



**Basler  
Kantonalbank**

# Annual Report 2021 – Abridged Version



# About us

Since its foundation in 1899, the parent company BKB has been deeply rooted in the Basel region. It positions itself for its private clients as the bank of Basel for Basel; but as a universal bank it is active for its corporate and institutional clients throughout Northwestern Switzerland. BKB is majority-owned by the Canton of Basel-Stadt and has a state guarantee that is compensated to the Canton. The owner strategy sets the strategic guidelines and requires above-average equity capitalisation and liquidity, which is why BKB is one of the safest banks in the country with an AA+ rating from S&P. Moreover, sustainability has become the linchpin in both operations and core business with a view to making a positive long-term contribution to the economy, environment and society. Fourteen per cent of the equity is listed as participation certificates on the SIX Exchange, offering an attractive investment opportunity.

With the acquisition of Bank Cler in 2000, the Group employs almost 1,500 people and is present in all major cities throughout Switzerland: with 13 branches in Basel, 13 in the rest of German-speaking Switzerland, 10 in French-speaking Switzerland and three in Ticino. Thanks to digital services, corporate and private clients are not only advised personally, but can also perform the most important banking services independently of time and place. With Zak, Bank Cler offers the first real bank on the smartphone, which is already being used by around 50,000 clients. With this and the newly designed headquarters on Aeschenplatz, which is both a bank and a restaurant, Bank Cler is positioning itself as a 'fresh' universal bank for a younger target segment.

Client assets under management come to around CHF 30 billion and Group BKB is one of the eight largest banks in Switzerland with total assets of CHF 53.5 billion.

## Group BKB



Universal bank with Basel region as its home market Active throughout Switzerland focusing as a niche player on business areas in which BKB has clear competitive advantages and profitable growth opportunities are realistic.

**Vision: 'From Basel. For Basel. Safe, close, committed'**



Universal bank active throughout Switzerland focusing on Private Clients, Private Banking and Real Estate Clients.

**Vision: 'Each day we make dealing with money a little easier. So that we all have more from life. Today and in the future.'**

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# Management Report

# Preface

Basel, 7 April 2022



Dear Sir or Madam,

2021 was an excellent year for Group BKB. Like other companies in the region, we did our utmost – despite or even because of the ongoing pandemic. What helped us do this? We always remained in close contact with our clients. And we found solutions for and with them so that their plans and goals could remain on track. We maintained our open and optimistic view. In this way, we showed that entrepreneurial thinking, coupled with a good dose of caution, but also courage, led to success. So much so that Group BKB achieved one of its best results in many years.

And if we look closely, we see: The good figures are based neither on luck nor on chance nor on special accounting effects. No – they are the result of the efforts of all 1,500 employees who have worked with commitment and confidence. All of this makes BKB what it is today: a small, fine, but successful Group that has built on its strengths while also relentlessly confronting its weaknesses. Client satisfaction, efficiency, stability and sustainability were our guiding stars by which we aligned our actions. By no means were all decisions always easy, let alone convenient to implement. But the business result shows: We thus laid the foundation for future success. And so today we can present you with a result that is gratifying in seven respects. Let us explain why:

## #1 Growth? Profitable

Income was significantly increased in all three income pillars, so that operating income was markedly higher than in the previous year. At the same time, operating expenses were below the previous year's level thanks to efficiency gains and consistent cost management. Increased income combined with lower costs led to a noticeable increase in profitability.

## #2 Balance sheet quality? Improved

After several years of strong growth, total assets increased only slightly in 2021. Thanks to the rapid recovery of the Swiss economy, the quality of balance sheet items further improved. In addition, we consciously reduced the risks in the trading business.

## #3 Stability? High

We further strengthened our capital. In combination with the reduced credit risk, the Group's total capital ratio rose further to 18.5 %, well above the legal requirement. Investors also participated in the high profitability and stability: The dividend remains unchanged at CHF 3.10 (gross) per participation certificate. And with a total distribution of CHF 78.4 million, we made an important contribution to the cantonal budget, equivalent to CHF 390 per Basel resident.

## #4 Commitment? Unwavering

Restaurants, cultural institutions and businesses continued to suffer the consequences of the pandemic in 2021. With various credit programmes, we again helped cushion the economic impact last year. And with our awards and sponsorship contributions totalling CHF 2.2 million, we also made an important contribution to enhancing the quality of life in the region.

## #5 Sustainability? Our mindset

Sustainability is a central concern in the Group and an integral part of our strategy. For more than a decade, we have thus been working intensively on the question of how to improve our banking operations and the services we offer our clients from an ecological, social and societal standpoint. With the 'Frenkentäler' forest climate protection project, the parent company BKB achieved the net zero target in banking operations for the first time in 2021.

## #6 Investment expertise? Proven

The Group's investment strategies achieved a performance in 2021 that need not shun comparison with large asset managers: According to the external fund comparison platform Morningstar, BKB's investment solutions are among the best on the market today. This expertise is benefiting more and more clients given the increasing volumes in our delegation solutions.

## #7 Client focus? From A to Z

Together with our employees, we have given our utmost for our clients in recent years. For us, client focus does not start with providing advice, but much earlier. We will therefore also simplify our processes and products until banking is not only a pleasure for us, but also for our clients.

We are confident that we can continue the success from 2021 in the current year. We thank you for your trust and will work every day to ensure that we continue to earn it.

Warm regards

Your Basler Kantonalbank

Adrian Bult  
Chair of the Bank Council

Basil Heeb  
CEO

# Facts & Figures 2021

**CHF 593.5  
million**

Operating income  
(up 12.1 % on the  
previous year)

**AA+**

Second highest  
credit Rating from  
Standard & Poor's  
for any bank in  
Switzerland

**+38 %**

Growth  
in investment  
solutions to  
CHF 2.8 billion

**CHF 222.1  
million**

Business perfor-  
mance  
(up 41.2 % on the  
previous year)

**18.5 %**

Total capital ratio  
(previous year 17.0 %)

**Net zero CO<sub>2</sub>**

emissions  
achieved in operating  
the parent company  
BKB

**CHF 78.4  
million**

Total handover on  
the Canton of  
Basel-Stadt  
CHF 390 per Basel  
resident

**1,455**

employees  
(previous year 1,498)

**CHF 600  
million**

Green bond issues  
accompanied as joint  
lead manager



# Group key figures at a glance

## Economic

		2021	2020
Total assets (before appropriation of profit)	in CHF billion	53.5	54.4
Total capital ratio	in %	18.5	17.0
Customer loans	in CHF billion	33.2	32.6
Customer deposits	in CHF billion	27.9	29.9
Operating income	in CHF million	593.5	529.6
Payroll costs	in CHF million	209.3	204.1
General and administrative expenses	in CHF million	124.7	136.3
Business performance	in CHF million	222.1	157.3
Group net profit	in CHF million	121.1	108.3
Profit handover to the Canton of Basel-Stadt	in CHF million	78.4	77.0
Gross dividend per participation certificate	in CHF	3.10	3.10
Dividend on participation certificate capital	in CHF million	16.0	16.0
Dividend yield	in %	5.0	5.1

## Products and services

		31.12.2021	31.12.2020
<b>Investment Business</b>			
Investment volume of sustainable asset management	in CHF million	514.7	365.1
Share of sustainable mandates in asset management mandates	in %	26.4	22.2
Volume of sustainable investment funds <sup>1</sup>	in CHF million	1,902.4	986.8
Share of sustainable investment funds in total fund volume <sup>1</sup>	in %	21.5	12.9
Volume of sustainable investment solutions <sup>2</sup>	in CHF million	1,307.1	717.6
Share of sustainable investment solutions in total volume of investment solutions	in %	46.9	35.6
<b>Loans</b>			
Volume of subsidised sustainability mortgages	in CHF million	58.8	80
Share of subsidised sustainability mortgages in total mortgage receivables	in %	0.2	0.3
Mortgage loans to housing cooperatives <sup>3</sup>	in CHF million	832.8	606.3
Share of mortgages to housing cooperatives in total mortgage receivables	in %	9.9	7.2

<sup>1</sup> Investment funds in asset management mandates and custody accounts (since 2019 including sustainable investment solutions).

<sup>2</sup> Since 2018 including pension provision.

<sup>3</sup> The increase in 2021 was due in particular to an adjustment of the housing cooperative data. In addition, a distinction can now be made between not-for-profit and for-profit housing cooperatives. Accordingly the values as at 31 December 2021 refer to mortgage loans to not-for-profit housing cooperatives.

## Ecological

Data collection period <sup>1</sup>		2021/2020	2020/2019
<b>Scope 1 CO<sub>2</sub>-emissions [GRI 305-1]</b>	<b>in tonnes</b>	<b>425</b>	<b>336</b>
Coolant	in kg	58	37
Business trips (internal vehicles)	in km	3,859	3,059
<b>Scope 2 CO<sub>2</sub>-emissions [GRI 305-2]</b>	<b>in tonnes</b>	<b>59</b>	<b>49</b>
Power consumption	in kWh	8,744,958	6,305,216
Heating	in kWh	2,860,920	2,056,061
Energy consumption [GRI 302-1]	in kWh	11,605,878	8,361,277
<b>Scope 3 CO<sub>2</sub>-emissions [GRI 305-3]</b>	<b>in tonnes</b>	<b>1,255</b>	<b>1,283</b>
Energy supply emissions	in tonnes	144	130
Business trips (external vehicles)	in km	713,050	854,808
Shuttle trips	in km	7,834,752	12,236,193
Paper [GRI 301-1]	in kg	138,036	161,410
of which recycled paper [GRI 301-2]	in %	96	97
Postal dispatches	in units	4,588,727	3,477,210
Waste [GRI 306-3]	in tonnes	164	200
– of which separated and recycled [GRI 306-4]	in %	59	59
– of which burned [GRI 306-5]	in %	40	41
Water [GRI 303-3]	in m <sup>3</sup>	16,570	13,887
Capital goods	in units	520	k.A.
Total CO <sub>2</sub> -emissions (Scope 1,2,3) <sup>2</sup>	in tonnes	1,738	1,667

<sup>1</sup> Data collection periods from 1 July to 30 June.

<sup>2</sup> Increase in CO<sub>2</sub> emissions due to extended system boundary and adjusted measurement methodology. Since 2010/2011, CO<sub>2</sub> emissions have been reduced by 15.6 %; since 2018, the Group has been climate neutral in terms of CO<sub>2</sub> emissions.

## Social

		2021	2020
Employees	Headcount	1,455	1,498
Employees (apprentices and trainees weighted at 50 %)	FTE <sup>1</sup>	1,289	1,319.6
Proportion of women	in %	36.2	35.7
Women in management	in %	35.9	35.5
Women in senior management	in %	13.0	11.3
Churn rate (gross)	in %	13.8	10.4
Part-time rate for women	in %	51.1	51.6
Part-time rate for men	in %	15	17.3
Number of apprentices and trainees	Headcount	73	75

<sup>1</sup> FTE: full-time equivalents.



# Comments on the Group annual result

## Development of the consolidated result

Group BKB can look back on a very successful 2021, in which it significantly increased its business performance by 41.2 % to CHF 222.1 million and laid the foundation for the Group's future growth. While maintaining the forward-looking risk policy of Group BKB, it was possible to grow in all important income and business areas. The increase in operating income (up 12.1 % to CHF 593.5 million) combined with lower operating expenses (down 1.4 % to CHF 344.3 million) led to a decrease in the cost-income ratio by more than 6 percentage points to 58.4 %. Depreciation of property, plant and equipment remained at the previous year's level of CHF 28.7 million. The assessment of the provisioning requirement at the end of the year showed a slight release potential of CHF 1.6 million overall. The high business performance enabled a substantial strengthening of the reserves for general banking risks by CHF 91.4 million. The tax expense (Bank Cler) took into account the tax effect of the first-time recognition in equity of write-downs and provisions for inherent default risks as at 30 June 2021. It was therefore – despite higher income – below the previous year's expense. The Group net profit of CHF 121.1 million exceeded the previous year's result by 11.8 %. This significantly improved the Group's profitability. The return on equity (before reserves) was 5.3 %, an increase of 1.6 percentage points.

## Operating income

Growth was significantly increased in all three income pillars, so that the operating income of CHF 593.5 million was 12.1 % higher than in the previous year. Net interest income (up 9.0 % to CHF 374.1 million) was primarily driven by the expansion of the lending business, the optimisation of refinancing costs and securities financing. Existing risks in the lending business were reduced in the past year, which also positively influenced the interest result through the reversal of write-downs. Income from commission and service activities developed favourably (up 6.9 % to CHF 134.6 million). In particular, income from the securities and investment business benefited from close client support in the context of goal-oriented advisory services and the growing trust in delegation solutions. The volume of delegation solutions meanwhile rose by a further 20 % to CHF 8.2 billion. In 2021, around 80 % of clients opted for a sustainable option. In the meantime, more than 45 % of the assets invested in investment solutions are already invested sustainably. The demand for cash continued to decline. This trend further intensified during the corona pandemic. As a result, income from the ATM business also declined, which was reflected in slightly lower income from other service business.

The trading profit (up 37.3 % to CHF 76.0 million) increased significantly after the previous year's result, which was affected by the pandemic. In the course of the year, the focus in the trading business was also shifted, which is reflected in a significantly lower trading portfolio (down CHF 2.1 billion to CHF 0.7 billion). After market-related price corrections in financial investments had to be booked in the previous year, the recovery on the securities exchanges led to a corresponding positive correction in other ordinary income.

## Operating expenses

Payroll costs showed a slight increase of 2.5 % to CHF 209.3 million due to increased variable compensation. Compared to the previous year, the number of employees decreased slightly by 2.3 % to 1,289 full-time positions. Consistent cost management together with a high level of cost discipline reduced non-personnel expenses by 8.5% to CHF 124.7 million within the year. The high level of investment in the digital transformation in the past strategy period contributed significantly to the optimisation of operational processes. The automated mortgage process, for example, makes it possible to process real estate financing even more efficiently and more strongly in line with client needs. The Canton of Basel-Stadt received a higher compensation for the state guarantee (up 15.9 % to CHF 10.2 million). Overall, a cost reduction of 1.4 % was achieved, bringing operating expenses down to CHF 344.3 million.

## Assets and financial situation

### Total assets

Total assets fell by 1.8 % to CHF 53.5 billion in 2021, strongly driven by the volume reduction in the trading business. Securities financing transactions were further expanded. With a business volume of CHF 6.9 billion, this balance sheet item showed the highest growth (up CHF 4.6 billion) on the assets side.

### Customer loans

Thanks to the rapid recovery of the Swiss economy, the quality in the credit portfolio further improved. As a result, write-downs performed in the previous year were partially reversed in 2021. Mortgage receivables grew by 1.1 % to CHF 29.8 billion. Together with receivables from clients (up 10.3 %), the volume of client loans came to CHF 33.2 billion (up 2.0 %), equivalent to 62.2 % of total assets. Restaurants, cultural institutions and businesses also suffered the consequences of the pandemic in 2021. With the credit programmes under the cantonal and national COVID-19 support programmes, the Group also helped cushion the economic impact of the pandemic last year. In connection with these support programmes, a total of 1,450 federal and cantonal credit limits totalling CHF 133 million were approved. Furthermore, BKB provided initial funding of around CHF 28 million to various start-ups.

LIBOR was fixed for the last time on 31 December 2021. SARON replaces LIBOR as the new reference interest rate. All BKB products whose interest rates were previously based on LIBOR were converted.

### General public funds

The Group has broad-based refinancing in place. It refinances client loans largely through client deposits (refinancing ratio 84.0 %). The temporary decline in this key figure compared to the previous year (91.6 %) was influenced by large institutional clients whose maturities of time deposits were not extended beyond the end of the year. In contrast, liabilities to clients in the form of savings and investments increased by around CHF 0.5 billion over the course of the year. This means that liabilities from client deposits had a volume of CHF 27.9 billion as at 31 December 2021. The Group continued to be active on the capital market and successfully placed a 0.25 % bond of CHF 150 million on the market in 2021 (parent company BKB). This partially refinanced the 2021 maturities (CHF 350 million). In addition, the parent bank BKB issued certificates of deposit (CHF 2.6 billion) for cost-optimised borrowing from May 2021 onwards. Additional loans totalling CHF 251.8 million were taken out via the two mortgage bond institutions.

## Client assets

Group BKB managed client assets of CHF 51.3 billion (up 1.2 %) at the end of 2021. While there was an outflow of funds in on-balance sheet client deposits, particularly due to the maturities of larger time deposits, the volume of securities deposits increased significantly by 12.5 % to CHF 22.7 billion, due both to new client deposits and to the good investment performance.

## Equity

The high stability of Group BKB was confirmed by reported own funds (including Group net profit) of just under CHF 4.1 billion (up CHF 111.1 million). At 18.5 %, the Group's total capital ratio again clearly exceeded the legal requirement (12 %) due to the increase in regulatory capital and the simultaneous lower credit risk. The Group's high stability was based on both individual institutions. Both the parent bank BKB (20.8%) and Bank Cler (18.3 %) had an excellent total capital ratio. The Group's leverage ratio reached 6.9 % and was significantly higher than required by the Capital Adequacy Ordinance (3 %). The capital strength and resilience of BKB (parent bank) was again rewarded with the second-highest credit rating of AA+ by Standard & Poor's in December 2021. Investors also benefited from the high stability: An unchanged dividend of CHF 3.10 (gross) will be paid out per participation certificate (PS), resulting in a total return of 6.8 % for the PS in 2021. CHF 78.4 million will be distributed to the Canton of Basel-Stadt, equivalent to CHF 390 per Basel resident.

## Outlook

In recent years, the Group has created the basis for profitable growth and sustainable further development of the banking business with a consistent client focus. This also includes realignment of the trading division at the parent bank BKB as well as adjustment of the sales structure of Bank Cler. The strategy period 2017–2021 has been completed and the Group is well positioned for the future. The war in Ukraine may have a particularly significant impact on Swiss companies and their employees. However, based on the information available and subject to further developments in Ukraine, it is currently not expected to have a significant impact on the result in 2022.

The Group will in future focus even more consistently on its strengths and rely even more decisively on sustainability in its core business and on partnerships in order to continue its profitable growth. The following financial targets are to be achieved by 2025: the cost-income ratio is to be a maximum of 55 % and the return on equity is to be at least 6 %. The total capital ratio as an expression of financial stability should be above 16 % and the net stable funding ratio (NSFR), which measures the Group's long-term liquidity, above 110 %. With a gradual improvement of the capital allocation, the capital is to be used in a risk-appropriate and efficient manner and a capi-

tal efficiency (return-on-risk weighted assets) of at least 1 % is to be achieved.

The strategic objectives that guide the Group in the current strategy period are set out in the chapter on Financial goals.

### Distribution of profits

The amount of the profit distribution is based on the capital requirements of the Group banks. As such, BKB strives for a steady profit distribution and avoids short-term profit maximisation in particular.

# Business model

Group BKB is a universal bank and operates with two banking presences: Basler Kantonalbank in the Canton of Basel-Stadt and Bank Cler in all urban centres of Switzerland. Together, they offer a comprehensive range of services for both private and business clients. Every client is different. Group BKB therefore focuses on the client and his or her individual situation. It meets needs with a comprehensive range of products and services in savings, investment, pension provision and financing. The three main pillars of income are interest business, commission and service business and trading business.

## A comprehensive range for private clients

In order to be able to advise clients as holistically as possible, BKB and Bank Cler have introduced the goal-oriented advisory approach. This focuses on the client's concrete life situation and financial goals. Digital advisory tools are also available for this purpose.

Both BKB and Bank Cler offer their clients banking packages with a graduated range of services. Compared to individual products, these are more favourably priced.

BKB and Bank Cler are important players in the Swiss mortgage market. BKB has established itself as a client-oriented bank of and for Basel to become the market leader in the Basel area. Mortgage processes are becoming ever more efficient. In the case of mortgages for owner-occupied properties, an increase in the degree of automation to over 80 % has been achieved. This means that 75 % of mortgage decisions for owner-occupied properties can be made within 24 hours.

BKB is traditionally strong in investment advice and differentiates itself effectively in the market. The range is constantly being expanded. Its clients benefit from a graduated range of services with additional benefits such as financial and estate planning, discounts on transaction fees or a fixed ticket fee.

With a delegation solution – asset management mandate or investment solution – clients can benefit from the comprehensive expertise of financial market specialists and need not take care of their investments themselves. Both banks cover different client needs and risk profiles with their investment solutions. With them, even clients with smaller assets can benefit from the advantages of professional asset management. By default, the sustainable variant is recommended for the delegation solutions.

## Continuous expansion of the sustainable product range

Sustainable investment products take centre stage in the offering of both banks. The range is being continuously expanded, because sustainable investment meets a growing need among clients: As much as 75 % of all new investments go into sustainable investment strategies or products. A comprehensive ESG analysis has shown that the sustainable investment solution has a significantly smaller carbon footprint than the traditional one. And experience has shown that with the expertise of the Group's asset managers, sustainable investments have even achieved slightly higher returns in recent years. Fairtrade gold is also part of the range. For this Max Havelaar certified gold, strict regulations regarding safety, working conditions and the environment must be observed in small-scale mining.

In 2020, BKB signed the Principles for Responsible Investment (PRI) initiative supported by the United Nations and is thus even more committed to responsible investing.

## Branches and digital channels complement each other optimally

To enable clients to use banking services as independently of time and place as possible, BKB and Bank Cler pursue an omnichannel approach. Clients can conduct their banking transactions in the physical branches – or from anywhere and at any time via digital channels. Both banks offer E-Banking, mobile banking and mobile payment for private clients.

With Zak, Bank Cler has launched Switzerland's first smartphone bank. The user-friendly app is one of the leading neobanks in Switzerland with over 50,000 users. The range of services is constantly being expanded. In addition, video consultations are also provided regularly. Zak is an important tool for the Group to acquire new clients.

## Expert support for corporate clients

BKB and Bank Cler cover the often complex financing and investment needs of corporate clients of all sizes with a comprehensive range of products and solutions. For them, too, the offering on the digital channel is constantly being expanded. With graduated business packages and customised solutions, SMEs, large companies, institutional clients, financial institutions and public institutions are catered for. SMEs are an important segment here. Great importance is also attached to the comprehensive promotion of start-ups, e.g. through targeted advice and mentoring or loan programmes.

In 2022, BKB will also expand its sustainability product range for corporate clients. Individual sustainable projects can be financed specifically with green, social and sustainability loans. Project objectives are linked to the Sustainable Development Goals in the loan agreement. If sustainability targets such as a specific CO<sub>2</sub> reduction target are achieved, companies benefit from an interest rate advantage. BKB is also a reliable partner for the placement of green bonds with its expertise and advisory skills.

## Value-based bank management

In order to increase the sustainable enterprise value, Group BKB consistently follows the principle of value-oriented bank management. With economic profit as a key financial, it manages in an integrated way depending on the dimensions of growth, costs and capital and thus pursues several goals:

- Promoting entrepreneurial action by all employees through the inclusion of risks for all strategic and operational decisions
- Sustainable increase in enterprise value by focusing actions on value-retaining and value-enhancing business activities
- Differentiated performance assessment and linking of performance and remuneration

## Cash

In the course of the financial crisis, deficiencies in the liquidity management of banks were identified in the financial industry. Group BKB responded to the new regulatory requirements for liquidity with targeted management instruments. In addition to the required regulatory liquidity ratios such as net stable funding ratio (NSFR), liquidity coverage ratio (LCR) and the liquidity monitoring tools (LMTs), Group BKB calculates additional safety buffers and stress scenarios in order to be able to meet the necessary requirements at all times. With liquidity transfer pricing, a methodology was developed within the Group to measure and control liquidity costs.

## Investment policy

Investments are subject to strict cost-benefit criteria. Investment projects are calculated with a business case according to the logic of economic profit and thus lead to long-term sustainable investments that take into account the profitability targets and the strategic orientation of Group BKB.



# Vision and strategic orientation

## Strategy

The external environment is constantly changing. Societal developments and megatrends such as digitalisation, sustainability or increasing regulation influence client behaviour and the operating framework conditions and present Group BKB

with the challenge of constantly developing its business model and strategic orientation in this dynamic environment and adapting them to the future. The Bank's medium-term direction is set by the Canton of Basel-Stadt in its owner strategy and implemented in the four-year Group strategy.

### Group BKB's strategic alignment

	Vision	Our service promise to you	Our brand values
	'From Basel. For Basel. Safe, close, committed'	<ul style="list-style-type: none"> <li>• Simplicity</li> <li>• Security</li> <li>• Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Strong</li> <li>• Baselesque</li> <li>• Empathetic</li> </ul>
	'Each day we make dealing with money a little easier. So that we all have more from life. Today and in the future.'	<ul style="list-style-type: none"> <li>• Simple banking</li> <li>• Committed advisory services</li> <li>• Social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Smart</li> <li>• Fresh</li> <li>• Swiss</li> </ul>

### Group strategy

#### Cantonal Bank Act and the Canton of Basel-Stadt's owner strategy

## Successful completion of the Strategy 2018–2021

The Group strategy 2018–2021, which emerged from the owner strategy 2017–2021, contained five strategic thrusts: 'Exciting our clients', 'Unlocking new client groups', 'Strengthening our ability to innovate', 'Increasing efficiency' and 'Supporting sustainability'. Strategic thrusts and concrete implementation measures have been defined for each of the strategic objectives.

2021 marked the fourth and last year of strategy implementation. The COVID-19 pandemic and the associated home office requirement have not noticeably hampered project work. For 2021, various work packages were reprioritised and financial and human resources were concentrated on projects capable of being completed by the end of the strategy period.

Key outcomes over the last four years include:

- Sustainability has now permeated the core business. Sustainability has been established as the standard for investment solutions. Sustainability now also plays a significant role in trading. From 2018 to 2021, green bonds with a volume of over CHF 1 billion were issued. The foundation has been laid for the Group to establish itself as an all-round sustainable bank.

- The high ethical standards for responsible business practices have led to new requirements, e.g. the Code of Conduct (since 2016), the guidelines on controversial environmental and social topics (since the end of 2017), the guidelines on responsibility in procurement (Sustainability Agreement, last revised at the end of 2021) as well as the adoption of international sustainability standards such as the Principles for Responsible Investment (PRI, since 2020), Global Reporting Initiative (GRI, since 2020) and Task Force on Climate-related Financial Disclosures (TCFD, since 2021).
- Since 2018, Group BKB has been climate-neutral in its operations thanks to offset projects. Since 2021, the parent company BKB has been considered net zero, thanks to the Frenkentaler regional forest protection project.
- From 2018 to 2021, numerous associations and organisations were supported with donations and sponsorship totalling CHF 12.2 million.



## Owner strategy 2021–2025

In the owner strategy, the governing council defines the strategic goals that the Canton of Basel-Stadt wishes to achieve with BKB for the next four years. The guidelines contained in the owner strategy are binding for BKB as well as for its management and supervisory bodies in the management and supervision of BKB. The Canton of Basel-Stadt provides favourable framework conditions for the development of an efficient and structurally balanced economy, is oriented towards the needs and well-being of the population and works towards sustainable development. With its banking services, BKB makes an important contribution to achieving these goals. In addition, BKB serves the Canton of Basel-Stadt with its social and societal commitment. It pursues a long-term corporate strategy and business policy that is committed to ethical principles. As part of the financial objective, the owner expects an average profit transfer of at least CHF 55 million annually over four years. In the new strategy period, even more emphasis will be placed on sustainability. ESG criteria are to be integrated into the core business and the topics of climate protection and management of climate risks are of particular importance. In addition, the guidelines regarding remuneration were specified in the area of human resources policy.

## Group strategy 2022–2025

Based on the new owner strategy, the Group strategy for the next four years was developed together with senior management during 2021 and adopted in September 2021. In this way, Group BKB intends to further expand its strengths.

The sustainable orientation of all corporate activities is a fundamental prerequisite for the long-term business performance of Group BKB. It therefore deals in depth with the central ecological challenges and societal developments of our time. For example, environmental and climate protection measures directly influence the Group's business model. And only with progressive working conditions can highly skilled employees be recruited and retained in the long term. In addition, the general public, clients and employees today have higher expectations of an enterprise's sustainability and critically question its actions. Thus the new Strategy 2022+ will focus even more on promoting and integrating sustainability in the banking business and operations, on partnerships and on profitable growth in core markets as well as in attractive niches. Growth is supported by high productivity and deep complexity of the business model. Products and processes will be noticeably simplified for clients. To promote innovation, the Group relies on solutions that have already proven themselves in the financial industry or related sectors.



«With the new strategy, we are building on our strengths. This will enable us to grow profitably, develop BKB sustainably and ensure a successful future in the long term» Basil Heeb, CEO



## Financial goals

The Group measures the success of its strategy by setting ambitious targets in terms of:

Boost profitability

**58.4 %** cost efficiency

Cost-to-income ratio  
Target value: max. 55 %

**5.3 %** return on equity

Return on equity  
Target value: at least 6 %

Safeguard stability

**18.5 %** financial stability

Total capital ratio  
Target value: at least 16 %

**125.6 %** long-term liquidity

Net stable funding ratio  
Target value: at least 110 %

Increase balance sheet quality

**1.1 %** capital efficiency

Return on risk-weighted assets at least 1 %

# Share capital

## Price performance of the BKB participation certificate

The BKB participation certificate (PS) recorded a slight price increase of CHF 1.20 to CHF 61.80 over the course of 2021. Taking the dividend into account, this corresponds to an overall performance of 6.8 %.

## Attractive dividend for participation certificate holders

Holders of BKB participation certificates participate in the solid 2021 business result: On 3 May 2022, they will be paid a constant dividend of CHF 3.10 (gross), equivalent to a dividend yield of 5.0 %.

## Broadly diversified participation certificate capital

The BKB participation certificate of Basler Kantonalbank is a security similar to a share and represents a non-voting co-ownership in the Bank. It has been listed on the SIX Swiss Exchange since 1986 (security number 923646). Since 2007, the participation certificate capital of CHF 50.2 million has comprised 5.9 million participation certificates with a nominal value of CHF 8.50 per participation certificate. Almost 86 % of these were held by third parties and 14 % by BKB itself at the end of 2021.

## Endowment capital

Around 86 % or CHF 304 million of the total company capital is in the hands of the Canton of Basel-Stadt in the form of endowment capital. The endowment capital is made available by the canton for an unlimited period and, along with the participation certificate capital, forms the central pillar of the equity capital. The canton is compensated by ordinary interest on the endowment capital and a profit transfer.

## High capital strength provides security

The Bank's risk culture changed significantly with the introduction of value-based management in 2015. Since then, earnings and risk have been weighed against each other in every business decision, with the result that earnings did not go hand in hand with higher risk in the 2021 financial year either. At the same time, Basler Kantonalbank strengthened its capital base by 2.6 % to CHF 3.5 billion during the reporting year. With a total capital ratio of 20.8 % and a common tier 1 capital ratio of 20.0 %, Basler Kantonalbank has a capital strength that is well above what is required by regulation (12.0 %). The high surplus of regulatory capital has both a confidence-building and a price-supporting effect.

## Excellent credit rating

In December 2021, Standard & Poor's (S&P) confirmed BKB's excellent AA+ rating. The short-term rating (A-1+) and the outlook ('stable') were also maintained. BKB is thus one of the most robust banking institutions in Switzerland. BKB's high capital strength and its market position are mentioned positively. S&P attests to BKB's high level of resilience, despite the recession caused by the COVID-19 pandemic. Furthermore, the high market penetration in the Basel home market and the close relationship with the Canton of Basel-Stadt due to its majority shareholding and the state guarantee contributed to the excellent rating. S&P's outlook for BKB's rating development is stable. In its assessment, the rating agency refers, among other things, to the future-proof and robust positioning of BKB with its subsidiary Bank Cler and to the high equity and liquidity base.

## Solid equity capitalisation in the foreground

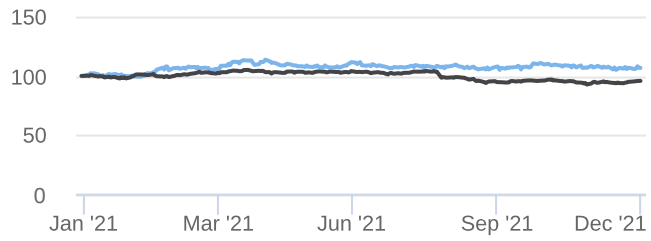
BKB distributes the annual profit remaining after the formation of reserves. The amount of the profit distribution is based on the capital requirements of the Bank. A solid equity base is a priority to enable further value creation, absorb any risks and secure the strategic ability to act. BKB holds a certain reserve beyond the fulfilment of the equity capital requirements in order to ensure above-average solidity.

## Canton and participation certificate holders benefit from good result

For 2021, an unchanged dividend of CHF 3.10 (gross) per participation certificate will be distributed. In addition to compensation for the state guarantee, the canton will receive interest on the endowment capital and a profit transfer. For 2021, the canton will receive a total of CHF 78.4 million, CHF 1.4 million more than in the previous year. According to the canton's owner strategy, a profit transfer is expected for 2021–2025 that averages at least CHF 55.0 million per year over four years.

## Performance

(including dividend) 31/12/2020 to 31/12/2021  
(indexed, baseline 100 = 31/12/2020)



- Bank index (indexed)
- BKB participation certificate (performance, indexed)

# Sustainability

## Sustainability in Group BKB

**CHF 1.3 billion**

Sustainable investment solutions  
(47 % of the total volume of investment solutions)

**CHF 400,000**

Donations  
(BKB parent company)

**56.3 %**

Share of women in the Group's supervisory bodies

**35.9 %**

Share of women in management

**-15.6 %**

Operational CO<sub>2</sub> emissions since 2011

**Climate neutral**

operationally since 2018

**Fair-ON Pay+**

equal pay confirmed

**86**

apprentices in the Group  
apprentices, trainees and interns

**100 %**

renewable energy for power



«BKB promotes the sustainable economic, social and ecological development of society in the Basel region. Always with future generations in mind.»  
 Basil Heeb, CEO BKB

In the spirit of the vision 'From Basel. For Basel. Safe, close and committed.', BKB regards its commitment to a sustainable society as a central element of its business strategy that must be continuously developed. Sustainable development for the environment, the economy and society is also explicitly set out in the owner strategy of the Canton of Basel-Stadt to BKB (see management report). This report describes the approaches and achievements in relation to sustainability in 2021.

The Sustainability sub-strategy of the Group strategy 2018–2021 focuses on the following areas:

1. Responsible business practice
2. Sustainable product range
3. Progressive human resources policy
4. Climate protection and ecological responsibility
5. Contribution to society
6. Committed partnerships

With the new strategy period 2022–2025, BKB is consistently pursuing its commitment and will focus even more strongly on sustainability in the client business and in operations (for more details on the new strategy, see management report). In this way, the range of sustainable products and services is to be further expanded and climate risks identified and reduced in the core business in order to contribute to the decarbonisation of society and the economy.



Various awards underline BKB's commitment to sustainability.

# Governance



# Organisation charts

## Group management

as at 31 December 2021

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### Group Committee

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Dr Basil Heeb (Chair), CEO Basler Kantonalbank  
Andreas Ruesch (Deputy Chair), Deputy CEO Basler Kantonalbank  
Christoph Auchli, Member of Executive Board Basler Kantonalbank  
Regula Berger, Member of Executive Board Basler Kantonalbank  
Mariateresa Vacalli (Co-Chair), CEO Bank Cler<sup>1</sup>

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**Basler Kantonalbank**

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**Bank Cler AG**

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<sup>1</sup> Mariateresa Vacalli will leave the Group in May 2022

# Parent company Basler Kantonalbank

as at 31 December 2021

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## Bank Council

Risk Committee

Audit Committee

Remuneration & Nomination Committee

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## Inspectorate Group BKB

Felix Haenle

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## Chair of the Bank Council

Adrian Bult

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## CEO

Dr Basil Heeb

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**Presidential  
department**  
Dr Basil Heeb

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**Sales Private  
Clients**  
Andreas Ruesch

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**Sales  
Commercial  
Clients**  
Regula Berger

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**Finance & Risk**  
Christoph Auchli

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**Service Centre**  
Michael  
Eisenrauch

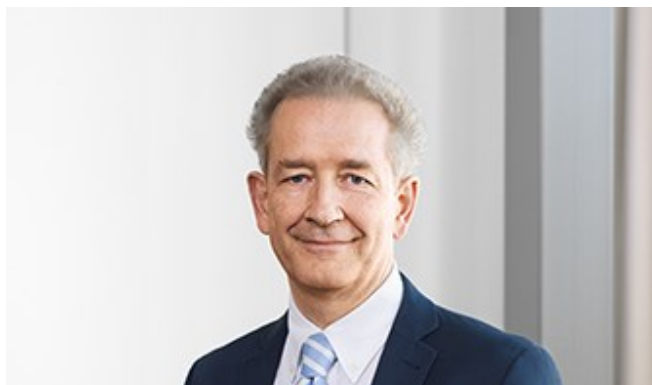
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**Legal &  
Compliance**  
vacant

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# Bank Council



## **Adrian Bult**

Chair (since 1 April 2017),  
Member of the Bank Council since 1 April 2017

Lic. oec. HSG; Economist, professional board member



## **Dr Christine Hehli Hidber**

Vice-Chair (since 1 April 2017),  
Member of the Bank Council since 1 April 2017

Dr iur.; Advocate



## **Urs Berger**

Member of the Bank Council since 8 January 2014

Matura, University of St. Gallen, eight semesters of studies in economics with specialisation in insurance and risk management; professional board member



## **Mathis Büttiker**

Member of the Bank Council since 1 April 2021

Lic.iur., Licensed Attorney, Executive MBA



### **Dr Jacqueline Henn**

Member of the Bank Council since 1 April 2017

Dr oec.; Lecturer at the Faculty of Economics, University of Basel



### **Priscilla M. Leimgruber**

Member of the Bank Council since 1 April 2017

Executive MBA; Advocate



### **Karoline Sutter**

Member of the Bank Council since 1 April 2013

Lic. phil. I; Management Consultant Public Administration  
NPO



### **Domenico Scala**

Member of the Bank Council since 1 April 2017

Economist; professional board member



## **Kristyna Ters**

Member of the Bank Council since 1 April 2021

Prof. Dr rer. pol., University of Applied Sciences and Arts  
Northwestern Switzerland FHNW, School of Business, Basel

## Executive Board



### **Dr Basil Heeb**

CEO and Chairman of the Group Board, Member and Head of Presidential department since 1 April 2019

Dr sc. techn. ETH



### **Andreas Ruesch**

Deputy CEO und Deputy Chairman of the Group Board since 1 February 2021

Member and Head of Sales Private Clients department since 1 April 2018

Swiss Federal Diploma Banking expert



### **Christoph Auchli**

CFO

Member and Head of Finance & Risk department since 22 October 2018

Swiss Federal Diploma Expert in accounting and controlling, Business economist HF



### **Regula Berger**

Member and Head of Sales Commercial Clients department since 1 February 2021<sup>1</sup>

MLaw, LL.M., Master of Advanced Studies in Banking, University of Bern

<sup>1</sup> From 1 October 2018 until 31 Januar 2021 Head of Legal and Compliance



## **Dr Michael Eisenrauch**

Member and Head of Service Center department since 20 June 2016<sup>2</sup>

Doctorate in Economics: MBA General Management at Danube University Krems

<sup>2</sup> Michael Eisenrauch will leave Group BKB on 31 August 2022, his resignation already having taken place on 7 February 2022. Isabell Henn, Head of Banking Services, leads the a.i. department.



# Group BKB – Annual financial statements

# At a glance

<b>Balance sheet</b>		<b>31.12.2021</b>	<b>31.12.2020</b>
Total assets	in CHF 1000	53,469,809	54,435,465
– Change	in %	–1.8	21.5
Customer loans	in CHF 1000	33,245,048	32,600,172
– of which mortgages	in CHF 1000	29,767,013	29,447,918
Customer deposits	in CHF 1000	27,921,834	29,851,470
Customer funds <sup>1</sup>	in CHF 1000	27,929,566	29,863,904
Reported own funds (incl. Group net profit)	in CHF 1000	4,076,768	3,965,678
Reported own funds (incl. Group net profit)	in CHF 1000	3,955,696	3,857,375
<b>Income statement</b>		<b>2021</b>	<b>2020</b>
Net income from interest activities	in CHF 1000	374,058	343,233
Income from commission and service activities	in CHF 1000	134,605	125,862
Income from trading activities and exercising the fair-value option	in CHF 1000	76,040	55,365
Other ordinary income	in CHF 1000	8,780	5,116
Gross Income <sup>2</sup>	in CHF 1000	589,854	540,285
– Change	in %	9.2	–2.0
Operating income	in CHF 1000	593,483	529,576
– Change	in %	12.1	–3.4
Operating expenses	in CHF 1000	344,253	349,243
– Change	in %	–1.4	–1.7
Amortisation, depreciation, write-downs and provisions	in CHF 1000	27,111	23,041
Business performance	in CHF 1000	222,119	157,292
– Change	in %	41.2	–2.2
Group net profit	in CHF 1000	121,072	108,303
– Change	in %	11.8	–3.2
<b>Profitability key figures</b>		<b>2021</b>	<b>2020</b>
Return on equity (Group net profit before reserves/average equity)	in %	5.3	3.7
<b>Balance sheet ratios</b>		<b>31.12.2021</b>	<b>31.12.2020</b>
Customer loans as % of total assets	in %	62.2	59.9
Mortgage loans as % of customer loans	in %	89.5	90.3
Customer deposits as % of total assets	in %	52.2	54.8
Degree of funding I (customer funds/customer loans) <sup>1</sup>	in %	84.0	91.6
Degree of funding II (general public funds/customer loans) <sup>3</sup>	in %	124.7	124.9
Equity ratio	in %	7.6	7.3
Hard core capital ratio (CET1 ratio)	in %	17.6	16.5
Core capital ratio (T1 ratio)	in %	18.2	17.0
Total capital ratio	in %	18.5	17.0
Capital adequacy target <sup>4</sup>	in %	12.0	12.0
Leverage ratio	in %	6.9	8.2
Average liquidity coverage ratio (LCR) – Q4	in %	233.6	230.4
Net stable fund ratio (NSFR) <sup>5</sup>	in %	125.6	–
<b>Income statement ratios</b>		<b>2021</b>	<b>2020</b>
Cost-to-income ratio (operating expenses/gross income) <sup>2</sup>	in %	58.4	64.6
Net interest income as % of operating income	in %	63.0	66.3
Income from commission and service activities as % of operating income	in %	22.7	24.6
Net trading income as % of operating income	in %	12.8	8.5
Other ordinary income as % of operating income	in %	1.5	0.6
Personnel expenses as % of operating expenses	in %	60.8	58.4
Non-personnel expenses as % of operating expenses <sup>6</sup>	in %	39.2	41.6
<b>Employees</b>		<b>31.12.2021</b>	<b>31.12.2020</b>
Number of employees (Headcount)		1,455	1,498
Number of apprentices and trainees		73	75
Full-time equivalents (FTEs) <sup>7</sup>		1,289	1,320

<sup>1</sup> Customer funds (customer deposits, medium-term notes).

<sup>2</sup> Gross income (operating income without any changes in write-downs relating to the risk of default and losses from interest activities).

<sup>3</sup> General public funds (customer deposits, medium-term notes, bonds and mortgage-backed bonds).

<sup>4</sup> The capital adequacy target is made up of the minimum own funds of 8 % and a capital adequacy buffer of 4 % for category 3 banks in accordance with Annex 8 CAO, plus the countercyclical capital buffer (deactivated by the Federal Council on 27 March 2020 due to the corona crisis).

<sup>5</sup> First publication as at 31 December 2021.

<sup>6</sup> The compensation for the state guarantee is allocated to non-personnel expenses for the calculation of this key figure.

<sup>7</sup> Apprentices and trainees are weighted at 50 %.

# Balance sheet

Assets	31.12.2021 in CHF 1000	31.12.2020 in CHF 1000	Change absolute	Change in %
Liquid funds	9,869,589	11,755,322	-1,885,733	-16.0
Receivables from banks	554,780	2,522,177	-1,967,397	-78.0
Receivables from securities financing transactions	6,901,001	2,329,318	4,571,683	-
Receivables from customers	3,478,035	3,152,254	325,781	10.3
Mortgages	29,767,013	29,447,918	319,095	1.1
Trading activities	664,657	2,749,711	-2,085,054	-75.8
Positive replacement values of derivative financial instruments	321,930	513,176	-191,246	-37.3
Financial assets	1,527,962	1,573,963	-46,001	-2.9
Prepaid expenses	82,811	92,292	-9,481	-10.3
Non-consolidated investments	65,463	58,893	6,570	11.2
Property, plant and equipment	190,133	194,894	-4,761	-2.4
Other assets	46,435	45,547	888	1.9
<b>Total assets</b>	<b>53,469,809</b>	<b>54,435,465</b>	<b>-965,656</b>	<b>-1.8</b>
Total subordinated receivables	2,143	6,737	-4,594	-68.2
- of which with conversion obligation and/or debt waiver	-	-	-	-
<b>Equity and liabilities</b>				
Liabilities to banks	3,634,830	7,090,918	-3,456,088	-48.7
Liabilities from securities financing transactions	3,355,520	1,682,174	1,673,346	99.5
Liabilities from customer deposits	27,921,834	29,851,470	-1,929,636	-6.5
Liabilities from trading activities	2,169	151	2,018	-
Negative replacement values of derivative financial instruments	166,212	215,253	-49,041	-22.8
Liabilities from other financial instruments measured at fair value	436,672	256,600	180,072	70.2
Medium-term notes	7,732	12,434	-4,702	-37.8
Bonds and mortgage-backed bonds	13,520,425	10,839,962	2,680,463	24.7
Deferred income	162,508	162,931	-423	-0.3
Other liabilities	162,891	335,464	-172,573	-51.4
Provisions	22,248	22,430	-182	-0.8
Reserves for general banking risks	2,755,133	2,681,110	74,023	2.8
Share capital	354,150	354,150	-	-
Capital reserve	132,197	132,051	146	0.1
Retained earnings	794,840	770,691	24,149	3.1
Treasury shares (short position)	-80,624	-80,627	3	-
Group net profit	121,072	108,303	12,769	11.8
<b>Total equity and liabilities</b>	<b>53,469,809</b>	<b>54,435,465</b>	<b>-965,656</b>	<b>-1.8</b>
Total subordinated liabilities	191,736	189,938	1,798	0.9
- of which with conversion obligation and/or debt waiver	191,736	189,938	1,798	0.9
<b>Off-balance sheet transactions</b>				
Contingent liabilities	177,677	252,849	-75,172	-29.7
Irrevocable commitments	2,931,169	3,403,170	-472,001	-13.9
Liabilities for calls on shares and other equity	116,288	91,416	24,872	27.2

# Income statement

	2021 in CHF 1000	2020 in CHF 1000	Change absolute	Change in %
<b>Income from interest activities</b>				
Interest and discount income	464,007	452,932	11,075	2.4
Interest and dividend income from financial assets	3,707	3,930	-223	-5.7
Interest expenses	-97,284	-102,920	5,636	-5.5
<b>Gross income from interest activities</b>	<b>370,430</b>	<b>353,942</b>	<b>16,488</b>	<b>4.7</b>
Changes in write-downs relating to the risk of default and losses from interest activities	3,628	-10,709	14,337	-
<b>Net income from interest activities</b>	<b>374,058</b>	<b>343,233</b>	<b>30,825</b>	<b>9.0</b>
<b>Income from commission and service activities</b>				
Commission income from securities and investment activities	113,096	98,327	14,769	15.0
Commission income from lending activities	10,384	9,467	917	9.7
Commission income from other service activities	31,246	33,058	-1,812	-5.5
Commission expenses	-20,121	-14,990	-5,131	34.2
<b>Income from commission and service activities</b>	<b>134,605</b>	<b>125,862</b>	<b>8,743</b>	<b>6.9</b>
<b>Income from trading activities and exercising the fair-value option</b>	<b>76,040</b>	<b>55,365</b>	<b>20,675</b>	<b>37.3</b>
<b>Other ordinary income</b>				
Income from the disposal of financial assets	350	98	252	-
Income from investments	4,240	4,569	-329	-7.2
- of which from investments accounted for using the equity method	330	296	34	11.5
- of which from other non-consolidated investments	3,910	4,273	-363	-8.5
Real estate income	1,957	1,406	551	39.2
Other ordinary income	2,243	1,626	617	37.9
Other ordinary expenses	-10	-2,583	2,573	-99.6
<b>Other ordinary income</b>	<b>8,780</b>	<b>5,116</b>	<b>3,664</b>	<b>71.6</b>
<b>Operating income</b>	<b>593,483</b>	<b>529,576</b>	<b>63,907</b>	<b>12.1</b>
<b>Operating expenses</b>				
Payroll costs	-209,311	-204,115	-5,196	2.5
General and administrative expenses	-124,742	-136,328	11,586	-8.5
Compensation for the state guarantee	-10,200	-8,800	-1,400	15.9
<b>Operating expenses</b>	<b>-344,253</b>	<b>-349,243</b>	<b>4,990</b>	<b>-1.4</b>
Write-downs on investments and depreciation of property, plant and equipment, and amortisation of intangible assets	-28,676	-29,154	478	-1.6
Changes to provisions and other value adjustments, and losses	1,565	6,113	-4,548	-74.4
<b>Business performance</b>	<b>222,119</b>	<b>157,292</b>	<b>64,827</b>	<b>41.2</b>
Extraordinary income	1,422	1,176	246	20.9
Extraordinary expenses	-4	-	-4	-
Change in reserves for general banking risks	-91,350	-36,870	-54,480	-
Taxes	-11,115	-13,295	2,180	-16.4
<b>Group net profit</b>	<b>121,072</b>	<b>108,303</b>	<b>12,769</b>	<b>11.8</b>

# Cash flow statement

	2021 cash inflow in CHF 1'000	2021 cash outflow in CHF 1'000	2020 cash inflow in CHF 1'000	2020 cash outflow in CHF 1'000
<b>Cash flow from operations and capital</b>	<b>130,136</b>	<b>-</b>	<b>71,961</b>	<b>-</b>
<b>Cash flow from operating result (internal financing)</b>	<b>160,430</b>	<b>-</b>	<b>104,811</b>	<b>-</b>
Income for the period	121,072	-	108,303	-
Change in reserves for general banking risks	91,350	-	36,870	-
Write-downs on property, plant and equipment	28,676	-	29,091	-
Write-downs of properties held for sale	-	553	1,557	1,623
Revaluation of financial assets	4,909	864	2,142	1,584
Revaluation of investments	-	40	99	-
Changes in write-downs relating to risk of default and losses	16,172	21,784	11,727	1,018
Other write-downs	264	1,319	-	2,009
Other provisions	824	3,047	1,007	19,915
Prepaid expenses	9,347	-	-	8,210
Deferred income	-	423	32,528	-
Dividend for previous year	-	84,154	-	84,154
<b>Cash flow from equity transactions</b>	<b>149</b>	<b>-</b>	<b>75</b>	<b>-</b>
Capital reserve	146	-	146	-
Change in own equity instruments	3	-	-	-
Retained earnings	-	-	-	71
<b>Cash flow from operations in property, plant and equipment</b>	<b>-</b>	<b>30,443</b>	<b>-</b>	<b>32,925</b>
Investments	-	6,528	-	7,751
Bank buildings	849	12,627	358	12,380
Other properties	-	248	-	332
Other property, plant and equipment	4	4,062	71	8,544
Software	-	7,831	-	4,347
<b>Cash flow from banking business: Medium and long-term business (&gt; 1 year)</b>	<b>2,004,173</b>	<b>-</b>	<b>68,509</b>	<b>-</b>
<b>Cash flow from interbank business</b>	<b>15,532</b>	<b>-</b>	<b>70,000</b>	<b>-</b>
- Receivables from banks	28,584	-	10,000	-
- Liabilities to banks	-	13,052	60,000	-
<b>Cash flow from customer business</b>	<b>-</b>	<b>560,190</b>	<b>-</b>	<b>898,089</b>
- Receivables from customers	-	22,486	-	183,439
- Mortgages	-	286,302	885	788,475
- Liabilities from customer deposits	-	246,700	154,240	75,000
- Medium-term notes	-	4,702	54	6,354
<b>Cash flow from financial investments</b>	<b>41,829</b>	<b>-</b>	<b>-</b>	<b>336,481</b>
- Bonds	40,000	-	30,368	363,045
- Properties	1,829	-	2,823	6,627
<b>Cash flow from capital market business</b>	<b>2,680,463</b>	<b>-</b>	<b>1,224,547</b>	<b>-</b>
- Bonds	-	179,069	566,440	112,293
- Mortgage-backed bonds	251,800	-	1,080,000	309,600
- Certificates of Deposit	2,607,732	-	8,532	-
<b>Cash flow from other balance sheet items</b>	<b>-</b>	<b>173,461</b>	<b>8,532</b>	<b>-</b>
- Other assets	-	888	-	20,511
- Other liabilities	-	172,573	29,045	2
<b>Cash flow from banking business: Short-term business (&lt; 1 year)</b>	<b>-</b>	<b>4,020,042</b>	<b>5,412,767</b>	<b>-</b>
<b>Cash flow from interbank business</b>	<b>-</b>	<b>1,506,055</b>	<b>3,300,257</b>	<b>-</b>
- Receivables from banks	1,936,983	-	115,234	-
- Liabilities to banks	-	3,443,038	3,185,023	-
<b>Cash flow from customer business</b>	<b>-</b>	<b>4,923,336</b>	<b>2,587,018</b>	<b>-</b>
- Receivables from customers	-	342,063	28,783	117,127
- Receivables from securities financing transactions	-	4,571,683	-	2,308,318
- Liabilities from securities financing transactions	1,673,346	-	1,667,655	-
- Liabilities from customer deposits	-	1,682,936	3,316,025	-
<b>Cash flow from trading activities</b>	<b>2,087,072</b>	<b>-</b>	<b>-</b>	<b>348,026</b>
- Trade receivables	2,085,054	-	-	348,177
- Liabilities from trading activities	2,018	-	151	-
<b>Cash flow from other financial instruments measured at fair value</b>	<b>180,072</b>	<b>-</b>	<b>-</b>	<b>81,772</b>
- Liabilities from other financial instruments measured at fair value	180,072	-	-	81,772
<b>Cash flow from replacement values of derivative financial instruments</b>	<b>142,205</b>	<b>-</b>	<b>-</b>	<b>44,710</b>
- Positive replacement values	191,246	-	-	113,680
- Negative replacement values	-	49,041	68,970	-
<b>Change in fund liquidity</b>	<b>-</b>	<b>1,885,733</b>	<b>5,553,236</b>	<b>-</b>

# Statement of changes in equity

	Share capital	Capital reserve	Retained earnings	Reserves for general banking risks	Treasury shares (short position)	Group net profit	Total equity
	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000
<b>Equity at the beginning of the reporting period</b>	<b>354,150</b>	<b>132,051</b>	<b>770,691</b>	<b>2,681,110</b>	<b>-80,627</b>	<b>108,303</b>	<b>3,965,678</b>
Disposal of own capital shares	-	-	-	-	3	-	3
Appropriation of profit from 2020							
- Allocation to retained earnings	-	-	24,149	-	-	-24,149	-
- Dividend	-	146	-	-	-	-15,954	-15,808
- Distribution to canton	-	-	-	-	-	-68,200	-68,200
Allocations to reserves for general banking risks	-	-	-	91,350	-	-	91,350
Withdrawals from the reserves for general banking risks	-	-	-	-17,327	-	-	-17,327
Group net profit	-	-	-	-	-	121,072	121,072
<b>Equity at the end of the reporting period</b>	<b>354,150</b>	<b>132,197</b>	<b>794,840</b>	<b>2,755,133</b>	<b>-80,624</b>	<b>121,072</b>	<b>4,076,768</b>

Parent company  
BKB –  
Annual financial  
statements



# At a glance

<b>Balance sheet</b>		<b>31.12.2021</b>	<b>31.12.2020</b>
Total assets	in CHF 1000	34,231,325	35,790,197
– Change	in %	–4.4	31.1
Customer loans	in CHF 1000	17,227,914	16,449,106
– of which mortgages	in CHF 1000	13,875,405	13,454,723
Customer deposits	in CHF 1000	14,608,508	16,776,764
Customer funds <sup>1</sup>	in CHF 1000	14,610,070	16,779,143
Reported own funds (including Net profit)	in CHF 1000	3,496,448	3,407,807
Reported own funds (after appropriation of profit)	in CHF 1000	3,412,294	3,323,653
<b>Income statement</b>		<b>2021</b>	<b>2020</b>
Net income from interest activities	in CHF 1000	192,748	164,227
Income from commission and service activities	in CHF 1000	80,256	73,969
Income from trading activities and exercising the fair-value option	in CHF 1000	66,575	46,209
Other ordinary income	in CHF 1000	83,230	80,272
Gross Income <sup>2</sup>	in CHF 1000	423,278	373,915
– Change	in %	13.2	–0.4
Operating income	in CHF 1000	422,809	364,677
– Change	in %	15.9	–2.9
Operating expenses	in CHF 1000	230,601	227,176
– Change	in %	1.5	5.1
Amortisation, depreciation, write-downs and provisions	in CHF 1000	–19,509	–18,743
Business performance	in CHF 1000	172,699	118,758
– Change	in %	45.4	–14.1
Net profit	in CHF 1000	110,646	98,561
– Change	in %	12.3	–2.2
<b>Profitability key figures</b>		<b>2021</b>	<b>2020</b>
Return on equity (net profit for the year before reserves/average equity)	in %	5.1	3.6
<b>Balance sheet ratios</b>		<b>31.12.2021</b>	<b>31.12.2020</b>
Customer loans as % of total assets	in %	50.3	46.0
Mortgage loans as % of customer loans	in %	80.5	81.8
Customer deposits as % of total assets	in %	42.7	46.9
Degree of funding I (customer funds/customer loans) <sup>1</sup>	in %	84.8	102.0
Degree of funding II (general public funds/customer loans) <sup>3</sup>	in %	137.9	142.1
Equity ratio	in %	10.2	9.5
Hard core capital ratio (CET1 ratio)	in %	20.0	18.6
Core capital ratio (T1 ratio)	in %	20.4	19.0
Total capital ratio	in %	20.8	19.0
Capital adequacy target <sup>4</sup>	in %	12.0	12.0
Leverage ratio	in %	8.7	10.2
Average liquidity coverage ratio (LCR) – Q4	in %	252.4	229.3
Net stable funding ratio (NSFR) <sup>5</sup>	in %	116.6	–
<b>Income statement ratios</b>		<b>2021</b>	<b>2020</b>
Cost-to-income ratio (operating expenses/gross income) <sup>2</sup>	in %	54.5	60.8
Net interest income as % of operating income	in %	45.6	45.0
Income from commission and service activities as % of operating income	in %	19.0	20.3
Net trading income as % of operating income	in %	15.7	12.7
Other ordinary income as % of operating income	in %	19.7	22.0
Personnel expenses as % of operating expenses	in %	64.8	62.9
Non-personnel expenses as % of operating expenses <sup>6</sup>	in %	35.2	37.1
<b>Employees</b>		<b>31.12.2021</b>	<b>31.12.2020</b>
Number of employees (Headcount)		1,039	1,063
Number of apprentices and trainees		41	41
Full-time equivalents (FTEs) <sup>7</sup>		920	937

<sup>1</sup> Customer funds (customer deposits, medium-term notes).

<sup>2</sup> Gross income (operating income without any changes in write-downs relating to the risk of default and losses from interest activities).

<sup>3</sup> General public funds (customer deposits, medium-term notes, bonds and mortgage-backed bonds).

<sup>4</sup> The capital adequacy target is made up of the minimum own funds of 8 % and a capital adequacy buffer of 4 % for category 3 banks in accordance with Annex 8 CAO, plus the countercyclical capital buffer (deactivated by the Federal Council on 27 March 2020 due to the corona crisis).

<sup>5</sup> First publication as at 31 December 2021.

<sup>6</sup> The compensation for the state guarantee is allocated to non-personnel expenses for the calculation of this key figure.

<sup>7</sup> Apprentices and trainees are weighted at 50 %.

## Balance sheet – before appropriation of profit

<b>Assets</b>	<b>31.12.2021</b> in CHF 1000	<b>31.12.2020</b> in CHF 1000	Change absolute	Change in %
Liquid funds	5,868,880	8,580,168	-2,711,288	-31.6
Receivables from banks	946,457	2,795,840	-1,849,383	-66.1
Receivables from securities financing transactions	6,901,001	2,329,318	4,571,683	-
Receivables from customers	3,352,509	2,994,383	358,126	12.0
Mortgages	13,875,405	13,454,723	420,682	3.1
Trading activities	665,494	2,750,267	-2,084,773	-75.8
Positive replacement values of derivative financial instruments	321,892	513,141	-191,249	-37.3
Financial assets	1,338,412	1,383,378	-44,966	-3.3
Prepaid expenses	58,957	71,340	-12,383	-17.4
Investments	747,157	740,762	6,395	0.9
Property, plant and equipment	90,286	94,773	-4,487	-4.7
Other assets	64,875	82,104	-17,229	-21.0
<b>Total assets</b>	<b>34,231,325</b>	<b>35,790,197</b>	<b>-1,558,872</b>	<b>-4.4</b>
Total subordinated receivables	3,342	8,934	-5,592	-62.6
– of which with conversion obligation and/or debt waiver	-	-	-	-
<b>Equity and liabilities</b>				
Liabilities to banks	2,780,796	6,435,756	-3,654,960	-56.8
Liabilities from securities financing transactions	3,355,520	1,682,174	1,673,346	99.5
Liabilities from customer deposits	14,608,508	16,776,764	-2,168,256	-12.9
Liabilities from trading activities	2,169	11	2,158	-
Negative replacement values of derivative financial instruments	166,045	215,054	-49,009	-22.8
Liabilities from other financial instruments measured at fair value	436,672	256,600	180,072	70.2
Medium-term notes	1,562	2,379	-817	-34.3
Bonds and mortgage-backed bonds	9,143,476	6,587,208	2,556,268	38.8
Deferred income	90,672	90,169	503	0.6
Other liabilities	133,891	319,878	-185,987	-58.1
Provisions	15,566	16,397	-831	-5.1
Reserves for general banking risks	2,556,096	2,494,096	62,000	2.5
Share capital	354,150	354,150	-	-
Statutory capital reserve	147,750	147,750	-	-
– of which reserves from capital contributions	90,152	90,152	-	-
– of which other reserves	57,598	57,598	-	-
Statutory retained earnings	321,258	319,712	1,546	0.5
Voluntary retained earnings	84,800	71,800	13,000	18.1
Treasury shares (short position)	-80,624	-80,627	3	-
– against reserves from capital contributions	-67,839	-67,839	-	-
– other	-12,785	-12,788	3	-
Profit carried forward	2,372	2,365	7	0.3
Net profit	110,646	98,561	12,085	12.3
<b>Total equity and liabilities</b>	<b>34,231,325</b>	<b>35,790,197</b>	<b>-1,558,872</b>	<b>-4.4</b>
Total subordinated liabilities	101,474	100,536	938	0.9
– of which with conversion obligation and/or debt waiver	101,474	100,536	938	0.9
<b>Off-balance sheet transactions</b>				
Contingent liabilities	144,804	218,312	-73,508	-33.7
Irrevocable commitments	2,520,701	3,060,347	-539,646	-17.6
Liabilities for calls on shares and other equity	92,251	67,379	24,872	36.9

# Income statement

	2021 in CHF 1000	2020 in CHF 1000	Change absolute	Change in %
<b>Income from interest activities</b>				
Interest and discount income	255,864	234,873	20,991	8.9
Interest and dividend income from financial assets	3,164	3,370	-206	-6.1
Interest expenses	-65,811	-64,778	-1,033	1.6
<b>Gross income from interest activities</b>	<b>193,217</b>	<b>173,465</b>	<b>19,752</b>	<b>11.4</b>
Changes in write-downs relating to the risk of default and losses from interest activities	-469	-9,238	8,769	-94.9
<b>Net income from interest activities</b>	<b>192,748</b>	<b>164,227</b>	<b>28,521</b>	<b>17.4</b>
<b>Income from commission and service activities</b>				
Commission income from securities and investment activities	68,026	57,011	11,015	19.3
Commission income from lending activities	8,373	7,382	991	13.4
Commission income from other service activities	17,939	18,669	-730	-3.9
Commission expenses	-14,082	-9,093	-4,989	54.9
<b>Income from commission and service activities</b>	<b>80,256</b>	<b>73,969</b>	<b>6,287</b>	<b>8.5</b>
<b>Income from trading activities and exercising the fair-value option</b>	<b>66,575</b>	<b>46,209</b>	<b>20,366</b>	<b>44.1</b>
<b>Other ordinary income</b>				
Income from the disposal of financial assets	336	30	306	-
Income from investments	33,309	33,440	-131	-0.4
Real estate income	1,348	1,277	71	5.6
Other ordinary income	48,237	47,666	571	1.2
Other ordinary expenses	-	-2,141	2,141	-100.0
<b>Other ordinary income</b>	<b>83,230</b>	<b>80,272</b>	<b>2,958</b>	<b>3.7</b>
<b>Operating income</b>	<b>422,809</b>	<b>364,677</b>	<b>58,132</b>	<b>15.9</b>
<b>Operating expenses</b>				
Payroll costs	-149,428	-142,835	-6,593	4.6
General and administrative expenses	-70,973	-75,541	4,568	-6.0
Compensation for the state guarantee / guarantor	-10,200	-8,800	-1,400	15.9
<b>Operating expenses</b>	<b>-230,601</b>	<b>-227,176</b>	<b>-3,425</b>	<b>1.5</b>
Write-downs on investments and depreciation of property, plant and equipment, and amortisation of intangible assets	-21,052	-21,238	186	-0.9
Changes to provisions and other value adjustments, and losses	1,543	2,495	-952	-38.2
<b>Business performance</b>	<b>172,699</b>	<b>118,758</b>	<b>53,941</b>	<b>45.4</b>
Extraordinary income	36	874	-838	-95.9
Extraordinary expenses	-	-	-	-
Change in reserves for general banking risks	-62,000	-21,000	-41,000	-
Taxes	-89	-71	-18	25.4
<b>Net profit</b>	<b>110,646</b>	<b>98,561</b>	<b>12,085</b>	<b>12.3</b>

# Appropriation of profit

Appropriation of profit	2021 in CHF 1000	2020 in CHF 1000	Change absolute	Change in %
Net profit	110,646	98,561	12,085	12.3
Profit carried forward from previous year	2,372	2,365	7	0.3
<b>Balance sheet profit</b>	<b>113,018</b>	<b>100,926</b>	<b>12,092</b>	<b>12.0</b>
Allocation to statutory retained earnings	1,400	1,400	–	–
Allocation to voluntary retained earnings	25,000	13,000	12,000	92.3
Dividend on participation certificate capital	15,954	15,954	–	–
Compensation for endowment capital	1,429	213	1,216	–
Ordinary handover to the Canton of Basel-Stadt	66,771	67,987	–1,216	–1.8
<b>Profit carried forward to new account</b>	<b>2,464</b>	<b>2,372</b>	<b>92</b>	<b>3.9</b>
<b>Dividend</b>			<b>2021 in CHF</b>	<b>2020 in CHF</b>
Per participation certificate of CHF 8.50 nominal				
– Gross dividend			3.10	3.10
– less federal withholding tax 35 %			1.10	1.10
– Net dividend			2.00	2.00
Credit on participation certificate dividend on			3.5.2022	4.5.2021

## Balance sheet – after appropriation of profit

<b>Assets</b>	<b>31.12.2021</b> in CHF 1000	<b>31.12.2020</b> in CHF 1000	Change absolute	Change in %
Liquid funds	5,868,880	8,580,168	-2,711,288	-31.6
Receivables from banks	946,457	2,795,840	-1,849,383	-66.1
Receivables from securities financing transactions	6,901,001	2,329,318	4,571,683	-
Receivables from customers	3,352,509	2,994,383	358,126	12.0
Mortgages	13,875,405	13,454,723	420,682	3.1
Trading activities	665,494	2,750,267	-2,084,773	-75.8
Positive replacement values of derivative financial instruments	321,892	513,141	-191,249	-37.3
Financial assets	1,338,412	1,383,378	-44,966	-3.3
Prepaid expenses	58,957	71,340	-12,383	-17.4
Investments	747,157	740,762	6,395	0.9
Property, plant and equipment	90,286	94,773	-4,487	-4.7
Other assets	64,875	82,104	-17,229	-21.0
<b>Total assets</b>	<b>34,231,325</b>	<b>35,790,197</b>	<b>-1,558,872</b>	<b>-4.4</b>
Total subordinated receivables	3,342	8,934	-5,592	-62.6
– of which with conversion obligation and/or debt waiver	-	-	-	-
<b>Equity and liabilities</b>				
Liabilities to banks	2,780,796	6,435,756	-3,654,960	-56.8
Liabilities from securities financing transactions	3,355,520	1,682,174	1,673,346	99.5
Liabilities from customer deposits	14,676,708	16,844,964	-2,168,256	-12.9
Liabilities from trading activities	2,169	11	2,158	-
Negative replacement values of derivative financial instruments	166,045	215,054	-49,009	-22.8
Liabilities from other financial instruments measured at fair value	436,672	256,600	180,072	70.2
Medium-term notes	1,562	2,379	-817	-34.3
Bonds and mortgage-backed bonds	9,143,476	6,587,208	2,556,268	38.8
Deferred income	90,672	90,169	503	0.6
Other liabilities	149,845	335,832	-185,987	-55.4
Provisions	15,566	16,397	-831	-5.1
Reserves for general banking risks	2,556,096	2,494,096	62,000	2.5
Share capital	354,150	354,150	-	-
Statutory capital reserve	147,750	147,750	-	-
– of which reserves from capital contributions	90,152	90,152	-	-
– of which other reserves	57,598	57,598	-	-
Statutory retained earnings	322,658	321,112	1,546	0.5
Voluntary retained earnings	109,800	84,800	25,000	29.5
Treasury shares (short position)	-80,624	-80,627	3	-
– against reserves from capital contributions	-67,839	-67,839	-	-
– other	-12,785	-12,788	3	-
Profit carried forward	2,464	2,372	92	3.9
<b>Total equity and liabilities</b>	<b>34,231,325</b>	<b>35,790,197</b>	<b>-1,558,872</b>	<b>-4.4</b>
Total subordinated liabilities	101,474	100,536	938	0.9
– of which with conversion obligation and/or debt waiver	101,474	100,536	938	0.9
<b>Off-balance sheet transactions</b>				
Contingent liabilities	144,804	218,312	-73,508	-33.7
Irrevocable commitments	2,520,701	3,060,347	-539,646	-17.6
Liabilities for calls on shares and other equity	92,251	67,379	24,872	36.9

# Statement of changes in equity

	Share capital	Statutory capital reserve	Statutory retained earnings	Reserves for general banking risks	Voluntary retained earnings and profit or loss carried forward	Treasury shares (short position)	Net profit	Total equity
	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000
<b>Equity at the beginning of the reporting period</b>	<b>354,150</b>	<b>147,750</b>	<b>319,712</b>	<b>2,494,096</b>	<b>74,165</b>	<b>-80,627</b>	<b>98,561</b>	<b>3,407,807</b>
Disposal of treasury shares	-	-	-	-	-	3	-	3
Appropriation of profit 2020								
- Allocation to statutory retained earnings	-	-	1,400	-	-	-	-1,400	-
- Allocation to voluntary retained earnings	-	-	-	-	13,000	-	-13,000	-
- Dividend	-	-	146	-	-	-	-15,954	-15,808
- Distribution to canton	-	-	-	-	-	-	-68,200	-68,200
- Net change in profit carried forward	-	-	-	-	7	-	-7	-
Allocations to the reserves for general banking risks	-	-	-	62,000	-	-	-	62,000
Net profit	-	-	-	-	-	-	110,646	110,646
<b>Equity at the end of the reporting period</b>	<b>354,150</b>	<b>147,750</b>	<b>321,258</b>	<b>2,556,096</b>	<b>87,172</b>	<b>-80,624</b>	<b>110,646</b>	<b>3,496,448</b>

Basler Kantonalbank  
PO Box  
4002 Basel

Phone +41 61 266 33 33  
[investorrelations@bkb.ch](mailto:investorrelations@bkb.ch)  
[www.bkb.ch](http://www.bkb.ch)

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