans | N.M. | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross nonperforming assets/customer loans + other real estate owned | N/A | 0.3 | 0.3 | 0.3 | 0.3 |
| Loan loss reserves/gross nonperforming assets | N/A | 83.5 | 74.6 | 88.9 | 104.7 |

*Data as of June 30. N/A--Not applicable. N.M.--Not meaningful.

## Funding and liquidity: Stable deposit franchise with contingent liquidity support from BKB

We expect Bank Cler will retain a sound funding and liquidity profile, benefitting from a stable customer franchise and low dependence on wholesale funding. It is a largely deposit-funded bank, with a high share of short-term current account and saving deposits, complemented by long-term covered bonds and some minor senior unsecured bonds. With deposit rates effectively floored at zero, we expect an increasing share of covered und unsecured bond funding as well as bank deposits. Its customer loans-to-customer deposit ratio of 128% and stable funding ratio of 106% as of June 2020 are largely in line with those of peers.

Liquidity is largely held at the Swiss National Bank. However, Bank Cler's net broad liquid assets (after deduction of wholesale maturities) to short-term customer deposits of 9.5% as of June 2020 is at the lower end of the peer group. To manage liquidity risk, Bank Cler performs daily stress tests for an idiosyncratic, market-wide, and combined stress scenario. We believe that Bank Cler could rely on BKB as a contingent funding source in times of short-term liquidity pressure. We expect BKB will preserve its ability to support Bank Cler due to its strong liquidity, which we expect will weather times of stress, since BKB would likely benefit from its cantonal guarantee and flight to quality in a market-wide stress scenario.

**Table 6**

Bank Cler AG--Funding And Liquidity

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2020*** | **2019** | **2018** | **2017** | **2016** |
| Core deposits/funding base | 70.1 | 71.1 | 73.0 | 73.9 | 76.4 |
| Customer loans (net)/customer deposits | 127.6 | 128.7 | 127.8 | 124.7 | 122.2 |
| Long-term funding ratio | 92.0 | 93.7 | 95.1 | 95.1 | 95.7 |
| Stable funding ratio | 106.0 | 105.9 | 105.4 | 106.6 | 106.2 |
| Short-term wholesale funding/funding base | 8.6 | 6.8 | 5.3 | 5.2 | 4.7 |
| Broad liquid assets/short-term wholesale funding (x) | 1.8 | 1.9 | 2.1 | 2.4 | 2.5 |
| Net broad liquid assets/short-term customer deposits | 9.5 | 9.0 | 8.4 | 9.9 | 9.3 |
| Short-term wholesale funding/total wholesale funding | 28.6 | 23.5 | 19.5 | 20.2 | 19.7 |
| Narrow liquid assets/3-month wholesale funding (x) | 3.3 | 3.7 | 6.7 | 9.4 | 7.4 |

*Data as of June 30.

## Support: Parental support is likely if needed

BKB bought a majority share in Bank Cler in 2000 and became the 100% owner in 2019, after acquiring Swiss retailer group Coop's stake. Through its full control, BKB benefits from Bank Cler's digital know-how and investments, while at the same time diversifying its concentrated footprint with business growth outside of its restricted home canton. Reflecting the strategic importance of Bank Cler to BKB and partial integration in the parent group, we see Bank Cler as a strategically important subsidiary and would expect some extraordinary support if needed. However, given the relatively strong stand-alone assessment of Bank Cler, we currently see the need for support as unlikely and do not incorporate any uplift in our current rating. At the same time, this expected support could provide a buffer to our rating on Bank Cler in case of a deterioration of the currently strong SACP. We could reflect this potential extraordinary support in rating uplift of up to three notches, capped at one notch below our SACP for BKB of 'a'. To estimate the extraordinary support potential, we look to our SACP on BKB and not the issuer credit rating, since we don't expect that cantonal support to BKB would extend to Bank Cler in case of need. Although BKB would have a strong interest in supporting its subsidiary, we are cautious about the political implications of support that would reduce BKB's stand-alone capitalization. Since Bank Cler does not fall under the cantonal guarantee that benefits BKB, we would expect political discussions that could limit the extent and timeliness of such support.

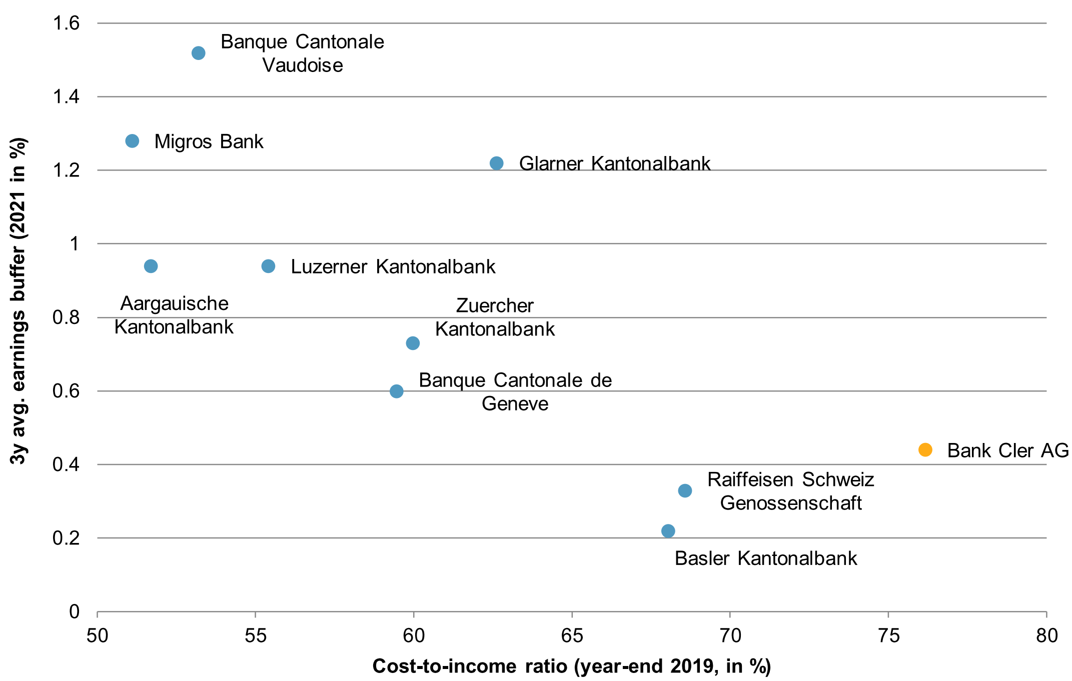
## Additional rating factors:

There are no other factors affecting our rating. However, Bank Cler's operating efficiency and risk-adjusted profitability is weak compared to its peers. We expect Bank Cler's earnings buffer, indicating its potential to buffer normalized losses with preprovision operating income, will remain below 50 basis points, a relatively weak level compared with that of similarly rated peers (see chart 2).

In our view, this relative weakness in operating efficiency is properly addressed in our assessment of a weak business position and the 'A-' issuer credit rating.

**Chart 2**

**Bank Cler's Weak Efficiency And Risk-Adjusted Profitability**
But we expect improvement in coming years




Source: S&P Global Ratings.


## Hybrid issue ratings

Our 'BB+' ratings on Bank Cler's junior subordinated debt (additional Tier 1) reflect our analysis of the instruments and our assessment of Bank Cler's SACP at 'a-'. Although we consider parent BKB to be generally supportive to its strategically important subsidiary in most foreseeable circumstances, we believe that extraordinary support would not be extended to Bank Cler's hybrid capital instruments. We therefore deduct four notches from the SACP, which is currently at the same level as the issuer credit rating, to arrive at the issue rating. This includes

- One notch because the notes are contractually subordinated;
- Two notches to reflect the notes' discretionary coupon payments and regulatory Tier 1 capital status; and
- One notch because the notes contain a contractual write-down clause.

We do not apply additional notching beyond the four notches, given the 5.125% Common Equity Tier 1 mandatory write-down trigger, which we consider to be a nonviability capital trigger. As of Dec. 31, 2019, the relevant common equity Tier 1 ratio for the bank was 16.1%.

**Environmental, social and governance (ESG) factors are in line with peers'**

ESG factors have a neutral impact on our assessment of Bank Cler's creditworthiness, and we see them as not materially different from those of domestic peers.

Bank Cler is a 100% subsidiary of government owned BKB. While BKB benefits from a government guarantee prescribed in law, this does not apply to Bank Cler. Bank Cler's strategy is clearly determined by the parent and some functions are integrated, but operationally Bank Cler is an independent legal entity with its own banking license and governance framework. In our view, this complicates the governance of the consolidated group. At the same time, we expect the majority of independent supervisory board members to protect the interest of all relevant stakeholders beyond the ownership structure and expect Bank Cler's ESG profile to be broadly aligned with that of the parent.

## Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions - July 01, 2019
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity - April 27, 2015
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions - November 09, 2011
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Basler Kantonalbank, Dec. 11, 2020
- Banking Industry Country Risk Assessment: Switzerland, Jan. 6, 2021
- Switzerland-Based Bank Cler AG's Proposed Additional Tier 1 Capital Notes Rated 'BB+', Oct. 20, 2020
- Tech Disruption In Retail Banking: Swiss Banks Are In No Rush To Become Digital Frontrunners, Feb. 13, 2020

## Anchor Matrix

| Industry Risk | Economic Risk 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | a | a | a- | bbb+ | bbb+ | bbb | - | - | - | - |
| **2** | a | **a-** | a- | bbb+ | bbb | bbb | bbb- | - | - | - |
| 3 | a- | a- | bbb+ | bbb+ | bbb | bbb- | bbb- | bb+ | - | - |
| 4 | bbb+ | bbb+ | bbb+ | bbb | bbb | bbb- | bb+ | bb | bb | - |
| 5 | bbb+ | bbb | bbb | bbb | bbb- | bbb- | bb+ | bb | bb- | b+ |
| 6 | bbb | bbb | bbb- | bbb- | bbb- | bb+ | bb | bb | bb- | b+ |
| 7 | - | bbb- | bbb- | bb+ | bb+ | bb | bb | bb- | b+ | b+ |
| 8 | - | - | bb+ | bb | bb | bb | bb- | bb- | b+ | b |
| 9 | - | - | - | bb | bb- | bb- | b+ | b+ | b+ | b |
| 10 | - | - | - | - | b+ | b+ | b+ | b | b | b- |

## Ratings Detail (As Of January 25, 2021)*

| | |
|---|---|
| **Bank Cler AG** | |
| Issuer Credit Rating | A-/Stable/-- |
| Junior Subordinated | BB+ |
| **Issuer Credit Ratings History** | |
| 19-Oct-2020 | A-/Stable/-- |
| **Sovereign Rating** | |
| Switzerland | AAA/Stable/A-1+ |
| **Related Entities** | |
| **Basel-City (Canton of)** | |
| Issuer Credit Rating | AAA/Stable/A-1+ |
| Senior Unsecured | AAA |
| **Basler Kantonalbank** | |
| Issuer Credit Rating | AA+/Stable/A-1+ |
| Junior Subordinated | BBB- |
| Senior Unsecured | AA+ |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.