

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 Fitch Ratings' assessment of creditworthiness and support from the majority owner, the Canton of Basel-Stadt, and reflect Fitch's view of an extremely high probability of timely support. 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 Manageable for Canton: BKB's consolidated assets (CHF57.4 billion at end-2025) are large relative to the canton's GDP (CHF41 billion at end-2022) and budgetary resources. However, 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: The Viability Rating (VR) is based on our assessment of BKB's consolidated profile and reflects the stable and low-risk business model, albeit with concentration on residential real estate in the Basel region and, via Bank Cler, across Switzerland. The VR also reflects low levels of impaired loans, strong capitalisation, BKB's small size, modest nationwide franchise, and adequate, but consistent, profitability.

Large Mortgage Lending 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. We expect the bank's impaired loans ratio (end-2024: 0.7%) to remain below 1% in 2026. Residential mortgage loans account for about three quarters of the loan book. Non-residential mortgage loans relate mainly to office and commercial spaces, which are higher risk, and industrial premises.

Stable Profitability: BKB's profitability has been stable, but is modest relative to peers'. We forecast the operating profit/risk-weighted assets (RWAs) ratio to be broadly stable in 2026 at about 1%, helped by the new selective growth approach. We also expect earnings contributions from fee income to be little changed and loan impairment charges to remain negligible. Operating costs are likely to increase on the back of higher staff costs and continued IT investments.

Strong Capitalisation: BKB's common equity Tier 1 (CET1) ratio was 18.8% at end-2025, comparable to that of domestic peers and comfortably above the 8.9% minimum regulatory requirement. The canton expects a dividend from BKB of a minimum of CHF65 million annually averaged over the strategy period of 2026–2029, although the actual payout is higher. The canton has also agreed that the bank maintains a buffer of 3%–7% 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 134% at end-1H25, up from 123% at end-2024, due to the movements of non-core deposits. We view the bank's capital-market franchise as weaker than listed Swiss peers', and with some concentration of large institutional deposits and reliance on short-term funding. However, funding and liquidity benefit from the bank's cantonal guarantee.

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 (notably franchise) and funding and liquidity both include ordinary support. However, we 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 few years.

The VR would also come under pressure if profitability materially deteriorated or if BKB increased 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 broader business model, leading to more diversified revenue, together with a record of strengthened profitability and healthy financial metrics, notably capitalisation.

Ratings Navigator

| | Operating Environment | Business Profile 20% | Risk Profile 10% | Financial Profile | | | | Implied Viability Rating | Viability Rating | Shareholder Support Rating | LT Issuer Default Rating |
|------|-----------------------|-------------------------|---------------------|----------------------|---------------------------------|----------------------------------|----------------------------|--------------------------|------------------|----------------------------|--------------------------|
| | | | | Asset Quality 20% | Earnings & Profitability 15% | Capitalisation & Leverage 25% | Funding & Liquidity 10% | | | | |
| aaa | | | | | | | | aaa | aaa | aaa | AAA Sta |
| aa+ | | | | | | | | aa+ | aa+ | aa+ | AA+ |
| aa | | | | | | | | aa | aa | aa | AA |
| aa- | | | | | | | | aa- | aa- | aa- | AA- |
| a+ | | | | | | | | a+ | a+ | a+ | A+ |
| a | | | | | | | | a | a | a | A |
| a- | | | | | | | | a- | a- | a- | A- |
| bbb+ | | | | | | | | bbb+ | bbb+ | bbb+ | BBB+ |
| bbb | | | | | | | | bbb | bbb | bbb | BBB |
| bbb- | | | | | | | | bbb- | bbb- | bbb- | BBB- |
| bb+ | | | | | | | | bb+ | bb+ | bb+ | BB+ |
| bb | | | | | | | | bb | bb | bb | BB |
| bb- | | | | | | | | bb- | bb- | bb- | BB- |
| b+ | | | | | | | | b+ | b+ | b+ | B+ |
| b | | | | | | | | b | b | b | B |
| b- | | | | | | | | b- | b- | b- | B- |
| ccc+ | | | | | | | | ccc+ | ccc+ | ccc+ | CCC+ |
| ccc | | | | | | | | ccc | ccc | ccc | CCC |
| ccc- | | | | | | | | ccc- | ccc- | ccc- | CCC- |
| cc | | | | | | | | cc | cc | cc | CC |
| c | | | | | | | | c | c | c | C |
| f | | | | | | | | f | f | ns | D or RD |

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.

Factor Outlook

Stable
 Evolving
 Positive
 Negative

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(s): business model (positive).

The capitalisation & leverage score of 'a+' is below the 'aa' category implied score due to the following adjustment reason(s): 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, thus supporting the regional economy. However, the group is also active throughout Switzerland via wholly owned subsidiary Bank Cler, which had CHF19.6 billion assets at end-1H25, and 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. Its neo-banking app, ZAK, is an important source of new retail clients to the group.

BKB, like domestic peers, focuses on property financing, which accounted for about 90% of gross loans at end-1H25. Most of this was residential property (including a substantial share of investment properties), followed by offices and commercial properties. Earnings are driven by net interest income (NII), reflecting BKB’s lending focus, although the group also generates some fee, and, to a lesser extent, trading, income via its asset-management and capital market activities.

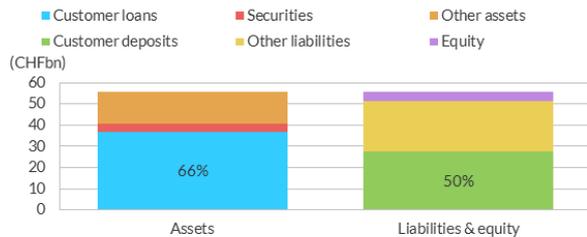
BKB is well established in Basel and has strong local mortgage market shares. However, the nationwide franchise is modest, with low-single-digit market shares in domestic deposits and mortgage loans, reflecting the cantonal bank’s local focus and Bank Cler’s small size. BKB is 86% owned by the Canton of Basel. The remaining ownership is in the form of traded participation capital with no voting rights, meaning the Canton holds 100% of the voting rights.

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 a commitment to sustainability in both core businesses. The bank targets profitable growth in its core segments and selected new niches, with partnerships forming an important pillar of strategy execution.

The canton recently approved the 2025–2029 strategy, which adds sustainability, remuneration and liquidity enhancements to BKB’s existing strategy, while leaving its core largely unchanged. Targets by end-2025 include a cost/income ratio below 55% (as calculated by the bank), a ROE above 6% and a return on RWAs above 1%. Execution against quantitative strategic objectives has generally been good.

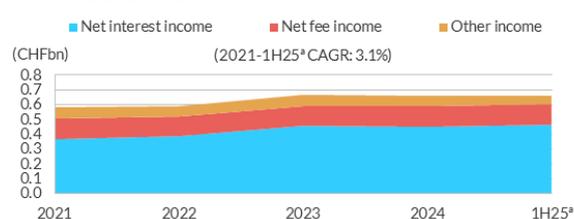
Balance Sheet

End-June 2025



Source: Fitch Ratings, Fitch Solutions, BKB

Revenue Breakdown



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

Risk Profile

We view BKB’s underwriting standards as low risk and conservative. The BKB Law’s requirement for the bank to avoid excessive risk-taking has resulted in overall 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 about 65%. 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. BKB’s non-mortgage lending focuses on public sector entities, highly rated Swiss corporates and SMEs in the Basel region.

Gross loan growth turned negative in 1H25 (-0.7%; 2024: 1.8%). The bank has a selective growth strategy that is intended to protect margins. We expect loan growth to remain modest in the next two years.

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, following the bank's exit from proprietary trading in 2021. Trading assets accounted for 2.1% of assets at end-1H25 and 8% of the revenue, lower than at larger peers. Maximum value at risk (99%; 10 days) in 2024 amounted to CHF8.6 million. Security financing was a further 8% of assets at end-1H25 (2024: 11%), largely comprising reverse repo transactions with domestic counterparties. The Basel interest rate coefficient, measuring the negative impact on economic value of equity of a 150bp parallel upward shift in Swiss franc interest rates as a percentage of Tier 1 capital, was 10% at end-2024 for BKB Group, below the 15% regulatory limit of 15% and within BKB's internal limits.

Loan Growth



Source: FitchRatings, FitchSolutions, BKB

Loan Loss Allowances/Impaired Loans



Source: FitchRatings, FitchSolutions, banks

Financial Profile

Asset Quality

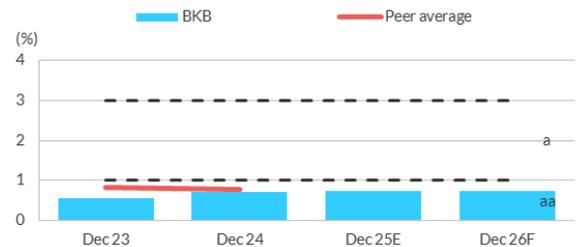
BKB's asset-quality metrics remain strong, and credit losses have been limited due to the bank's focus on low-risk mortgage lending and its sound underwriting standards. Low mortgage interest rates relative to the bank's stressed interest rates used for affordability calculations, in combination with a broadly 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, 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 exposure to housing and real estate lending makes a sharp drop in prices a key risk; 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 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 that the policy interest rate will remain at 0% and a broadly resilient labour market.

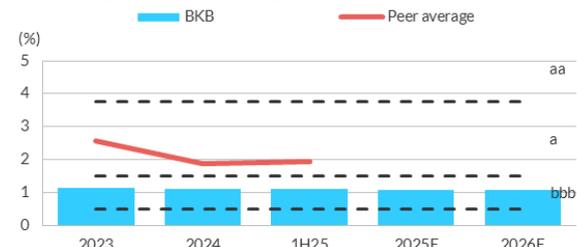
The securities portfolio (CHF2.6 billion at end-1H25) almost entirely comprise bonds held to maturity, which are highly rated and eligible for repo transactions in accordance with liquidity regulations. The establishment of the securities financing business led to a strong increase in securities receivables in 2020, with the securities portfolio of CHF4.3 billion at end-1H25 (2024: CHF6 billion), although we believe that the risk profile of the portfolio is broadly unchanged.

Impaired Loans/Gross Loans



Source: FitchRatings, FitchSolutions, banks

Operating Profit/Risk-Weighted Assets



Source: FitchRatings, FitchSolutions, banks

Earnings and Profitability

BKB's revenue profile remains heavily reliant on NII, which accounted for about 70% of operating income in 2025, and is less diversified than that of its closest domestic peer, Zuercher Kantonalbank (AAA/Stable/a+). Net income rose by 9% year on year (yoy) in 2025, driven by higher NII and net fees and commission income, which more than offset increased operating costs and lower trading income. NII increased despite a slightly contracting loan book, reflecting BKB's selective loan growth strategy and improved asset margins. This supported further allocations to reserves for general banking risks and underpinned the increase in net income. Asset quality benefitted from generally favourable Swiss economic conditions in 2025, resulting in negligible loan impairment charges.

We expect BKB's operating profit/RWAs ratio to remain broadly stable in 2026 as the selective growth approach supports margins. We expect trading income contributions to remain modest and a generally stable proportion of non-NII income. Discretionary wealth management mandates are increasing, and we expect growth to continue, supported by the bank's strategic focus. However, part of the client inflows may be channelled into discretionary mandates rather than deposits, which could temper deposit growth. 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 maintaining a dense branch network are likely to keep the cost base larger and less flexible than at peers without such a mandate. We expect loan impairment charges in 2026 to remain low on robust economic conditions, including a resilient labour market and 0% policy rate.

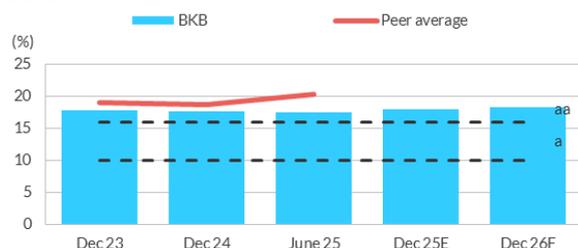
Capitalisation and Leverage

BKB's capital ratios are high compared with European peers' and broadly in line with domestic peers'. This is despite the bank having a higher RWA density as it uses the standardised approach for calculating credit-risk RWAs, which it plans to maintain. BKB's total capital ratio increased to 18.8% at end-2025 (end-2024: 17.6%), comfortably above the 13.1% regulatory minimum requirement and the bank's minimum target of 16%.

Reserves for general banking risks and retained earnings accounted for most of BKB's capital. The remaining capital 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.

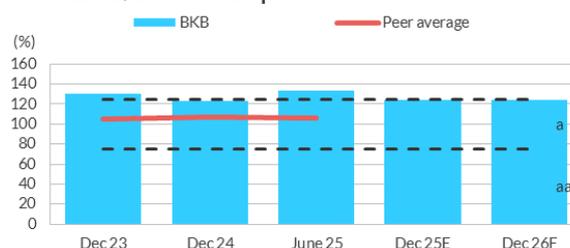
BKB Law entitles the canton to a compensation for the endowment capital (CHF2 million in 2024), although most of the profit distribution occurs in form of an ordinary dividend. The 2024 dividend of CHF125 million was well above the CHF86.6 million average of the previous four years and exceeded the target value set by the owner. The group also compensates the canton for the guarantee, with the compensation set at CHF15.2 million a year for 2025–2028. In addition, the bank paid out CHF16.7 million dividends on its participation rights over the past year. We expect BKB's annual pay-outs to be stable, but BKB would consider a deviation from its dividend policy in a downward scenario.

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 around 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, when term deposits are not rolled over. We do not expect the loans/deposits ratio to increase substantially, although competition for deposits has intensified.

The parent bank and Bank Cler are funded separately, with limited intragroup funding. BKB issues covered bonds regularly (2024: CHF7.2 billion) via the Pfandbriefzentrale der schweizerischen Kantonalbanken AG, which together with other bond issuances form around a fifth of total liabilities and equity. BKB's 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-1H25: CHF10.2 billion) mainly comprises Swiss National Bank sight deposits, cash holdings and Swiss covered bonds held as financial investments. BKB's liquidity coverage ratio remained strong at 134.5% and the net stable funding ratio of 123% was comfortably above the 100% regulatory requirement.

Additional Notes on Charts

Black dashed lines represent boundaries for 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. Peer average includes Raiffeisen Group (VR: a+), Zuercher Kantonalbank (a+), Santander UK Group Holdings plc (a), ASN Bank N.V. (a-). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

Financials

Financial Statements

| | 31 Dec 22 | 31 Dec 23 | 31 Dec 24 | 30 Jun 25 | 31 Dec 25E | 31 Dec 26F |
|----------------------------------------|-----------|-----------|-----------|-----------|------------|------------|
| | 12 months | 12 months | 12 months | 1st half | 12 months | 12 months |
| | (CHFm) | (CHFm) | (CHFm) | (CHFm) | (CHFm) | (CHFm) |
| Summary income statement | | | | | | |
| Net interest and dividend income | 389 | 460 | 453 | 232 | - | - |
| Net fees and commissions | 135 | 134 | 141 | 70 | - | - |
| Other operating income | 74 | 80 | 71 | 32 | - | - |
| Total operating income | 598 | 674 | 664 | 334 | 677 | 684 |
| Operating costs | 368 | 399 | 387 | 195 | 397 | 407 |
| Pre-impairment operating profit | 230 | 275 | 277 | 139 | 280 | 277 |
| Loan and other impairment charges | -1 | -1 | 2 | 0 | 8 | 2 |
| Operating profit | 231 | 276 | 275 | 139 | 272 | 275 |
| Other non-operating items (net) | -79 | -91 | -75 | -45 | - | - |
| Tax | 13 | 16 | 14 | 8 | - | - |
| Net income | 139 | 169 | 186 | 86 | 198 | 203 |
| Other comprehensive income | - | - | - | - | - | - |
| Fitch comprehensive income | 139 | 169 | 186 | 86 | - | - |
| Summary balance sheet | | | | | | |
| Assets | | | | | | |
| Gross loans | 34,977 | 36,499 | 37,144 | 36,890 | 37,330 | 37,330 |
| – Of which impaired | 211 | 205 | 263 | - | - | - |
| Loan loss allowances | 202 | 196 | 187 | - | - | - |
| Net loans | 34,775 | 36,303 | 36,957 | 36,890 | - | - |
| Interbank | 821 | 306 | 1,026 | 939 | - | - |
| Derivatives | 115 | 160 | 263 | 171 | - | - |
| Other securities and earning assets | 10,584 | 8,372 | 10,026 | 8,150 | - | - |
| Total earning assets | 46,295 | 45,140 | 48,272 | 46,151 | - | - |
| Cash and due from banks | 8,086 | 6,952 | 7,252 | 8,895 | - | - |
| Other assets | 848 | 584 | 368 | 601 | - | - |
| Total assets | 55,230 | 52,677 | 55,892 | 55,646 | 56,146 | 56,221 |
| Liabilities | | | | | | |
| Customer deposits | 31,205 | 28,082 | 30,133 | 27,571 | 30,132 | 30,132 |
| Interbank and other short-term funding | 8,361 | 8,276 | 9,100 | 10,903 | - | - |
| Other long-term funding | 10,905 | 11,383 | 11,722 | 12,043 | - | - |
| Trading liabilities and derivatives | 305 | 214 | 80 | 140 | - | - |
| Total funding and derivatives | 50,776 | 47,955 | 51,035 | 50,657 | - | - |
| Other liabilities | 243 | 341 | 314 | 465 | - | - |
| Preference shares and hybrid capital | - | - | - | - | - | - |
| Total equity | 4,211 | 4,381 | 4,544 | 4,525 | - | - |

| | | | | | | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|---|---|
| Total liabilities and equity | 55,230 | 52,677 | 55,892 | 55,646 | - | - |
| Exchange rate | USD1= CHF0.9303 | USD1= CHF0.8547 | USD1= CHF0.8966 | USD1= CHF0.7970 | - | - |

Source: Fitch Ratings, Fitch Solutions, BKB

Key Ratios

| (%; annualised as appropriate) | 31 Dec 22 | 31 Dec 23 | 31 Dec 24 | 30 Jun 25 | 31 Dec 25E | 31 Dec 26F |
|-----------------------------------------------|-----------|-----------|-----------|-----------|------------|------------|
| Profitability | | | | | | |
| Operating profit/risk-weighted assets | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Net interest income/average earning assets | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Non-interest expense/gross revenue | 62.0 | 59.7 | 58.7 | 58.9 | 58.9 | 59.7 |
| Net income/average equity | 3.4 | 4.0 | 4.2 | 3.8 | - | - |
| Asset quality | | | | | | |
| Impaired loans ratio | 0.6 | 0.6 | 0.7 | - | 0.7 | 0.8 |
| Growth in gross loans | 4.6 | 4.4 | 1.8 | -0.7 | 0.5 | 0.0 |
| Loan loss allowances/impaired loans | 95.7 | 95.8 | 71.3 | - | 70.7 | 70.3 |
| Loan impairment charges/average gross loans | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capitalisation | | | | | | |
| Common equity Tier 1 ratio | 17.7 | 17.8 | 17.6 | 17.5 | 18.0 | 18.3 |
| Fully loaded common equity Tier 1 ratio | - | - | 17.6 | - | - | - |
| Fitch Core Capital ratio | - | - | - | - | - | - |
| Tangible common equity/tangible assets | 7.6 | 8.3 | 8.1 | 8.1 | - | - |
| Basel leverage ratio | 6.9 | 7.2 | 7.1 | 7.7 | - | - |
| Net impaired loans/common equity Tier 1 | 0.2 | 0.2 | 1.7 | - | - | - |
| Net impaired loans/Fitch Core Capital | - | - | - | - | - | - |
| Funding and liquidity | | | | | | |
| Gross loans/customer deposits | 112.1 | 130.0 | 123.3 | 133.8 | 123.9 | 123.9 |
| Gross loans/customer deposits + covered bonds | 91.0 | 103.4 | 99.5 | - | - | - |
| Liquidity coverage ratio | 154.5 | 140.0 | 132.4 | 134.5 | - | - |
| Customer deposits/total non-equity funding | 61.8 | 58.8 | 59.1 | 54.6 | - | - |
| Net stable funding ratio | 122.4 | 123.1 | 126.6 | 123.2 | - | - |

Source: Fitch Ratings, Fitch Solutions, BKB

Support Assessment

Shareholder Support

| | |
|---------------------------------------------|-----------------------|
| Shareholder | Canton of Basel-Stadt |
| Shareholder Long Term Issuer Default Rating | – |
| Total adjustment (notches) | – |
| Shareholder Support Rating | aaa |

Shareholder ability to support

| | |
|------------------------|-------------|
| 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 below indicate the influence of each support factor in our assessment. Influence: Light blue = lower; Dark blue = moderate; Red = higher Source: Fitch Ratings

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.

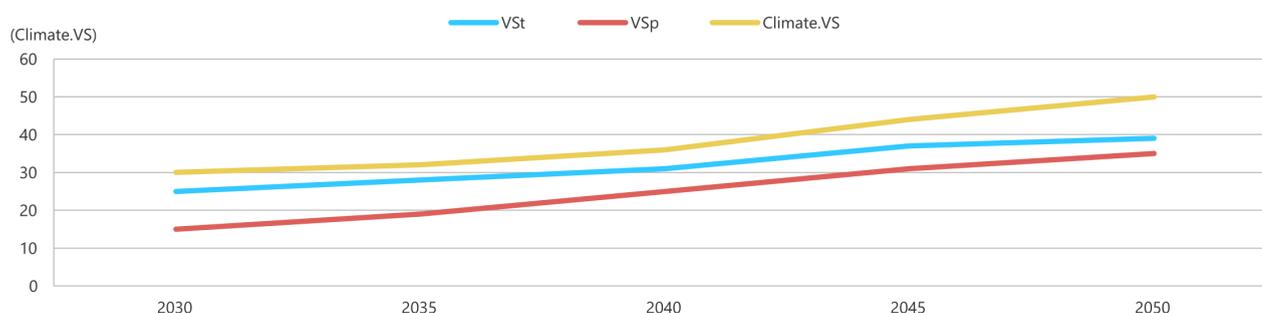
Our assessment of the Canton of Basel Stadt's creditworthiness is based on the analytical considerations presented in the [Swiss Cantons Scorecard](#).

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify issuers whose credit profiles have a higher potential exposure to climate-related risks, and to subject those ratings to additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk).

The Climate.VS for BKB for 2035 is '32', which indicates that climate risk factors are not expected to materially affect the credit profile, but some adaptation may be needed. This reflects a transition risk (VSt) component signal of '28' and a physical risk (VSp) component signal of '19'. Any potential effect on the rating may differ from the illustrative rating impact in the Climate.VS framework. For more information on Climate.VS, see Fitch's [Financial Institutions Climate Vulnerability Rating Criteria](#).

Climate Vulnerability Signals for Basler Kantonalbank



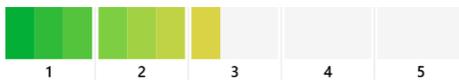
Source: Fitch Ratings

Environmental, Social and Governance Considerations



Environmental Relevance Scores

| General issues | Score | Sector-specific issues | Reference |
|------------------------------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| GHG Emissions & Air Quality | 3 | Regulatory risks, emissions fines or compliance costs related to owned, financed or managed assets, which could impact asset prices, profitability, etc. | Operating Environment; Business Profile; Risk Profile; Asset Quality |
| Energy Management | 1 | n.a. | n.a. |
| Water & Wastewater Management | 1 | n.a. | n.a. |
| Waste & Hazardous Materials Management; Ecological Impacts | 1 | n.a. | n.a. |
| 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; Risk Profile; Asset Quality |



Social Relevance Scores

| General issues | Score | Sector-specific issues | Reference |
|------------------------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Human Rights, Community Relations, Access & Affordability | 2 | Services for underbanked and underserved communities: SME and community development programs; financial literacy programs | Business Profile; Risk Profile |
| 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; Risk Profile |
| Labor Relations & Practices | 2 | Impact of labor negotiations, including board/employee compensation and composition | Business Profile |
| Employee Wellbeing | 1 | n.a. | n.a. |
| 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; Financial Profile |



Governance Relevance Scores

| General issues | Score | Sector-specific issues | Reference |
|------------------------|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Management Strategy | 3 | Operational implementation of strategy | Business Profile |
| 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; Earnings & Profitability; Capitalisation & Leverage |
| Group Structure | 3 | Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership | Business Profile |
| Financial Transparency | 3 | Quality and frequency of financial reporting and auditing processes | Business Profile |



ESG Scoring

ESG relevance scores range from '1' to '5' based on a 15-level colour 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 general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.

Credit-Relevant ESG Scale

| | | |
|-------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | 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 the 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 the 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 the Navigator. |
|  | 2 | Irrelevant to the entity rating but relevant to the sector. |
|  | 1 | Irrelevant to the entity rating and irrelevant to the sector. |

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products/esg-relevance-scores>

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 |

ESG and Climate

Highest ESG Relevance Scores

| | |
|---------------|---|
| Environmental | 3 |
| Social | 3 |
| Governance | 3 |

Climate Vulnerability 2035 Climate Vulnerability Signal: 32 Transition (VSt): 28 Physical (VSp): 19

Applicable Criteria

Financial Institutions Climate Vulnerability Rating Criteria (December 2025)
Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms Basler Kantonalbank at 'AAA'; Outlook Stable (February 2025)
Fitch Affirms Switzerland at 'AAA'; Outlook Stable (April 2025)
Global Economic Outlook (December 2025)

Analysts

Maria Shishkina
+44 20 3530 1379
maria.shishkina@fitchratings.com

Marco Diamantini
+49 69 768076 114
marco.diamantini@fitchratings.com

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