



Basler  
Kantonalbank

# Annual Report 2022 – Abridged Version



# About us

Since its foundation in 1899, the parent company BKB has been deeply rooted in the Basel region. The parent company positions itself for its private clients as the bank of Basel for Basel and, with its asset management, has a high level of investment expertise, from which its private banking clients, in particular, benefit. BKB is also active as a universal bank for its corporate and institutional clients throughout Northwestern Switzerland. It is majority-owned by the Canton of Basel-Stadt and has a state guarantee for which compensation is paid to the Canton. The owner strategy sets the strategic guidelines of the bank and requires above-average equity capitalisation and liquidity, which is why BKB is one of the safest banks in the country with an AAA rating from Fitch and an AA+ rating from S&P. Moreover, sustainability has become the linchpin in both operations and the core business with a view to making a positive long-term contribution to the economy, environment and society. 14 % of the company's capital is listed as participation certificates on the SIX Exchange.

Since the acquisition of Bank Cler (formerly Bank Coop) in 2000, Group BKB employs around 1400 people and is present in all major cities throughout Switzerland: Bank Cler has a total of 26 branches, which are divided into three market areas: 'Central' (seven branches), 'South-East' (nine branches) and 'French-speaking Switzerland' (ten branches). 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. The neobanking app Zak is proof of how simple banking can be. Bank Cler has already made the app available for several years for everyday banking services and is continuously developing it further, including through new functionalities. The number of Zak users continues to climb. At the end of 2022, the neobanking app had almost 60,000 active clients. Bank Cler is thus positioning itself as a 'fresh' universal bank for a younger target segment. The parent company BKB has 13 branches in Basel.

Group BKB's client funds under management amount to around CHF 31 billion and the BKB Group is one of the ten largest banking groups in Switzerland in terms of total assets, which amount to CHF 55.2 billion.

## Group BKB



Presidential

Legal & Compliance

Finance & Risk

Sales Private Clients

Sales Commercial Clients

Services



Sales Department

Finance & Risk

Market Management

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# Management Report

# Our results for 2022



**CHF 139.3  
million**

Group net profit  
(previous year: CHF 121.1  
million)



**CHF 231.1  
million**

Business performance  
(previous year: CHF 222.1  
million)



**56.3 %**

Cost Income Ratio  
(previous year: 58.4 %)



**5.3 %**

Return on equity  
(previous year: 5.3 %)



**18.6 %**

Total capital ratio  
(previous year 18.5 %)



**AAA**

Top rating from Fitch  
(Standard & Poor's: AA+)



**Sustainable  
innovation**

Max Havelaar Fairtrade  
Goldfonds  
Sustainable-linked Loans  
Sustainable Loan  
Social Bond



**New  
Partnerships**

FHNW  
Swiss Triple Impact  
Klimastiftung Schweiz  
Basler & Hofmann



**Profit handover**

to the Canton Basel-  
Stadt CHF 420 per  
Basel resident  
(previous year: CHF 400)

# Group key figures - at a glance

<b>Balance sheet</b>		<b>31.12.2022</b>	<b>31.12.2021</b>
Total assets	in CHF 1000	55,229,471	53,469,809
- Change	in %	3.3	-1.8
Customer loans	in CHF 1000	34,774,720	33,245,048
- of which Mortgages	in CHF 1000	31,523,993	29,767,013
Customer deposits	in CHF 1000	31,205,037	27,921,834
General public funds <sup>1</sup>	in CHF 1000	31,208,188	27,929,566
Reported own funds (incl. Group net profit)	in CHF 1000	4,210,803	4,076,768
Reported own funds (incl. Group net profit)	in CHF 1000	4,071,536	3,955,696
<b>Income statement</b>		<b>2022</b>	<b>2021</b>
Net income from interest activities	in CHF 1000	389,759	374,058
Income from commission and service activities	in CHF 1000	135,005	134,605
Income from trading activities and exercising the fair-value option	in CHF 1000	65,991	76,040
Other ordinary income	in CHF 1000	8,357	8,780
Gross Income <sup>2</sup>	in CHF 1000	598,264	589,854
- Change	in %	1.4	9.2
Operating income	in CHF 1000	599,112	593,483
- Change	in %	0.9	12.1
Operating expenses	in CHF 1000	336,862	344,253
- Change	in %	-2.1	-1.4
Amortisation, depreciation, write-downs and provisions	in CHF 1000	31,183	27,111
Business performance	in CHF 1000	231,067	222,119
- Change	in %	4.0	41.2
Group net profit	in CHF 1000	139,267	121,072
- Change	in %	15.0	11.8
<b>Profitability key figures</b>		<b>2022</b>	<b>2021</b>
Return on equity (Group net profit before reserves/average equity)	in %	5.3	5.3
<b>Balance sheet ratios</b>		<b>31.12.2022</b>	<b>31.12.2021</b>
Customer loans as % of total assets	in %	63.0	62.2
Mortgage loans as % of customer loans	in %	90.7	89.5
Customer deposits as % of total assets	in %	56.5	52.2
Degree of funding I (customer funds/customer loans) <sup>1</sup>	in %	89.7	84.0
Degree of funding II (general public funds/customer loans) <sup>3</sup>	in %	119.9	124.7
Equity ratio	in %	7.6	7.6
Hard core capital ratio (CET1 ratio)	in %	17.7	17.6
Core capital ratio (T1 ratio)	in %	18.3	18.2
	in %	18.6	18.5
Capital adequacy target <sup>4</sup>	in %	13.0	12.0
Leverage ratio	in %	6.9	6.9
Average liquidity coverage ratio (LCR) – Q4	in %	154.5	233.6
Net stable funding ratio (NSFR)	in %	122.4	125.6
RWA efficiency <sup>5</sup>	in %	1.11	1.07
<b>Income statement ratios</b>		<b>2022</b>	<b>2021</b>
Cost to income ratio (operating expenses/gross income) <sup>2</sup>	in %	56.3	58.4
Net interest income as % of operating income	in %	65.1	63.0
Income from commission and service activities as % of operating income	in %	22.5	22.7
Net trading income as % of operating income	in %	11.0	12.8
Other ordinary income as % of operating income	in %	1.4	1.5
Personnel expenses as % of operating expenses	in %	59.6	60.8
Non-personnel expenses as % of operating expenses <sup>6</sup>	in %	40.4	39.2
<b>Employees</b>		<b>31.12.2022</b>	<b>31.12.2021</b>
Number of employees (Headcount)		1,401	1,455
Number of apprentices and trainees		66	73
Full-time equivalents (FTEs) <sup>7</sup>		1,241	1,289

<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> Gross profit / total risk-weighted assets (RWA).

<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 %.

# Letter from the Chair of the Bank Council and the CEO



Chair of the Bank Council Adrian Bult (left) and CEO Basil Heeb (right)

Dear Investors,  
Dear Clients,  
Dear Citizens of Basel

The developments at Credit Suisse and its takeover by UBS are of great significance for Switzerland as a financial centre. Nevertheless, in this Annual Report for 2022, we want to focus on the past year, in which the economic and geographical structure has changed fundamentally. The financial markets were under constant strain and losses were practically unavoidable for investors: Scarcely any stock market had a positive outcome, interest rates rose sharply, and bond prices fell considerably. For once, gold has only offered limited protection and cryptocurrencies have literally imploded.

We are, therefore, all the more pleased that Basler Kantonalbank has continued to develop in a stable manner in this environment and is in good health today. The price of a BKB participation certificate fell only marginally in 2022 and the overall performance of +4.1 % was very robust compared to the market as a whole.

We would like to take this opportunity to put this into context and explain how we have addressed the various challenges over the past year and what progress we have been able to make in implementing our strategy. For it is with pride that we note that the Group has continued to develop successfully, even in this difficult environment: It is more profitable, more efficient and stronger today than it was a year ago.

## The world continues to turn Changed political and economic framework conditions

Russia's war of aggression against Ukraine and the associated events were omnipresent in 2022. Numerous refugees from Ukraine have sought protection in Switzerland. As a Group, we have worked to at least make banking as easy as possible for them or to open an account for them without red tape. We have proven here – as we did during the coronavirus crisis – that we can act agilely and that simple solutions are possible.

The escalation of the situation in Ukraine has made it clear how dependent our economy is on cheap gas and electricity from abroad. The shortages associated with the war have led to a massive increase in energy prices. This and the threat of electricity shortages have once again put our adaptability to the test. We have decided on measures within the Group to use electricity only where it is indispensable. Climbing stairs instead of taking lifts, for example, was a motto, that not only saves energy, but also keeps us fit. And in most offices last winter, the jacket and tie were replaced by a warm jumper and scarf.

In a figurative sense, this fitness and agility were also helpful in terms of interest rate development. The rise in interest rates in Switzerland did not hit us unexpectedly. But it came faster and more violently than expected. Because we had taken precautions in our balance sheet management and liquidity management at an early stage, it did not catch us on the wrong foot. And because we had always granted our loans in a risk-aware and conservative manner, we are not currently seeing any increased defaults by borrowers, despite the higher interest burden.

Nevertheless, we are, of course, aware that the combination of higher inflation, the interest rate turnaround and the simultaneous economic slowdown can be toxic for the trade sector. Our advisors, therefore, are guiding our corporate clients closely during this transformation phase and we are looking for solutions together. Because we are convinced of this: joining forces and pooling knowledge creates better solutions.

## Changing client needs

BKB and Bank Cler are reliable sparring partners for their clients. The importance of close support in uncertain times has already been clearly demonstrated during the coronavirus crisis or the market turbulence at the beginning of last year.

We live proximity to our clients, not only on site or in the branch, but also through a holistic understanding of the requirements and needs of our clients. And these needs are undergoing profound change with digitalisation, the entry of new competitors and changing macroeconomic conditions. Coronavirus taught us: Many banking transactions – primarily payments and transfers – can also be carried out digitally, without complications, from anywhere and at any time. Efficient and simple mobile banking and E-Banking is central to this. Preparations for the changeover to a new system are, therefore, in full swing within the Group. But we are aware of this: Complex financial needs will be best discussed in personal contact with a trusted person also in the future.

## Sustainability as the fulcrum of change

Climate protection is an issue that we are tackling with great urgency. With the counter-proposal to the Climate Justice Initiative, we in Basel have a clear, ambitious and binding target for 2037. Especially in the Basel region, awareness of the problem is, therefore, high. This attitude places new demands on us as a bank, which we wish to address in the best possible way. We will do so with the clear goal in mind of establishing BKB as the sustainable bank in the region. We are in a good starting position in this regard. Because sustainability has not only been a concern for us since the Climate Youth. As long as about 20 years ago, we established our 'Sustainability' department within the Group. At that time, the aim was to improve our operational ecology in the direction of climate neutrality. We have now achieved this thanks to offsetting our residual emissions with the Frenken Valley Forest District. But the work is far from done: Sustainability must also be further anchored in our core business.

This year, our reporting will be even more strongly characterised by our sustainability aspirations. Namely in the form of new GRI standards. They help to make responsible corporate concepts transparent and comparable. In order to achieve the maximum transparency with regard to the impact of our own business activities on the economy, the environment and people, these new guidelines are not only reflected in the chapter on sustainability, but also influence all other parts of our annual report.

## BKB turns with it

### Progress in implementing our strategy

Group BKB's strategy focuses on profitable growth in core markets or in attractive niches, on promoting and integrating sustainability into the banking business and in operations, on partnerships and on establishing of a secure and scalable Group infrastructure. At the beginning of 2022, we set clear priorities that we have tackled to make the Group fit for the future – whether with new products, in our processes, IT infrastructure or in sharpening our positioning as a sustainable bank. The strategy implementation is running with great momentum. Because by 2025 at the latest, we want to be a modern bank for our clients that offers a simple and sustainable solution for every concern.

In order to anchor sustainability in our thinking and core business, it became a fixed mandate in every business area of our new strategy. Thanks to this approach, sustainability is rapidly spreading through our core business and we have already been able to announce various innovations in 2022: The Max Havelaar Fairtrade Goldfonds, the Social Bond or our sustainable financing solutions are examples of this. Thanks to the partnership with Klimastiftung Schweiz, we have access to know-how regarding the development of new technologies to improve energy efficiency. And through the STI platform (Swiss Triple Impact), which we launched with other founding members in the region in 2022, we can network better and pass on know-how to our commercial clients.

In order to establish knowledge in the area of 'Sustainable Finance' within the Group and so that we can advise our clients competently, we have developed a CAS together with the University of Applied Sciences Northwestern Switzerland FHNW. 30 employees of the Group have already successfully completed the training as part of the first course in the second half of 2022. From 2023, the CAS, which is held twice per year during a semester, can also be attended by external participants.

Partnerships play a central role for us in the current strategy phase. FHNW, Max Havelaar, Klimastiftung and the STI are just a few examples. They all help us to quickly and efficiently offer optimal solutions for our clients and to advance our strategy successfully.



Local roots and an open ear for the concerns and needs of our clients remain the be-all and end-all for us and all of our employees. We are in constant exchange with them and seek dialogue with them. Whether in the context of advisory meetings, in the client group or at client events. In 2022, after a break of almost two years due to the pandemic, we welcomed more than 8,000 guests to a total of over 30 BKB events. Especially at the two neighbourhood events in Gellert and Riehen that we held last year, we were able to exchange ideas with the population and feel and hear what we are already doing well and where we can still improve in numerous personal conversations. The fact that, according to a survey conducted by the *Sonntagszeitung*, BKB was named the top bank for private clients in Northwestern Switzerland in 2022 and Bank Cler the best bank in Zurich and Central Switzerland respectively, makes us proud and motivates us for the future.

## Human capital as the foundation of future success

A company is only as good as its employees or their passion for making a difference. Even if this wisdom sounds a bit trite, this insight is nevertheless important – especially in the banking business, where people are the main focus. We see it, therefore, as a central duty for us to inspire, develop and empower our employees. In addition to professional skills, modern workplaces are also important. In this regard, the requirements have changed significantly due to the technological possibilities and the increased need to do certain work from home. In the newly converted office building on Brunngässlein, employees will find a range of work zones that they can occupy flexibly for different types of collaboration or for individual work in silence. Gradually, the other office spaces will also be converted to meet these changed requirements. In this way, we can create the ideal conditions for cross-functional work, creative solutions, know-how transfer and team spirit.

However, a safe and secure workplace designed according to modern aspects in line with 'New Work' is by no means sufficient for a high level of attractiveness as an employer. For this reason, we have been working intensively over the past year on a range of initiatives with which we want to further improve the satisfaction of our employees. Even though, according to the 2022 survey, motivation is still high and we were even voted 'Best Employer 2022' out of all small banks by *Handelszeitung* last year, further efforts are necessary. Development opportunities and a contemporary remuneration policy are two topics on which we worked hard in 2022 and on which we want to report successes in 2023. An important aspect of this will also be the promotion of specialist careers. Because we not only want to promote the best talents, but also retain their valuable knowledge in the Group over the long term.

We have shown that there are exciting internal career opportunities with the appointment of Samuel Meyer, Head of the Sales Department at Bank Cler, as Bank Cler's new Chief Executive Officer (CEO). As of 1 May 2022, he took over this role from Mariateresa Vacalli, who left Group BKB following her nomination as a member of the Board of Directors of Swiss Post Ltd. With his extensive experience in the banking business, client focus and entrepreneurial thinking, we see Samuel Meyer as the ideal candidate for this position. But we were also able to fill a key position with an internal talent in Sarah Braun, who was appointed to the Executive Board of Bank Cler to head the newly created Market Management department.

Group BKB is also attractive for external applicants. The Bank Council of Basler Kantonalbank appointed Özlem Civelek as the new Head of the 'Service Center' department and as a member of the Executive Board and Group Executive Board of BKB at the end of June 2022. Özlem Civelek is a proven expert with broad experience in the field of process reengineering and, thus, has the prerequisites necessary to drive the digital transformation forward in the Group.

## BKB revs up

You can see: In 2022, Group Basler Kantonalbank has proven to be resilient in a challenging environment and has continued to develop. By focusing on its strengths, further developing its core business, broadly anchoring its sustainability aspirations and taking personnel measures, it has laid the foundations for future success. We are extremely pleased that these steps have already had an effect in the past year. And not only in the form of improved products, simplified processes, strengthened partnerships or an excellent image. But we have also managed to get one step closer to our financial goals. We are proud to report that we are on target in all of our strategic KPIs in 2022.

- **We have become more profitable.**  
Group net profit increased by +15 % compared to 2021 to CHF 139.3 million. With a cost income ratio of 56.3 %, we have again improved cost efficiency. At the same time, we achieved a return on equity (before reserves) of 5.3 %
- **We have increased stability.**  
With a total capital ratio of 18.6 %, we are financially very stable and clearly exceeding our target value (16 %) and the regulatory requirement (13 %). With a net stable funding ratio of 122.4 %, long-term liquidity is also above the target (110 %). Our stability is so high that Fitch has awarded us the best rating of AAA. This makes us only the second bank in Switzerland to receive this top rating.
- **We have improved the quality of our balance sheet.**  
With a return on risk-weighted assets of 1.11 %, our capital efficiency increased slightly and exceeded our target (1.0 %).

## BKB continues to turn


We see the success that we were able to achieve in 2022 as proof that we have set the right course with our strategy and our focus on our strengths. Nevertheless, there is no reason to rest on our laurels. We will keep the Group moving onwards and carry the momentum from last year into 2023. We will strive to listen even more closely to understand how we can continuously improve for our clients. In doing so, we also want to expand our sustainable products further in areas where our clients wish it. We will launch a new mobile and E-Banking service to make everyday financial life easier for our clients. We will also implement a new sustainability-focused sponsorship strategy, so that we can actively support new initiatives and meaningful projects in the areas of climate protection, equal opportunities, quality of life and the local economy. We also want to make our Group infrastructure more resilient to security risks. This is because the digitalisation of the banking business has significantly increased the vulnerability of banks. Last but not least, scalability of core processes is one of our priorities. Because it is only with productivity gains that we will be able to achieve our targeted growth profitably.

We are aware: That the fact that we have managed to achieve such a good financial result in an environment of uncertainties and crises is primarily thanks to our approximately 1400 employees. They were creative, courageous, persistent, joyful and focused. Their dedication and their trusting relationships with their clients made the excellent result possible in the first place. And, together with this strong team, we want to continue the success of 2022 into 2023, even if the environment remains challenging. We are confident that we will succeed.

We would like to take this opportunity to thank you for your trust. It is our most important asset. That is why we will also 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

# Market environment

## Macroeconomic environment

### Economy

After the coronavirus pandemic ended up being the dominant topic for 2021, Russia's war against Ukraine took over this role last year. Its indirect consequences were felt throughout Europe in the form of an energy crisis and high inflation rates. At times, European gas cost more than 15 times as much on the commodity markets as in previous years. The risk of gas shortages and even energy rationing were discussed. Despite increased risks for the economy, central banks were forced to counter high rates of inflation with a clearly restrictive monetary policy and to raise interest rates significantly. For example, the US Federal Reserve raised its key interest rate from close to 0 % to over 4 %, the ECB from 0 % to 2.5 % and the SNB from -0.75 % to 1 %. Economic forecasts were adjusted downwards step by step and, especially in Europe, the possibility of a deeper recession could no longer be ruled out. Thanks to rising gas storage levels, a relatively mild winter and noticeable savings successes in energy consumption, expectations for economic development brightened again. Economic research institutes were cautiously optimistic for the current year at the turn of the year 2022/2023. Inflation rates are expected to ease, especially in the second half of 2023.

### Stock market performance

The war in Ukraine has also left deep scars on the financial markets. As a result of the international sanctions levied against Russia and skyrocketing energy prices, stock indices in some countries and regions fell by more than 30 % at times. It was not until the fourth quarter of 2022 that there was a noticeable recovery in share prices again. In addition to shares, bonds also recorded significant price losses. In the meantime, the Swiss Bond Index was down by around 13 % and yields rose sharply accordingly. Some of the 10-year Swiss government bonds again had yields of more than 1.5 %. The reasons for the unusually high losses – for Swiss bonds – were the persistently high inflation rates as a result of the energy crisis and the restrictive monetary policy of important central banks. The outlook for 2023 is cautiously optimistic. The economic outlook has stabilised and an end to increases in key interest rates is in sight. Despite the existing risks, an average good year for equities and a calming of inflation rates are to be expected.

## Real estate market

2022 was also difficult for investors in listed Swiss real estate investments. Both real estate funds and equities have developed negatively. The start of the year was mixed. While equities gained in the first four months, funds corrected steadily. Between May and September, both segments recorded losses, some of them quite significant. The zero line was only exceeded in July. In the last three months of the year, both real estate funds and equities were able to make gains: The Swiss real estate fund index (SWIIT) was down more than 15 % in 2022, while the real estate equities index (REAL) held up better but still lost more than 9 %. The equities technically follow the volatile overall market and fundamentally have a higher proportion of commercial properties in the portfolio. The funds have withdrawn completely from the very high premiums of the past years through their price development and are, as a result, attractively valued again.

The environment for real estate has changed gradually over 2022. Whereas previously high purchase prices and the suspected formation of a bubble were at the centre of the discussion, now the focus is on inflation and increased interest rates. On the one hand, these are intended to curb exuberant demand. On the other hand, the positive interest rate environment is again creating alternatives to real estate investments. So far, however, demand for residential property has remained high, rents are stable and real estate companies are reporting consistently good results. This means that real estate continues to be considered a stable and attractive component of a portfolio.

## Legal and regulatory framework and regulations

### Banking legislation

The changes in banking legislation came into force on 1 January 2023.

Deposits up to a maximum of CHF 100,000 per client are given preferential treatment in the event of bankruptcy of a bank. All joint account holders are treated as separate depositors. If a bank has sufficient liquid assets, these deposits will be returned outside of the ordinary procedure. If the bank's funds are not sufficient, the deposit protection will come into play as before. In future, however, this is to be paid out more quickly. Due to the state guarantee, the Canton of Basel-Stadt is also subsidiarily liable for the liabilities towards the clients of Basler Kantonalbank. To protect depositors better, banks must now secure half of their contribution obligations to the esisuisse deposit protection scheme by depositing securities or Swiss francs in cash with a custodian. The new provisions on deposit protection have increased the contribution obligations, at Basler Kantonalbank by around 30 %.

The custodians of intermediated securities will now be obliged to keep their own holdings and those of their clients separate (so-called 'segregation'). If the custody chain leads abroad, the last Swiss custodian must take protective measures. Clients are also being informed better about these processes.

The new insolvency provisions contain, among other things, rules on the restructuring plan, capital measures, such as the conversion of debt into equity and value equalisation, as well as special rules on the restructuring of cantonal banks.

### Prevention of money laundering

The revised Anti-Money Laundering Act (AMLA), the Money Laundering Ordinance-FINMA and the Anti-Money Laundering Ordinance (AMO) entered into force on 1 January 2023. The main changes concern the obligation to periodically update client documentation and the verification of the identity of the beneficial owner by the financial intermediaries, as well as the changes in connection with reporting. The amendments take into account the strengthening of the Swiss defence mechanism to combat money laundering and terrorist financing. Basler Kantonalbank has defined measures and has been implementing the requirements since 1 January 2023.

### Data protection legislation

The revised Federal Act on Data Protection Act (FADP) will enter into force on 1 September 2023. The revision is also accompanied by a tightening of data protection measures.

The rights of data subjects have been strengthened. An incorrect or incomplete response to a request for information shall be punishable. In addition, new information obligations have been introduced, which are also punishable. The requirements for the Bank's security organisation have been tightened and regulated in the new ordinance to the Act on Data in several areas: The conclusion of contracts with order processors is linked to requirements for the Bank's security organisation. In addition, the involvement of subcontractors has been regulated more strictly. In the context of the conclusion of contracts, the disclosure of personal data to countries without an adequate level of protection can be punishable.

Basler Kantonalbank began implementing the technical and organisational measures necessary at an early stage to ensure compliance with the new requirements.

### Basel III - Update

Switzerland is currently implementing the 'final Basel III standards' and has opened consultation on an amendment to the Capital Adequacy Ordinance (CAO) on 5 April 2019. This last package is primarily aimed at restoring credibility in the calculation of risk-weighted assets (RWA) and improving the comparability of banks' capital ratios. These are amended provisions of the capital requirements for credit and operational risks, market risks and CVA risks. In order to implement the final Basel III standards, a national working group was convened in Switzerland to revise the Capital Adequacy Ordinance (CAO). FINMA has also already conducted two impact analyses to gather quantitative information on the equity-related effects of the forthcoming national regulations. The Group participated in both impact assessments and is evaluating the implementation as part of a project. FINMA completed consultation on its ordinance by 25 October 2022. The Federal Council's Capital Adequacy Ordinance and the associated FINMA ordinances are scheduled to enter into effect on 1 July 2024.

### Sustainability in the finance sector

The topics of sustainable finance and ESG (environment, social and governance) became more relevant in the financial sector also in 2022. The activities of the federal government, the supervisory authority FINMA, the Swiss Bankers Association and other players in the financial market were very varied on the topic of sustainability.

In June 2022, the Asset Management Association Switzerland (AMAS) published its new self-regulation on transparency and disclosure for collective assets with a focus on sustainability. For the first time, the self-regulation defines binding requirements for the organisation of financial institutions that create and manage collective assets with a focus on sustainability as well as for the duty to provide information on sustainability-related products. The regulatory framework is principle-based and will come into force on 30 September 2023.

For its part, the Swiss Bankers Association (SBA) published two new self-regulations in June 2022 that contain minimum requirements for the consideration of sustainability criteria in investment and mortgage advice. The guidelines regulate the inclusion of sustainability preferences and risks in investment advice and asset management, as well as when offering mortgages to promote energy efficiency. Both self-regulations apply from 1 January 2023 with the corresponding transition periods.

In December 2022, the Federal Council published the follow-up report to the 2021 report on a sustainable Swiss financial centre. In this report, it describes four fields of action and 15 measures, by the further development of which the Swiss financial centre is to become a leading global location for sustainable finance. Among other things, the measures should lead to more and better sustainability data from the overall economy, increase transparency in the financial sector in general, they should promote impact investments and green bonds, and lead to progress in the pricing of environmental pollution. In addition, the Federal Council has defined a further procedure to avoid greenwashing in the financial market. The Federal Department of Finance (FDF) was instructed to set up a broad-based working group (authorities, industry representatives, civil society, etc.) in order to present the Federal Council with an efficient implementation proposal for its requirements on greenwashing prevention by 30 September 2023.

In order to be able to adequately and efficiently address the comprehensive and thematically complex (self-)regulatory and legal requirements in the area of sustainable finance, the Group has established the 'Sustainability in Supply and Operations' strategy. It coordinates, prioritises and manages the operational and project-based work on sustainable finance.

## New FINMA Circular 2023/1 Operational Risk and Resilience – Banks

On 7 December 2022, the FINMA published the new Circular 2023/1 'Operational Risk and Resilience – Banks', which will come into force on 1 January 2024, taking into account transitional periods in the area of 'resilience'. In addition to the basic requirements for the management of operational risks, it also includes the revised principles for dealing with operational risks, the new principles on operational resilience of the Basel Committee on Banking Supervision and integrates the recommendations in the area of business continuity management of the Swiss Bankers Association. In doing so, FINMA is giving substance to its supervisory practice in information and communication technology, the handling of critical data and cyber risks.

On the basis of the draft, the Group has already commenced its implementation early and is continuing to focus on the timely implementation of FINMA Circular 2023/1.

## Other important influences

In addition to the macroeconomic environment and compliance guidelines, in addition to sustainability, which is the actual linchpin of the strategy, there are four main trends that are shaping business development and performance. In contrast to other influencing factors, their development can be estimated relatively well. Nevertheless, they are exerting a great influence on the Group and are, therefore, relevant not only in defining the strategy, but also in implementing it.

## Neobanks

Neobanks are players with focused business models and revenue streams that scale well. They have a clear focus on innovation and technology and are often highly specialised. However, they are only active in a narrow field of business. Nevertheless, they have a clear competitive advantage in terms of client focus, simplicity, efficiency and transparency, not least because of the high level of scalability of this business and their specialisation. For this reason, it is to be expected that neobanks will be able to gain further market share there in the coming years.

However, due to their clearly limited product offer or their one-sided strength, they can only serve a certain client segment: Clients who are not looking for a main banking relationship but who obtain banking services from a range of institutions and do not value holistic advice. As soon as a personal or trusting relationship is in focus or complex needs are involved, Group BKB remains ahead of these competitors. Although it is not yet clear how neobanks will be able to monetise their client base, their business models will continue to put pressure on margins, as well as on improving the client experience in individual services.

## New work

The term 'new work' encompasses modern forms of work (flexible, location-independent work) and new forms of organisation (flat hierarchies with self-organised teams), but also describes methods for reducing the time span between product idea and market launch (time to market). Appropriate consideration of these factors is not only central to being able to react quickly to changing client needs, but also to keeping the Group's attractiveness as an employer high.

Nevertheless, the changes associated with new work cannot be implemented without limitations, which limits their adaptability in this respect. Some manifestations of this have so far been in conflict with regulation, directives (for example, the principle of dual control) or other factors. Therefore, in a first step, the existing hurdles should be removed where it is possible and reasonable to do so.

## Partnerships

For all products and services that the Group wishes to offer, the question arises whether the corresponding solution is to be developed in-house ('to make'), the corresponding know-how is to be bought in ('to buy') or offered together with another company ('a partner').

With the increasing importance of ecosystems and the possibility of differentiating from competitors with offerings beyond those of conventional banking services (e.g. insurance solutions, advice on energy management for properties) or accessing previously inaccessible client segments, the importance of partnerships is also increasing. This results in win-win situations, which can be used. However, for the most consistent client experience possible, we should strive for seamless integration into our banking processes.

## Omni-channel

Depending on their needs and situation, clients would like to conduct their banking business and make contact via a range of different channels and, increasingly, independently of opening hours. This means that they expect their bank to implement an omni-channel approach. This does not mean that clients can switch to any channel at any step of the process, at any time. Because a 100 % ability to switch is associated with high investment costs, it is not necessarily the goal. However, where it makes sense and is expedient, basic functions, such as blocking debit and credit cards, opening accounts or balancing accounts and making payments, etc. should be able to be carried out as conveniently as possible and, as much as possible, at any time. In most cases, clients continue to seek direct contact with their advisor for 'trusted transactions' or complex issues.

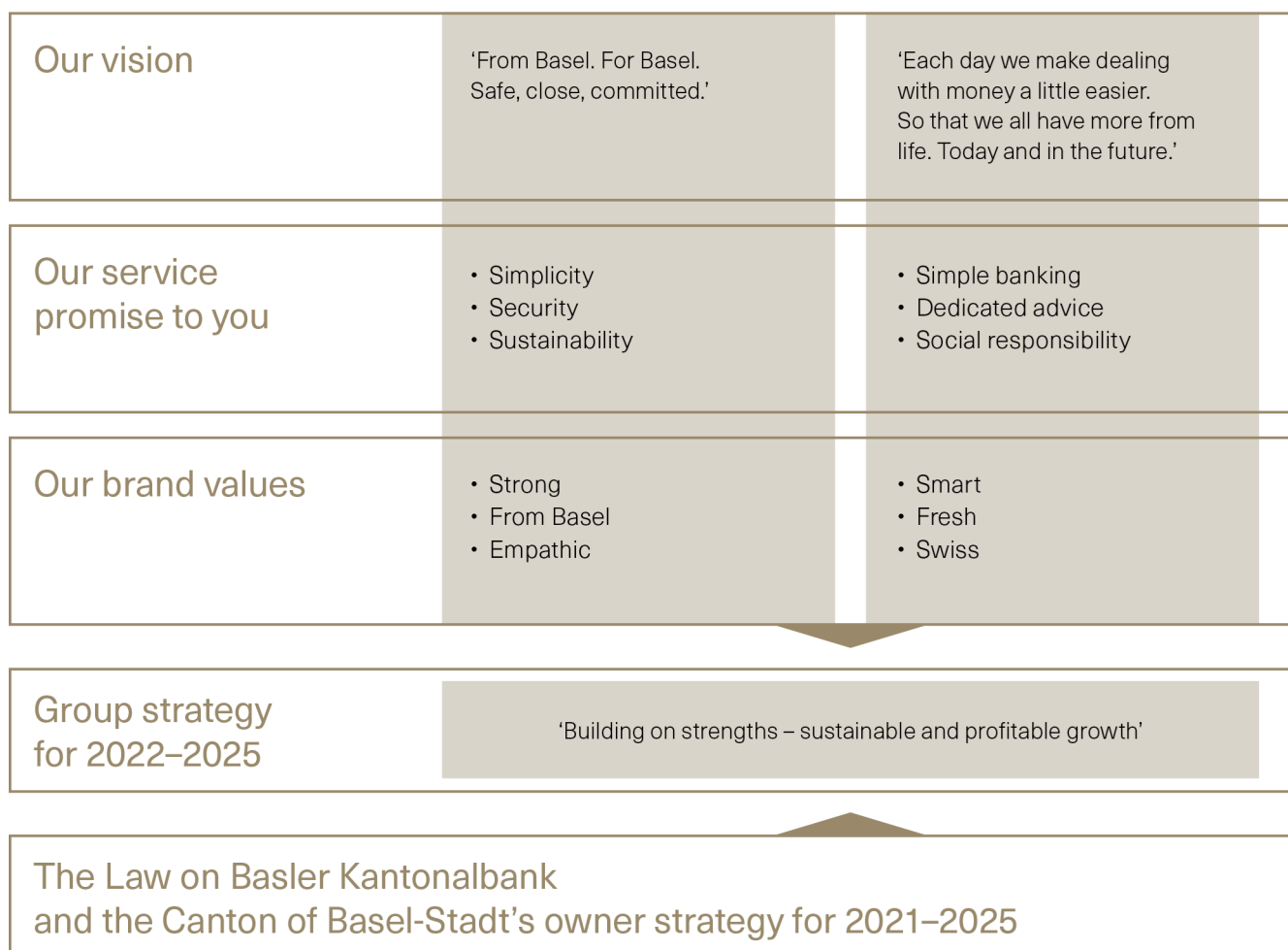
# Vision and strategic orientation

## Vision

Our vision is the future-oriented component of the brand and, as a result, sets the long-term direction for development. The strategy, as well as the objectives and the concrete implementation measures, are aligned with this. The vision provides motivation and guidance for the employees of the Group

with regard to their work behaviour. And in daily contact with clients, it manifests itself in the value proposition. Cooperation within the Group is guided by the values of 'integrity, sustainability, courage, passion and respect'. The two brands Basler Kantonalbank (BKB) and Bank Cler are grounded in these values.

### From vision to Group strategy



## The owner's requirements

The environment is constantly changing: The market, social developments and megatrends, such as digitalisation, sustainability or increasing regulation are influencing client behaviour and the operational framework conditions. Group BKB must, therefore, continuously develop its business model and strategic orientation and adapt them to the new realities. The Bank's medium-term direction is set by the Canton of Basel-Stadt in its owner strategy and by the Basel Cantonal Bank Act implemented in the four-year Group strategy.

## Owner strategy 2021–2025

The Canton of Basel-Stadt aims to ensure an efficient and structurally balanced economy by providing suitable framework conditions. The governing council is oriented towards the needs and the well-being of the population and, thereby, promotes sustainable development. With its banking services, BKB makes an important contribution to achieving these goals. In addition, it serves the canton with its social and societal commitment.

In the owner strategy, the governing council defines the strategic goals that the Canton of Basel-Stadt wishes to achieve as the owner of BKB over periods of four years. The guidelines contained in the owner strategy are binding for the parent company BKB, as well as for its management and supervisory bodies in the management and supervision of the bank. In the strategy period 2021–2025, even more emphasis will be placed on sustainability. The strategy includes, among other things, goals for operational sustainability, BKB's role in the sustainable development of the region and its social responsibility as an employer. ESG criteria have been integrated specifically into the core business and the topics of climate protection and management of climate risks have taken on particular importance. In addition, the guidelines regarding remuneration were specified in the area of human resources policy. As part of the financial objective, the owner expects the profit transfer to amount to at least CHF 55 million annually on average over four years.

## Law on Basler Kantonbank

The Law on Basler Kantonbank specifies the purpose of the company. BKB acts as a universal bank with the aim of primarily satisfying the needs of the population and the economy of the Canton of Basel-Stadt. The law prescribes a certain location-specificity, which limits diversification in the lending business and increases region-specific risks if need be. Furthermore, the law prohibits 'particularly risky' transactions and restricts proprietary trading primarily to transactions that are necessary to satisfy client needs.



## Group strategy for 2022+

BKB pursues an ethical strategy and business policy geared towards long-term success. Based on the Owner Strategy 2021–2025 and the Law on Basler Kantonalbank, the Group Strategy 2022+ was drawn up and adopted in 2021. In this way, Group BKB intends to further expand its strengths and place emphasis on the area of sustainability until 2025.

Environmental and climate protection measures have a direct influence on the business model of Group BKB 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.

The sustainable orientation of all corporate activities is, therefore, a fundamental prerequisite for the long-term business performance of Group BKB. The Group Strategy 2022+ deals in depth with the central ecological challenges and societal developments. The strategy 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. 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. Bank Cler is withdrawing from business areas with a low strategic fit (SMEs, external asset managers, institutional investors, corporate and major clients). With their increased focus, both banks wish to sharpen their profiles.

Basil Heeb, the CEO of BKB, is convinced:

*'With the new strategy, we are building on our strengths. This will enable us to grow profitably, develop the Group sustainably and ensure a successful future in the long term.'*

## Targets of the Group Strategy 2022+

The company's success is measured at Group level in the three dimensions of profitability, stability and balance sheet quality. At least one key performance indicator (KPI) was defined for each of these dimensions. Target values are set for the individual KPIs to be achieved by the end of the strategy period.

### Profitability:

- **Cost Income Ratio** (CIR): max. 55 %
- **Return on equity** (ROE): min. 6 %

### Stability:

- **Total capital ratio** (TCR): min. 16 %
- **Net stable funding ratio** (NSFR): min. 110 %

### Balance sheet quality (risk management):

- **Risk weighted asset** (RWA) efficiency: min. 1 %

In addition to these quantitative targets, various qualitative objectives were formulated. All targets can be assigned to four strategic thematic areas according to the figure below:

## Classification of the objectives into four strategic thematic areas

### We put clients and sustainability at the centre



#### Expanding holistic client care

- Tools for 360-degree support
- Adapted specifically to target groups and trained support and advisory processes



#### Further promoting sustainability

- Embedding sustainability in the core business
- Progressive and socially responsible human resources policy
- Operational environmental management

*KPI: Reduction of CO<sub>2</sub> emissions in operations by -20 % by 2025 (vs. 2010)*



#### Strengthen brand positioning and differentiation

- Employees live the brand values and promises and convey them to the outside world

### We secure our corporate success with profitable growth and stability



#### Boost profitability

- Increase efficiency
- Improve profitability

*KPI: Cost income ratio max. 55 % / Return on equity min. 6 %*



#### Safeguard stability

- Strengthen equity base
- Good liquidity planning

*KPI: Total capital ratio (TCR) > 16 % / net stable funding ratio > 110 %*



#### Increase balance sheet quality

- Improve capital allocation

*KPI: Return on risk-weighted assets (RWA efficiency) at least 1%*

### We focus on simple products and processes and create an end-to-end client experience



#### Simplify products and processes

- Standardised products with modular solutions



#### Increase self service

- Further development of the channel landscape towards a level of accessibility that makes sense for the Group

### We learn as an organisation and grow through partnerships



#### Empowering employees and the organisation

- Revised training programme
- Strengthening cross-bank and cross-departmental cooperation



#### Develop partnerships

- Systematic connection with and management of partners to improve and expand the range of products and services

## 'We put clients and sustainability at the centre'

### Expanding holistic client care

The aim is to strengthen client loyalty, optimise product penetration and increase the number of main bank clients by offering support and advisory services tailored to specific target groups and a goal-based 360° advisory approach.

### Further promoting sustainability

Group BKB is committed to sustainable development in the Basel region and Switzerland. The focus is particularly on the climate-friendly transformation of the economy and society. Accordingly, the sustainable product and service range will be further expanded by 2025 with the aim of being able to offer sustainable solutions in all product categories.

In addition, Group BKB ensures that resources are conserved and the impact on the environment and the climate is reduced wherever possible by means of comprehensive operational environmental management. A progressive and socially responsible human resources policy is also being pursued.

### Strengthen brand positioning and differentiation

The employees act as brand ambassadors for the bank by living and communicating the brand values and promises to the outside world, thus strengthening brand trust and brand image.

## 'We focus on simple products and processes and create an end-to-end client experience'

### Simplify products and processes

The two Group banks, BKB and Bank Cler, continue to appear in the market as independent brands, but have a shared infrastructure, where expertise is bundled and efficiency gains are made possible through economies of scale. In order to further increase productivity while reducing complexity, both Group banks are continuously simplifying and standardising their core processes. In the process, non-differentiating activities are outsourced and cloud applications are driven forward.

### Increase self service

Due to the changed living, working and consumption habits of clients, there is an increasing demand for services via the digital channel. In response, the two Group banks are increasing the degree of self-service and thus enabling their clients to have a continuous client experience. To this end, the infrastructure and functionalities of mobile and E-Banking will be expanded continuously or replaced by a better solution in 2023.

## 'We secure our corporate success with profitable growth and stability'

BKB aims to become the market leader in its home market in all business areas that are part of its core business and to further expand its lead. Throughout Switzerland, BKB is specifically active as a niche player in business areas in which it has clear competitive advantages and can grow profitably: Private banking, institutional investment clients, corporate and major clients. Bank Cler focuses on growth in the private and real estate client business throughout Switzerland. In addition to business with private, corporate and real estate clients, private banking and trading, asset management will be an important growth driver for the Group. Here, the strategy aims to develop the Group into an even more successful provider of investment solutions for families, foundations and pension funds and to further expand income from the commission business.

## 'We learn as an organisation and grow through partnerships'

### Empowering employees and the organisation

Developing the strengths of the employees in Group BKB is an important cornerstone in the Strategy 2022+. Together with the executive managers, employees are accompanied in their development, talents are promoted and knowledge and advisory skills in the key area of sustainability are expanded. Particular attention is paid to a broad range of competencies, experiences and skills.

### Develop partnerships

In order to open up new markets, expand the range of products and services outside the core business and gain new clients, the Group enters into systematic partnerships.

## Progress in implementing our strategy

The first year of strategy implementation was dominated by the target: 'Focus on the essentials'. As a result, from the beginning of the year onwards, focused implementation was carried out on what was considered a priority on the way to becoming a modern bank with lean processes and a high degree of self-service. Great progress has already been made in each thematic area. They are described in the chapter 'Business Development'.



# Group 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. Because every client is different in terms of financial situation, risk tolerance and objectives, the focus is on them and their individual situation. The Group meets their needs with a comprehensive range of products and services in savings, investment, pensions and financing. Thanks to a diversified business model, the Group generates its income not only from the traditional interest business, but also to a substantial extent from the commission and services business, as well as its trading business.

Various central functions, such as banking services, IT or HR have been bundled into Group units and together form the Group infrastructure. This makes it possible to bundle expertise and achieve efficiency gains through economies of scale.

In order to increase the sustainable value of the company, Group BKB follows the principle of value-oriented bank management by means of economic profit (EP). In addition to costs and income, the risk (capital) is always taken into account in all business decisions. This ensures that instead of short-term growth and one-off earnings, the focus is on a permanent increase in the value of the company. Investments are generally assessed under strict cost-benefit criteria. Investment projects are calculated with a business case according to the logic of EP and thus lead to long-term sustainable investments that take into account the profitability targets and the focused, strategic orientation of Group BKB.

## Group infrastructure and business areas of both banks

Group	Group infrastructure			
Institution	 <b>Basler Kantonalbank</b> 'From Basel. For Basel. Safe, close, committed.'		 <b>CLER</b> 'Each day we make dealing with money a little easier. So that we all have more from life. Today and in the future.'	
Department	Private Clients	Commercial Clients	Private Clients	Commercial Clients
Business areas	<ul style="list-style-type: none"> <li>• Private Clients CH</li> <li>• Private Banking CH</li> <li>• Private Clients outside Switzerland</li> </ul>	<ul style="list-style-type: none"> <li>• Real Estate Clients</li> <li>• SMEs</li> <li>• Corporate and Major Clients</li> <li>• Institutional Investment Clients</li> <li>• Trading</li> </ul>	<ul style="list-style-type: none"> <li>• Private Clients CH</li> <li>• Private Banking CH</li> <li>• Private Clients outside Switzerland</li> </ul>	<ul style="list-style-type: none"> <li>• Real Estate Clients</li> </ul>

## Basler Kantonalbank

BKB is a universal bank and Northwestern Switzerland is its home market. In the business areas in which it has a strong competitive position, it is also active throughout Switzerland. Its unique sales proposition is based on its strong brand as a safe bank with local commitment, proximity to its clients and financial strength.

In its home market, BKB is active in all eight business areas shown above and promotes the long-term development of the economic area. It positions itself as an advisory bank and a strong partner for its clients. The private client business, private banking and business for small and medium-sized enterprises (SMEs), for real estate clients and for institutional investors are considered core businesses in accordance with BKB's performance mandate. BKB has a strong market position in these business areas. BKB has withdrawn from business areas with a low strategic fit as part of the Group Strategy 2022+ (foreign loans, Keen innovation laboratory).

In addition to its home market, BKB is active throughout Switzerland as a niche player focusing in business areas in which it has competitive advantages and profitable growth opportunities are realistic. Switzerland-wide activity is limited insofar as this does not affect the performance mandate in the home market. BKB, therefore, does not operate any locations outside the canton of Basel-Stadt.

Security and financial strength are two key assets of BKB. Against this backdrop, all business decisions are assessed in accordance with value-oriented bank management not only from an earnings perspective, but also from a risk perspective or taking into account the cost of capital.

BKB is active in the eight business areas described below.

### 1. Private Clients Switzerland

BKB offers its clients domiciled in Switzerland all of the products and services they need in the areas of payment, savings, financing, investment and pensions. The solutions are simple, accessible quickly, available reliably and of good quality. BKB serves its clientele through a network of branches, the Customer Operation Center and digital channels (online/mobile).

### 2. Private Banking Switzerland

In addition to the basic services from the private client business, BKB also offers its high net wealth clients domiciled in Switzerland comprehensive advice and holistic solutions, including asset management, financial planning, pensions and succession advice, inheritance advice and philanthropy. Within the framework of various delegation solutions, clients also benefit from the investment expertise of Asset Management. BKB attaches great importance to tailor-made and easy to understand services of high quality and focuses in particular on sustainable asset management. In doing so, it relies primarily on internal experts, but also calls in external specialists when necessary.

### 3. Private Clients outside Switzerland

The business segment 'Private Clients outside Switzerland' comprises the two focused business segments 'Private Client Business Cross-Border' and 'Private Banking outside Switzerland'. BKB exclusively offers these clients products and services for their needs in the areas of payments, savings and investments.

### 4. Real Estate Clients

In its business with real estate clients, BKB offers customised solutions for the financing of investment properties. The focus in the home market is on housing cooperatives and real estate companies. Across Switzerland, it addresses other client segments, such as real estate funds and listed real estate companies. Cooperation with the retail business is a competitive advantage in this respect.

### 5. SMEs

In its business with SMEs, BKB offers products and services to meet the needs of payments, financing and savings. They should be as simple as possible, quickly accessible and integrable into the core processes of SMEs. SME clients are advised personally and served through the Customer Operation Center, as well as via digital channels (online/mobile).

Business with SMEs is part of BKB's performance mandate and an important element of its reputation in the home market. Due to its active role in the development of the canton's COVID programmes and with the granting of COVID loans, the Bank was able to further improve its market position and reputation.

### 6. Corporate and Major Clients

The business segment 'Corporate and Major Clients' comprises the two business units 'Domestic Corporate and Major Clients' and 'Foreign Corporate and Major Clients'.

In this business segment, BKB offers Swiss companies solutions in the area of financing (loans and capital market), hedging, foreign exchange and payment transactions. It differentiates itself from its competitors through a tangible credit office, as well as a comparatively large range and depth of services, professionalism and expertise. It focuses on selected industries and limits its unsecured exposures in order to limit risk and optimise capital deployment. No international credit transactions are conducted.

## 7. Institutional Investment Clients

The business area comprises the business fields of 'Institutional Investors', 'Asset Management' and 'External Asset Managers'. To institutional investors, including, for example, foundations and pension funds, BKB offers tailor-made advice and asset management to meet their individual investment needs. The business area 'Asset Management' plays an important role in the growth of other business segments, especially as a supplier to them; e.g. Private Clients Switzerland, Private Banking Switzerland and also the 'Institutional Clients' business area, in particular. Business with external asset managers is focused exclusively on asset managers domiciled in Switzerland.

## 8. Trading

The business area 'Trading' consists of the four business areas 'Client Trading', 'Proprietary Trading', 'Issue Trading' and 'Securities Financing'. In the trading business, BKB focuses on client trading and limits proprietary trading to activities that are necessary for client transactions. Trading activities focus on securities financing, issuing business (especially debt capital markets and structured products), interest rate derivatives, bond trading and foreign exchange business.

The volatility of the valuation of the trading books is limited by restricting their size or by the systematic use of hedging instruments.

## Bank Cler

Bank Cler Ltd is a public limited company under Swiss law with its head office in Basel. The bank has a physical branch network throughout Switzerland, as well as a digital offering via the neobanking app Zak. The bank is wholly owned by Basler Kantonalbank. Private client business, private banking and the business with real estate clients are its core businesses. In these business areas, Bank Cler makes use of products and services produced by the Group. The range of products differs in part from BKB in terms of breadth and pricing in order to take into account the specific circumstances of the markets outside northwestern Switzerland. Firstly, this contributes to the geographical diversification of the income streams within Group BKB and, secondly, it benefits from economies of scale from the shared infrastructure.

Bank Cler offers its clients a modern and simple service that they can access quickly and easily. In doing so, it sees itself as a driver for the continuous improvement of the retail banking business within the Group. It deliberately sets itself apart from its competitors by its bold appearance. All business areas support Bank Cler's positioning in the Swiss market and contribute to profitable growth. In addition, synergies between the business areas are used and the further development of clients within the bank is promoted through close cooperation.

In order to simplify and focus its business activities, Bank Cler is withdrawing from business areas with marginal activities or a low strategic fit (SMEs, external asset managers, institutional clients, corporate and major clients) as part of Strategy 2022+. Where possible and economically viable, clients will continue to be served by BKB within the Group. Within the 2022+ strategy period, Bank Cler will, therefore, limit itself to the four business areas listed below:

### 1. Private Client Business Switzerland

In the 'Private Clients Switzerland' business, Bank Cler offers its clients domiciled in Switzerland basically the same products and services as BKB in the areas of payments, savings, financing, investments and pensions. It serves its clientele through a network of branches in metropolitan areas as well as the Customer Operation Center. In addition, it also consciously relies on digital channels (online/mobile). The digital channels and self-service functionalities are the focus of further developments to provide clients with access to products and services independent of time and place. The neobanking app Zak is an important acquisition tool for clients who want to do their everyday banking via a mobile device.

### 2. Private Banking Switzerland

In 'Private Banking Switzerland', Bank Cler provides comprehensive advice to high net wealth private clients domiciled in Switzerland. In addition to the private client business, clients are advised holistically by specialist officers on individualised solutions, including asset management and pensions and financial planning. The focus is on sustainable investment products.

### 3. Private Clients outside Switzerland

'Private Clients outside Switzerland' comprises the two business areas 'Private Client Business Cross-Border' and 'Private Banking outside Switzerland' and was newly created as part of the Strategy 2022+. In these business areas, Bank Cler focuses on cross-border commuters from Germany, France and Italy who work in Switzerland, as well as on high net wealth private clients from Germany. It exclusively offers these clients products and services for their needs in the areas of payments, savings and investments. In the process, needs are met from a single source via partnerships (e.g. insurance, health insurance) and digital access.

### 4. Real Estate Clients Switzerland

In its business with real estate clients, Bank Cler offers sustainable solutions for the financing of investment properties. The focus is on housing cooperatives and real estate companies.

As part of its real estate clients, Bank Cler also includes smaller and medium-sized companies with primary needs in the financing business. The focus here is on expanding existing client relationships.

# Group business development













The year 2022 was strongly marked by the implementation of the first measures that had been prioritised within the framework of Strategy 2022+. The implementation was based on the business areas and strategic directions. As described in the 'Business Model' chapter, there are eight business areas at BKB (three for private clients, five for corporate clients) and four at Bank Cler (three for private clients and one for corporate clients). All of the measures taken aim to bring about progress in the four strategic topic areas – 'Clients & Sustainability', 'Products & Processes', 'Organisation & Partnerships', 'Corporate Success'.

## Strategy implementation in 2022

As the following chart shows, innovative products were launched in the business areas, the advisory services were expanded, the advisory services were deepened in collaboration with partners and the banking business was made easier for the clients through simplified processes. In addition, the Group infrastructure was made more efficient in the strategic directions by aligning and automating processes within the Group.



## Progress in the business fields and strategic directions

Group infrastructure	
<p><b>Completed</b></p> <ul style="list-style-type: none"> <li>• Conversion of Brunnigässlein and certification according to the Minergie P standard</li> <li>• Launch of new CAS 'Sustainable Finance' in cooperation with FHNW</li> <li>• Improved client focus through new quality reporting at Services</li> </ul>	<p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• Work on mobile and E-Banking to increase self-services and simplification</li> <li>• New work on market-driven remuneration policy and an innovation system</li> <li>• IT security, journey to cloud, data architecture and use</li> </ul>
<p><b>Private Clients</b></p> <p><b>Private Clients Switzerland</b>  </p> <ul style="list-style-type: none"> <li>• Needs-based segmentation and value proposition</li> <li>• Extended goal-oriented advisory process (new investment module)</li> <li>• Introduction of youth services and creation of a new BKB Children's World (Flip)</li> <li>• Simplification through self-services (address changes, card blocking)</li> </ul> <p><b>Private Banking Switzerland</b>  </p> <ul style="list-style-type: none"> <li>• New BKB client segment 'Entrepreneurs and Executives' (E&amp;E)</li> <li>• New advisory process for key clients and E&amp;E clients</li> <li>• Expansion of advice in the area of sustainability (ESG portfolio process)</li> <li>• New investment products in the area of sustainability (e.g. NH Aktien investment solution, Max Havelaar Fairtrade Goldfonds)</li> </ul> <p><b>Private Clients outside Switzerland</b>  </p> <ul style="list-style-type: none"> <li>• Focusing and positioning</li> <li>• Selective adjustment of the range of services</li> <li>• Creation of basic banking solutions for refugees with protection status S</li> </ul>	<p><b>Corporate Clients</b></p> <p><b>Real Estate Clients</b>  </p> <ul style="list-style-type: none"> <li>• Deepening advice along the real estate value chain (e.g. through BKB's partnership with Basler &amp; Hofmann)</li> <li>• Expansion of Social/Green Loan</li> <li>• Launch of the Social Bond</li> </ul> <p><b>SMEs</b> </p> <ul style="list-style-type: none"> <li>• Partnerships to support sustainable transformation (Swiss Triple Impact, Klimastiftung Schweiz)</li> <li>• Support for start-ups: Expansion of cooperation with the Start-Up-Academy, Werkpark Basel and partnership in the Region Werkarena</li> <li>• Simplification of credit processes (resubmissions)</li> <li>• Optimisation of 'SME Impulse'</li> </ul> <p><b>Corporate and Major Clients</b> </p> <ul style="list-style-type: none"> <li>• Launch of sustainable financing solutions such as Green Loans and sustainability-linked loans</li> <li>• Focus on the energy sector to promote sustainable energy production</li> <li>• Partnerships for corporate finance services and promissory note loans for Swiss companies</li> </ul> <p><b>Institutional Investment Clients</b> </p> <ul style="list-style-type: none"> <li>• Launch of sustainable investment products (BKB Max Havelaar Fairtrade Gold Fund, rule-based investment strategies with active stock selection)</li> <li>• ESG portfolio assessment</li> <li>• Transfer of Bank Cler clients to a newly consolidated division</li> </ul> <p><b>Trading</b> </p> <ul style="list-style-type: none"> <li>• Efficient management of economic banking resources (equity and liquidity)</li> <li>• Expansion of products and network to expand refinancing opportunities</li> </ul>

Even though the measures from the two Group banks are being driven forward independently in order to do justice to their respective brand, positioning and different client needs, they were nevertheless implemented hand in hand or in a harmonised manner. As a result, many projects in the business areas of both banks have made an impact.

## Progress in relation to the four strategic thematic areas

Taken as a whole, the individual measures have led to noticeable successes being achieved in relation to the four strategic thematic areas already in the first year of the new strategy period.

- 1. Clients and sustainability at the heart of it all:**  
Clients benefited from the embedding of sustainability in the core business.
- 2. Simple products, processes and an end-to-end client experience:**  
The client experience has improved through process simplification, automation and self-services.
- 3. Learning as an organisation and growing through partnerships:**  
Employees have developed and benefited from building expertise from the various partnerships.
- 4. Securing our corporate success with profitable growth and stability:**  
The Group has grown profitably, improved efficiency and is more stable than ever.

How these successes have come about and how they have affected the annual result in financial terms is explained in the following chapters.

### 1. Clients and sustainability at the heart of it all

In order to support corporate clients in the implementation of sustainable projects, the range of services has been expanded considerably. The Group has created a range of sustainable financing instruments to achieve this (Sustainability-linked Loans, Green Loans and Social Loans). In addition, BKB was the first Swiss bank to issue a Social Bond in order to provide favourable financing for non-profit housing construction, for example. As of the end of 2022, a range of projects with a total volume of CHF 1.6 billion were financed via BKB's sustainable financing solutions. In addition, new partnerships are supporting corporate and commercial clients in their sustainable transformation (Swiss Triple Impact, Klimastiftung Schweiz, Basler & Hofmann). For institutional investment clients, three ESG-compliant investment products were introduced with the first gold fund with a Fairtrade label (BKB Physical Gold Fairtrade Max Havelaar), a new sustainable investment fund (BKB Sustainable Equities Momentum Select) and an additional sustainable investment strategy (Asset Management Mandate Sustainable Equities).

For private clients, the goal-based advisory service was further expanded in 2022. The Compass advisory tool was supplemented by the investment module, which enables even more holistic advice. With revised value propositions and better segmentation, client advisors also have more time available for client meetings.

The expanded offer in the direction of sustainability and various marketing measures made it possible to sharpen the positioning of BKB and Bank Cler as sustainable banks. Of particular importance in this context was the sustainability month of September, during which BKB implemented a marketing campaign focused on ESG issues with clearly differentiating messages. Contributions on a range of ESG-relevant topics were published daily via various social media channels and online media.

A survey of private clients conducted by Sonntagzeitung in spring 2022 showed that the efforts made are having an impact and are appreciated by clients. In that survey, BKB was named the 'Top Bank in Northwestern Switzerland' and Bank Cler the best bank in Zurich and Central Switzerland. A broad-based representative brand and image survey of 1,000 households, conducted for the sixth time by an external market research institute (amPuls) in October 2022, has confirmed: Both Group banks were able to significantly improve their overall image last year. With an image rating of 8.1 (scale 1–10), BKB even ranks at the top of the banks in the region.

### 2. Simple products, processes and an end-to-end client experience

With simplified processes for smaller loans and resubmissions, the automation of the dunning process, the introduction of electronic signatures or a range of self-service offers for everyday concerns, banking business is not only becoming more efficient and scalable, but also more convenient for clients. This is against the background that the Group will continue to simplify banking until the client experience is consistent and positive in every respect.

In 2022, various simplifications were driven forward and improvements made in all business areas and within the Group infrastructure. In addition, important preparatory work was done for projects that are to be implemented in 2023. The focus here is on the new mobile and E-Banking, which will be launched in the second quarter of 2023. But the optimised credit process will also bring a significant improvement in this respect.

### 3. Learning as an organisation and growing through partnerships

Partnerships are central to successfully driving the strategy forward. The partnership with the Klimastiftung Schweiz, for example, gives the Group access to know-how regarding new technologies for improving energy efficiency. And through the STI platform (Swiss Triple Impact), which BKB launched in 2022 with other founding partners in the region, a network for knowledge exchange has been created that benefits commercial clients.

Partnerships are also helpful when it comes to implementing new solutions quickly and efficiently. Last year, for example, BKB developed a CAS in 'Sustainable Finance' together with the FHNW in order to offer its employees well-founded and practice-oriented further training in sustainable corporate management. Because this know-how helps to competently accompany clients on the path to a sustainable future. In the second half of 2022, 30 employees of the Group completed the first training course. From 2023, this training will also be available to external persons. Likewise, thanks to the proven partnership with Max Havelaar, it was possible to launch the first gold fund with a Fairtrade label.

And last but not least, partnerships also have a positive effect on the depth of advice. In collaboration with Basler & Hofmann AG, BKB can, for example, provide its real estate clients with a comprehensive building analysis geared towards sustainability and help them to plan investments for the long term and, thus, secure the value of their real estate portfolio on a sustainable basis.

#### 4. Securing our corporate success with profitable growth and stability

Basil Heeb, CEO of BKB, summarises the 2022 consolidated financial statements with the following words:

*'Last year, Group BKB created the basis for profitable growth and further embedding sustainability. The work to implement the strategy has progressed according to plan with the result that the core business has evolved and our Group infrastructure has become more efficient.'*

Five financial KPIs have been defined for the 2022+ strategy period, which will be used to measure the quantitative success of the company. As the following overview shows, the Group is on target everywhere by the end of 2022 or has already achieved the financial targets set for the end of 2025.

#### Progress in the individual KPIs

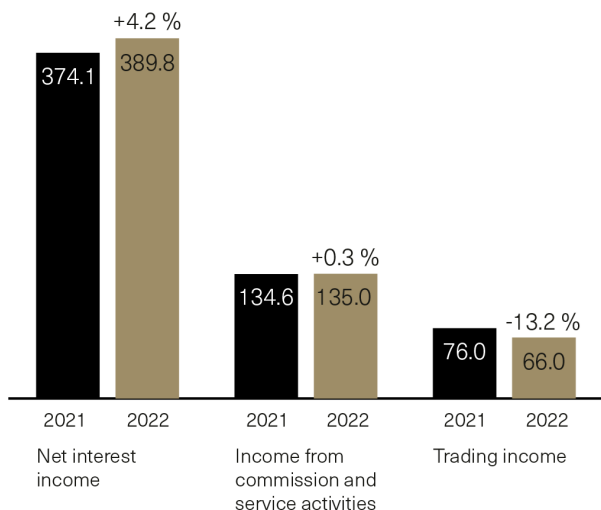
Profitability		Stability		Balance sheet quality
Efficiency	Profitability	Liquidity	Financial stability	Capital efficiency
<b>≤ 55 %</b> Cost Income Ratio	<b>≥ 6 %</b> Return on Equity	<b>≥ 110 %</b> Net Stable Funding Ratio	<b>≥ 16 %</b> Total Capital Ratio	<b>≥ 1.0 %</b> Return on risk-weighted Assets
<b>56.3 %</b> (Previous Year: 58.4 %)	<b>5.3 %</b> (Previous Year: 5.3 %)	<b>122.4 %</b> (Previous Year: 125.6 %)	<b>18.6 %</b> (Previous Year: 18.5 %)	<b>1.11 %</b> (Previous Year: 1.07 %)

Value 2022 Target 2025

## Increased earning power, raised profitability

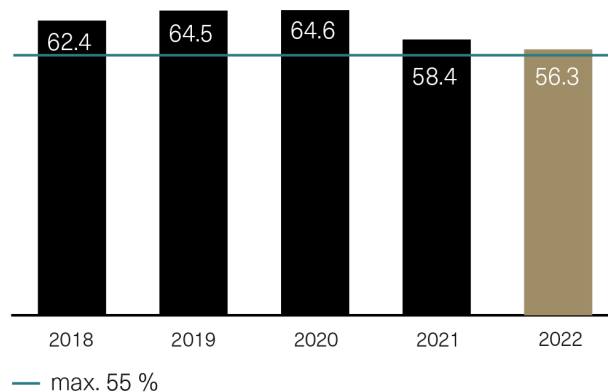
Improvements to the product range, the launch of sustainable product innovations and the establishment of new partnerships or the deepening of existing ones have led to profitable growth. The increase in net interest income was particularly significant at +4.2 % to CHF 389.8 million and is attributable to broad-based growth in real estate and corporate loans, as well as disciplined balance sheet management. Due to the high quality contained in the loan portfolio, no additional value adjustments had to be made in the interest activities in 2022. In the commission activities, the Group benefited from continuous inflows of new money and the expansion of the card business. Income from commission and service fee activities rose to CHF 135.0 million (+0.3 %) despite the performance-related reduction in the volume of deposits (CHF -1.4 billion or -6.0 %). In the trading activities, the measures taken within the framework of the strategy to reduce volatility are taking effect: In a very difficult environment, it made a gratifying contribution of CHF 66.0 million (-13.2 %) to the result. The focus on the strengths in securities financing, client trading and the issuing business defined in the Strategy 2022+ was implemented successfully. The Group's operating income thus increased by +0.9 % to CHF 599.1 million, the highest level in the last five years.

### Income fields in CHF million



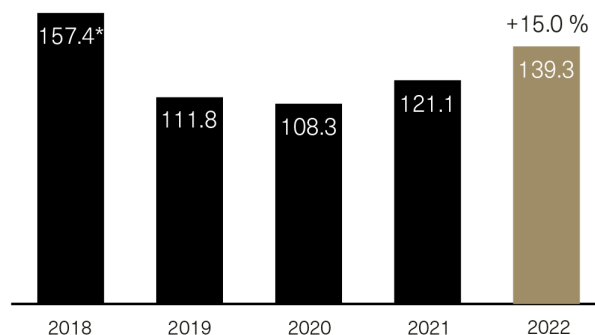
It is particularly pleasing that not only did income increase, but thanks to efficiency improvements in the Group infrastructure, operating expenses fell at the same time by 2.1 % to CHF 336.9 million. This has once again noticeably improved cost efficiency: The Group's Cost Income Ratio fell by -2.1 percentage points and at 56.3 % is already close to the strategic target for 2025 (<=55 %).

### Cost income ratio in %



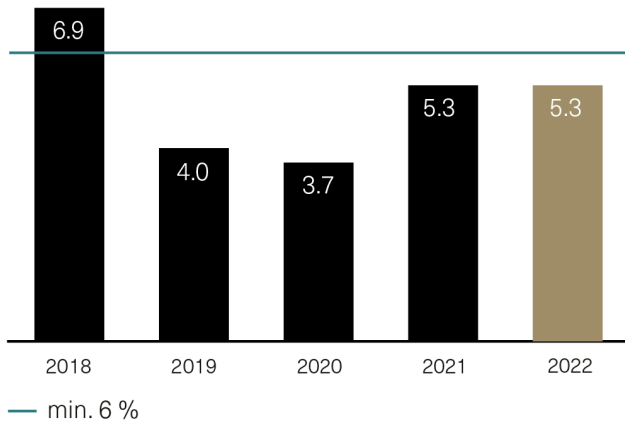
The high operating profit of CHF 231.1 million (+4.0 %) allowed a further substantial strengthening of the reserves for general banking risks (CHF 78.8 million). At CHF 139.3 million, the Group net profit after taxes again clearly exceeded the previous year's result by +15.0 %. The return on equity (before reserves) remained unchanged from the previous year at 5.3 %.

### Group net profit in CHF million



\* The 2018 result has been adjusted for the release of the US tax provision.

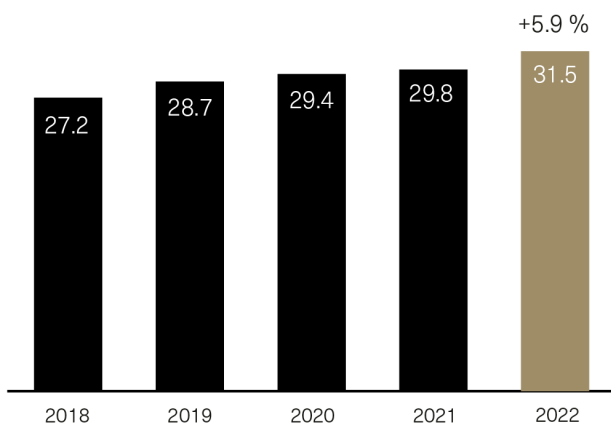
### Return on Equity in %



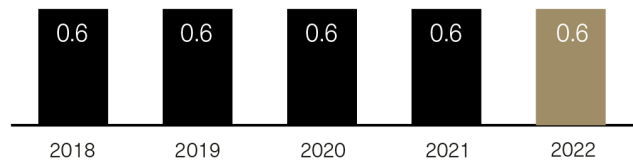
### Stability and balance sheet quality maintained

The Group's risk-conscious growth is reflected in the development of client loans. Mortgage receivables grew by 5.9 % to CHF 31.5 billion. At the same time, the value adjustments in the loan portfolio remained at an unchanged low level of 0.6 %. Total assets increased by +3.3 % and stood at CHF 55.2 billion as at 31 December 2022.

### Mortgage requirements in CHF billion

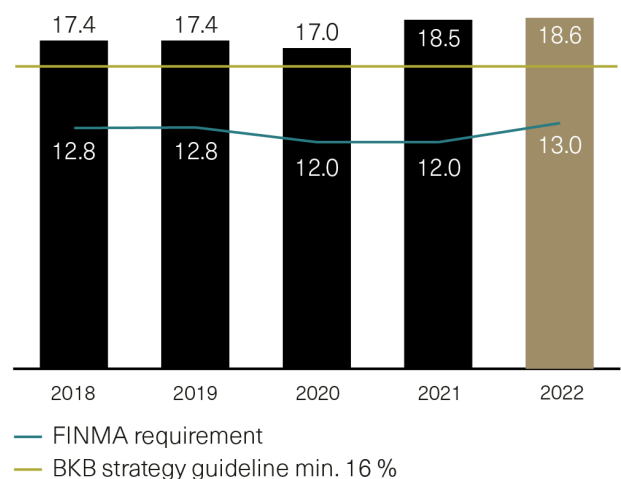


### Value adjustments in the loan portfolio in %



The high stability of the Group is reflected in the still very strong equity base. Shareholders' equity (incl. net profit) was CHF 4.2 billion and thus CHF +134.0 million higher than in the previous year. The reserves for general banking risks alone now amount to over CHF 2.8 billion. At 18.6 %, the total capital ratio was once again higher than in the previous year (18.5 %) and thus also clearly exceeded the increased regulatory requirement due to the countercyclical capital buffer of 13 % (previous year: 12 %). The unweighted capital ratio (leverage ratio) of 6.9 % was also significantly above the requirement according to the Capital Adequacy Ordinance (3 %).

### Total capital ratio in %



In January 2023, the international rating agency Fitch analysed the creditworthiness of BKB (parent company) for the first time and awarded it the top rating AAA at the first attempt. Standard & Poor's has again confirmed the high solidity of Basler Kantonalbank with the second-best credit rating of AA+ in 2022. These independent assessments are proof that BKB is one of the most solid banks not only in national, but also in international comparison.

Participation certificate (PS) holders will again be paid a dividend of CHF 3.10 (gross) per participation certificate. As a result, the overall performance of BKB's participation certificate (PS) for 2022 was 4.1 %. And with a total distribution of CHF 85.1 million, Basler Kantonalbank has again made an important contribution to the cantonal budget.

### Conditions created for future success

The progress made in implementing the strategy, as well as the annual result achieved, confirm that the Group has focused on the right strengths and is well positioned for the future. In 2023, further strategic priorities will be set and projects that have already been launched will be completed. One of the priorities is the scalability of the business. To this end, processes are to be simplified, automated and digitalised further. An important milestone will be the introduction of the new mobile and E-Banking in spring 2023. This means that more time is available for advising clients, the expansion of existing clients and the acquisition of new clients.

Basil Heeb is confident that the success of 2022 can be continued in 2023:

*'With the new strategy and the focus on our strengths, we have created a momentum that will allow us to succeed even in a challenging environment. Against this background, it is important, on the one hand, that we continue consistently along the path we have chosen. On the other hand, we have to remain flexible. If we succeed in both, we can repeat last year's success in 2023.'*

For further, detailed information on the 2022 annual result, see the media release dated 16 February 2023.

# Information for investors

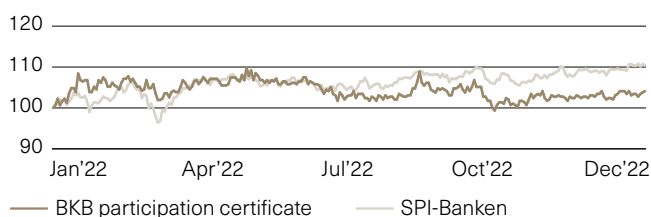
Group BKB can look back on a successful financial year 2022, in which the good business result from the previous year has been improved upon once again. The profitable growth in all business areas and the further development in the area of sustainability, as well as various strategic partnerships, are proving to be success factors.

- CHF 61.40 Year-end price (31/12/2021: CHF 61.80)
- CHF 3.10 Gross dividend per participation certificate (2021: CHF 3.10)
- 5.0 % Dividend yield (2021: 5.0 %)
- 1.08 % Average performance over the last 5 years (p.a.)

## Participation capital

The participation capital was created in 1986 and is divided into 5.9 million participation certificates with a par value of CHF 8.50 each. These are traded on the SIX Swiss Exchange (ISIN: CH0009236461). Holders of participation certificates participate directly in the performance of the business and have no voting rights.

### Price performance in per cent (total return)



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.

### Price statistic

		2022	2021
Highest Price	in CHF	67.00	69.40
Lowest Price	in CHF	57.40	59.40

### Key figures per participation certificate

		31.12.2022	31.12.2021
Nominal value	in CHF	8.50	8.50
Book value	in CHF	97.72	94.94
Price-earnings ratio		11.7	12.1
Price-book ratio		0.6	0.7

### Yield per participation certificate

		2022	2021
Gross dividend	in CHF	3.10	3.10
Dividend yield	in %	5.0	5.0
Performance incl. dividend	in %	4.1	6.8

## Company profile

Rooted in Basel for more than 120 years, Basler Kantonalbank (BKB) is active throughout Switzerland as a targeted niche player in selected business areas in addition to its home market. With its dense branch network in the city of Basel and its digital services, BKB is always close and available. The subsidiary Bank Cler Ltd. makes banking easy and convenient throughout Switzerland. The entire group employs 1400 people and is one of the ten largest banking groups in Switzerland in terms of total assets.

### Diversified business model

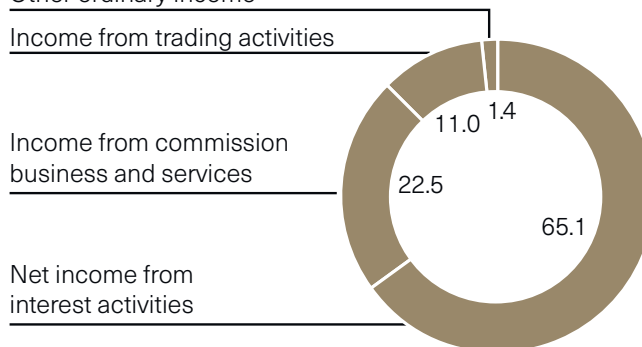
in %

Other ordinary income

Income from trading activities

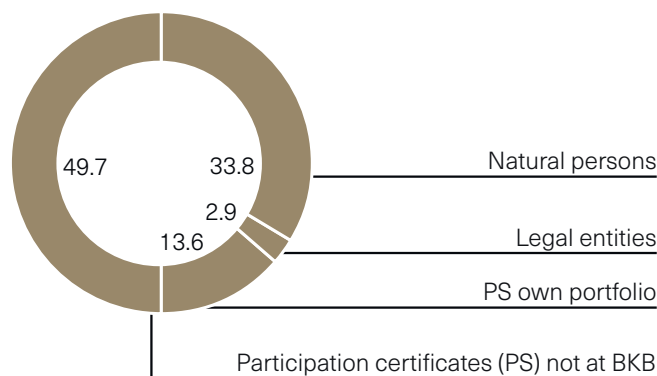
Income from commission business and services

Net income from interest activities



### Structure of the participation capital

in %



### Key figures for Group BKB

		31.12.2022	31.12.2021
Total assets	in CHF billion	55.2	53.5
Customer loans	in CHF billion	34.8	33.2
Customer assets	in CHF billion	52.6	51.3
Total capital ratio	in %	18.6	18.5

		2022	2021
Business performance	in CHF million	231.1	222.1
Group net profit	in CHF million	139.3	121.1
Return on equity	in %	5.3	5.3
Cost Income Ratio	in %	56.3	58.4

# Sustainability



# Sustainability in Group BKB

## CHF 1.47 billion

Sustainable investment solutions  
(53 % of the total volume of investment solutions)

## Fair-ON Pay+

equal pay confirmed

## Sustainable Finance

CAS launched with FHNW

## 79

apprentices, trainees and interns

## -35.2 %

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

## Fairtrade Gold Fund

launched with Max Havelaar  
(Parent Company BKB)

## Minergie-P

total refurbishment of Brunngässlein 3  
(BKB headquarters)

## EqualVoice United

is a member of the network  
(Bank Cler)

## 18 hectares

of peat bog forest protected by Zak Green Impact  
(Bank Cler)

# Our ambition and approach to sustainability

## Understanding of sustainability

(GRI 2-22)

Group BKB's understanding of sustainability is based on the requirements of the Cantonal Banks Act and the owner's strategy and reflects the three classic sustainability dimensions of ecology, social affairs and the economy. In line with this, Group BKB aims to ensure that its sustainability strategy and all measures in the areas of sustainability each make a positive contribution to at least one of the following three sustainability goals: the promotion of climate protection (ecology), equal opportunities (social affairs) or the promotion of the local economy (economy). In addition, none of the sustainability measures taken may have a negative impact on any of the three goals.

*'Group BKB is committed to sustainable development in the Basel region and Switzerland. In particular, we want to actively help with the climate-friendly transformation of the economy and society. Because, as broadly networked universal banks, we know the needs of companies, real estate companies and private clients very well and also have the services and advisory solutions needed to support them in decarbonisation in the best way possible.'*

Basil Heeb, Chair of the Executive Board and CEO of Basler Kantonalbank

## Group understanding of sustainability



### Promoting climate protection

- Net-zero goal: Reduction of greenhouse gases and compensation
- Protecting and restoring ecosystems, e.g. forests
- Conversion to a low greenhouse gas economy
- Promoting renewable energy
- Promoting the circular economy

### Promoting equal opportunities

- Equal opportunities for men and women
- Social and regional equity (socio-economic background, migration, age, religion, language)
- Promoting children and youth
- Integration of people with physical/mental disabilities

### Promoting the local economy

- Support for start-ups and innovation
- Support for SMEs
- Creation of training places
- Safeguarding jobs

# Sustainability strategy

## Supporting sustainability – a central aim of the Group Strategy 2022+ (GRI 2-23)

With the Group Strategy 2022+, sustainability became an even more dedicated focus compared to previous strategy periods. 'Promoting sustainability' was defined as one of eight strategic goals within the framework of the Group Strategy 2022+. The operational implementation commenced in the reporting year, when new responsibilities and implementation vessels were also created.

In keeping with its vision 'From Basel. For Basel. Safe, close and committed.', Basler Kantonalbank (BKB) regards its commitment to a sustainable society as a central element of its business strategy that must be continuously and integrally developed within the organisation as a whole. The increased relevance of the topic of sustainability is also clearly expressed in the owner strategy for BKB (2021–2025). Chapter 3.5 of the owner strategy, for example, formulated comprehensive and concrete targets for the first time.

Likewise, sustainability is highly relevant for Bank Cler, which is part of Group BKB. The long-term, forward-looking and collaborative nature of sustainability is embedded in their vision: 'Each day we make dealing with money a little easier. So that we all have more from life. Today and in the future.'

This report describes the effects, approaches and achievements in relation to non-financial matters of Group BKB in 2022 that have arisen in the course of its business activities and, in particular, its efforts to achieve the strategic goal of 'promoting sustainability'. Where necessary and possible, the report takes into account the specific sustainability performance of the two Group banks, BKB and Bank Cler.

## Operational focal points for implementation in the reporting year

The guiding principle of the Group Strategy 2022+ is that sustainability is integrally embedded and driven forward in all business activities. For this purpose, the 'impact direction for sustainability in supply and operations' was created as an implementation tool. In this impact direction, the implementation of appropriate individual measures is coordinated and monitored, the corresponding responsibilities are defined and the chronological sequence is determined. Thematic focal points are formed with a view to medium-term planning over the entire Group strategy 2022+, while concrete measures are defined from year to year.

In 2022, the focus was on the following points in particular:

- Expansion of the range of sustainable investment instruments
- Launch of sustainable financing instruments (parent company BKB)
- Expanding and strengthening partnerships related to sustainability
- Progressive human resources policy and diversity
- Further training and empowerment of employees with regard to sustainability/ESG
- Environmentally friendly refurbishment of administrative buildings
- Implementation of the self-regulations issued by the Swiss Bankers Association in the area of sustainable finance

Among other things, current market developments and public and political demands, as well as regulatory initiatives, were taken into account when determining these operational priorities. Furthermore, it also reflects the results from the revision of the materiality analysis.

## Outlook

The penetration and expansion of sustainable products on the investment side and on the financing side are to be advanced further in 2023. The Group will also continue to work on the implementation of regulatory requirements at the product, advisory and disclosure levels. In addition, the plan is to fundamentally revise the existing environmental and climate policy towards a comprehensive climate strategy.

# Governance

# Introduction

Based on the 'Directive on Information Relating to Corporate Governance' (DCG) of 18 June 2021, which has been in force since 1 October 2021, of the SIX Swiss Exchange, information on management and control at the highest corporate level of Basler Kantonalbank is published below. Some of the information required to be disclosed under the Directive is also included in other parts of this annual report. Where this is the case, a reference is made to the relevant passage. In particular, there is a detailed presentation of the remuneration-related information in the remuneration report. The numbering of the following information follows, as far as possible, that in the Annex to the SIX Directive DCG.

## Preliminary remarks

The governance structure of Basler Kantonalbank is essentially anchored in the Law on Basler Kantonalbank. The revised version of the Law on Basler Kantonalbank entered into force on 6 June 2016.

In 2019, Basler Kantonalbank took over Bank Cler in its entirety and together with it forms Group BKB. The takeover is enabling Basler Kantonalbank to tap growth opportunities even more effectively, to consistently exploit the existing synergy potential and also to achieve the objectives of the Group Strategy 2022+. As a digital bank with a physical presence throughout Switzerland, Bank Cler plays a central role for Basler Kantonalbank in achieving its strategic goals. In this way, the complete takeover will enable economies of scale to be realised consistently in operations, investment and innovation, thus strengthening the competitiveness of Basler Kantonalbank. In addition, Bank Cler contributes to risk mitigation with its focused business model by providing a geographical diversification effect.

This report basically describes the regulations and composition of the bodies in force on 31 December 2022, with an indication of the most significant changes and as of when these changes became effective during the reporting year. Regarding the detailed listing of the regulation applicable until these adjustments, we refer in each case with a specific reference and link to the relevant information in the Corporate Governance Report for the Financial Year 2021.

# Group structure and shareholders

## 1.1 Group structure

Group BKB consists of the parent company Basler Kantonalbank, Bank Cler Ltd and Keen Innovation AG in liquidation (Keen), whereby the operating activities of Keen were discontinued at the end of 2021. Furthermore, Basler Kantonalbank holds a strategic participation of 33.3 % in RSN (Risk Solution Network AG), Zurich, and 33.3 % in Pick-e-Bike AG, Oberwil. The scope of consolidation of Group BKB consists of the parent company BKB and the subsidiaries Bank Cler Ltd and Keen Innovation AG in liquidation. The governance structure of the Group finance companies is largely the same as that set out in the business and organisational regulations, the regulations governing the Remuneration & Nomination Committee and the regulations governing the Management Board.

The Bank Council of Basler Kantonalbank performs the tasks associated with the Group's top management from a regulatory perspective at Group level, in particular the overall management of the Group and the issuing of the necessary directives, the determination of the organisation, the structuring of the accounting system, financial planning, the approval of the consolidated financial statements, the annual budget and medium-term planning, the overall supervision of the persons entrusted with the Group's management, namely with regard to compliance with the law, the articles of association, regulations and directives, as well as ensuring the appropriate structuring of an effective internal control system.

At the executive level, Basler Kantonalbank and Bank Cler jointly appointed a Group board of management (see section 3.6). The Executive Board corresponds to the Executive Board of Basler Kantonalbank with more extensive competencies and is supplemented with the Chair of the Executive Board of Bank Cler as a co-chair. The Executive Board works within the scope of its powers to ensure that the strategies and operational activities of the two banks are coordinated sensibly and that existing synergy potentials are actually exploited (cf. section 3.5).

The Audit Committee and the Risk Committee of BKB perform their functions at the level of the Group and the individual institution (parent company Basler Kantonalbank). Bank Cler has its own Audit and Risk Committee. The Audit Committee and the Risk Committee of Basler Kantonalbank each consist of three and four members respectively, all of whom are members of the Bank Council. The Chair of the Bank Council is not a member of either committee. For further information, please refer to the presentation in section 3.5. The Remuneration & Nomination Committee of BKB exercises its function at the level of the Group and the individual institutions (parent company of Basler Kantonalbank and Bank Cler). For example, it prepares Bank Cler's business and makes recommendations for the attention of Bank Cler's Board of Directors. The Remuneration & Nomination Committee of Basler Kantonalbank consists of four members, all of whom are members of the Bank Council. For further information, please refer to the presentation in section 3.5.

The role of Group-wide internal audit is performed by the Inspectorate Group BKB of Basler Kantonalbank. As an internal auditing body, the Inspectorate Group BKB verifies compliance with the legal and regulatory provisions as well as the directives and guidelines in the individual Group finance companies (cf. section 3.6).

The Legal & Compliance Department of Basler Kantonalbank performs the legal and compliance function for Group BKB. Since 1 January 2020, Bank Cler has outsourced the compliance function to the responsible Legal & Compliance department of Basler Kantonalbank in accordance with FINMA Circular 2017/01 'Corporate Governance – Banks' (see also Compliance function).

A single joint external audit firm was designated for both banks. The latter is both the statutory auditor and the supervisory auditor. Each year, it shall prepare a comprehensive report on the audit of the accounts for each supervised group financial company to the supreme governing body within the meaning of Art. 728b para. 1 CO and a report on the supervisory audits.

There is also a framework agreement between Basler Kantonalbank and Bank Cler which provides for closer cooperation in joint infrastructure and business departments. The aim is to deepen cooperation within the Group and realise synergy effects and cost savings. These are generally managed administratively by Basler Kantonalbank and are based on service level agreements (SLAs) for each infrastructure and business department. Insofar as services are obtained from third-party providers, this is done via Basler Kantonalbank. These services are provided in compliance with framework agreements and the associated SLAs by Basler Kantonalbank or the respective subcontractors.

## 1.2 Significant owners

The share capital of Basler Kantonalbank consists of the endowment capital and the participation capital. The Canton of Basel-Stadt holds the entire endowment capital of Basler Kantonalbank and has all voting rights (see Capital structure). The non-voting participation certificates are traded on the SIX Swiss Exchange AG.

The provision applicable under the Swiss Financial Market Infrastructure Act (Art. 120 FMIA) regarding the communication of changes in the participation structure does not apply to participations in Basler Kantonalbank, as neither the endowment capital nor the participation certificates are considered shares within the meaning of the law.

## 1.3 Cross-shareholdings

There are no cross-shareholdings within Group BKB within the meaning of section 1.3 of the Annex DCG.

## 1.4 Owner strategy

On 20 April 2021, the governing council of the Canton of Basel-Stadt adopted the owner strategy for the years 2021 to 2025, which is primarily directed at the Bank Council as the highest supervisory body and provides it with the benchmarks for the strategic orientation of Basler Kantonalbank. The owner strategy is based on the guidelines on public corporate governance issued by the governing council and on Section 19 of the Law on Basler Kantonalbank.

The Grand Council receives the owner strategy for information purposes. The Finance Department is responsible for representing the owners of Basler Kantonalbank and acts as an intermediary between the governing council and the Bank Council. It reviews the owner strategy every four years at the latest and submits a proposal to the governing council. This is subject to adjustments on the part of the owner, which require a decision by the governing council of the Canton of Basel-Stadt.

In accordance with Section 29 of the Cantonal Constitution, the Canton of Basel-Stadt provides favourable framework conditions for the development of an efficient and structurally balanced economy. Furthermore, according to Section 15 of the Cantonal Constitution, the Canton of Basel-Stadt is guided by the needs and well-being of the population. Basler Kantonalbank helps to achieve these goals by providing banking services to the population and the local economy. This includes payment transactions, investment and financing transactions, as well as the promotion of home ownership. In addition, Basler Kantonalbank serves the Canton of Basel-Stadt through its social, societal and economic commitment, for example to SMEs and start-ups.

The owner strategy supplements the overarching goals with political guidelines and guidelines for the management and control of Basler Kantonalbank. On the one hand, Basler Kantonalbank should make its decisions according to business principles and only take on risks that are acceptable for a bank of its size and orientation. On the other hand, Basler Kantonalbank has to pursue a long-term business policy. The expectation of a solid capital adequacy of Basler Kantonalbank is reinforced by the requirement to maintain the actual capital adequacy at three to seven percentage points above the legally required level. The owner also expects Basler Kantonalbank to ensure that the banks it controls also have a solid capital base and pursue a white money strategy. In financial terms, the Canton of Basel-Stadt expects a profit transfer of at least CHF 55 million per year on average over the four years.

Basler Kantonalbank is committed to pursuing a progressive and socially responsible human resources policy. In order to promote gender equality, the Bank Council shall strive to ensure that women and men are represented at least one third each in management and in the Executive Board. Equal pay between men and women shall be reviewed regularly. The owner strategy also stipulates that Basler Kantonalbank is committed to vocational training and promotes the employment of people with disabilities.

The owner strategy increasingly formulates clear requirements for Basler Kantonalbank to promote sustainability and slow down climate change. The Sustainability Advisory Board (see section 4.5) and the Sustainability Unit address this important issue within Group BKB. The owner expects Basler Kantonalbank to contribute to the balanced as well as ecologically, economically and socially sustainable development of the Canton of Basel-Stadt so that future generations can also meet their needs. This includes the operational sustainability of Basler Kantonalbank, the bank's role in the sustainable development of the region, the provision of sustainable banking products and the assumption of social responsibility as an employer. For example, Basler Kantonalbank is committed to the transformation to a low greenhouse gas economy, not least through specific banking products and services.



## Capital structure

### 2.1 Capital

The share capital of Basler Kantonalbank amounts to CHF 354.2 million as at 31 December 2022. It consists of the endowment capital of CHF 304 million provided by the Canton of Basel-Stadt and the participation certificate capital of CHF 50.2 million traded on the stock exchange.

In accordance with Section 7 of the Law on Basler Kantonalbank, the endowment capital is provided by the canton for an unlimited period and compensation is paid to the canton from the annual profit, where possible. The participation certificate capital may not exceed the amount of the outstanding endowment capital.

### 2.2 Authorised and conditional capital in particular

By resolution of 29 June 2000, the Grand Council of the Canton of Basel-Stadt authorised the governing council to increase the endowment capital up to CHF 350 million at the request of Basler Kantonalbank. This decision has effect for an unlimited period. There is no conditional capital.

### 2.3. Changes to capital

The proof of equity is shown in the consolidated financial statements or in the annual financial statements of the parent company Basler Kantonalbank.

### 2.4 Shares and participation certificates

In addition to the endowment capital, Basler Kantonalbank has an additional participation certificate capital. As at 31 December 2022, the nominal value of the participation certificate capital amounts to CHF 50.2 million. The participation certificate capital is divided into 5,900,000 participation certificates with a nominal value of CHF 8.50 each. It is fully paid up (security number 923646, ISIN CH0009236461). Basler Kantonalbank has not issued any shares.

The participation certificates of Basler Kantonalbank represent a co-ownership in Basler Kantonalbank with an entitlement to a share in the annual profit in the form of a dividend in accordance with the course of business. No participation rights are associated with the ownership of participation certificates. In particular there are no voting rights and no related rights. In the event of an increase of the participation certificate capital, the participants shall be entitled to subscribe for new participation certificates in proportion to the nominal value of their existing participation certificates. The Bank Council may exclude the subscription rights of the participants in whole or in part.

In the reporting year, no participation certificates were placed on the market and Basler Kantonalbank did not sell any participation certificates on the stock exchange. As at 31 December 2022, Basler Kantonalbank held own participation certificates in the trading portfolio and in the financial investments totalling 13.6 % (previous year: 13.6 %) of the participation certificate capital.

### 2.5 Profit participation certificates

Basler Kantonalbank has not issued any profit participation certificates.

### 2.6 Limitation of transferability and nominee registrations

BKB participation certificates are bearer securities, which is why there are no restrictions on transferability and no restrictions on nominee registrations.

### 2.7 Convertible bonds and options

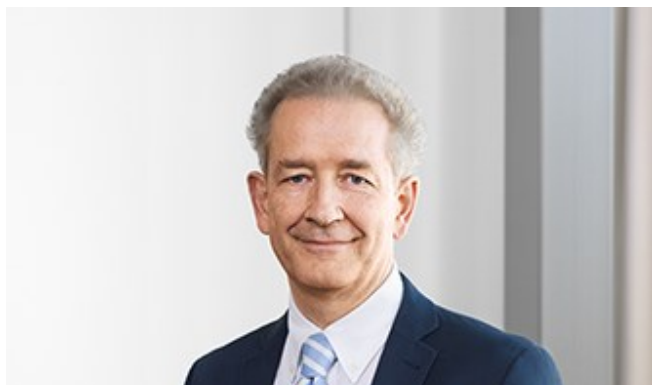
Basler Kantonalbank has issued neither convertible bonds nor options on its own participation certificates.

### 2.8 State guarantee

In accordance with the Law on Basler Kantonalbank, the Canton of Basel-Stadt grants a state guarantee to Basler Kantonalbank and is thus subsidiarily liable for the liabilities of Basler Kantonalbank. No state guarantee exists for the participation capital, for subordinated liabilities of Basler Kantonalbank, for liabilities of Basler Kantonalbank to subsidiaries and controlled companies and their creditors or shareholders, or for liabilities of the subsidiaries and controlled companies themselves.

In order to avoid distortions of competition, Basler Kantonalbank has to pay compensation the canton for the state guarantee. The so-called cost benefit model is used to determine the amount of compensation. Basler Kantonalbank can finance itself more favourably on the capital market due to the state guarantee. On 9 September 2020, the governing council redefined the compensation for the state guarantee payable by Basler Kantonalbank for the years 2021 to 2024. It amounts to CHF 10.2 million annually.

# 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.; Licensed Attorney



## **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



### **Domenico Scala**

Member of the Bank Council since 1 April 2017

Economist, professional member of the Board of Directors



### **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



## 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

The composition of the Bank Council is governed by Section 11 of the Law on Basler Kantonalbank. The Bank Council consists of the Chair, the Vice-Chair and a further seven members, the majority of whom must be resident in the Canton of Basel-Stadt. The supreme governing body of Basler Kantonalbank should also be composed in a balanced manner so that all competencies that are essential for Basler Kantonalbank are covered. The members of the Bank Council must be able to assess the activities of Basler Kantonalbank independently and have a sufficiently high level of understanding of the performance mandate and the public mission of Basler Kantonalbank. The basis for this is an adequate academic qualification, preferably in economics, law or auditing, as well as sound industry knowledge of the financial sector or experience in corporate management.

## Executive committees

Bank Council		
Adrian Bult (chair) Dr. Christine Hehli Hidber (vice-chair) Urs Berger, Mathis Büttiker, Dr. Jacqueline Henn, Priscilla M. Leimgruber, Domenico Scala, Karoline Sutter, Prof. Dr. Kristyna Ters		
<b>Risk Committee</b> Domenico Scala (chair) Dr. Jacqueline Henn Priscilla M. Leimgruber Prof. Dr. Kristyna Ters	<b>Audit Committee</b> Karoline Sutter (chair) Dr. Christine Hehli Hidber Domenico Scala	<b>Remuneration &amp; Nomination Committee</b> Urs Berger (chair) Adrian Bult Mathis Büttiker Dr. Christine Hehli Hidber

Members of the Grand Council, the governing council, other magistrates, employees of the cantonal administration and members of the boards of directors of other public-law institutions of the canton are not eligible for election to the Bank Council. No member of the Bank Council belonged to the Executive Board or worked for Basler Kantonalbank in any other capacity (in particular assignments, mandates, employment). Persons who are married to each other, live in a registered partnership or in a stable cohabitation, are related by blood or marriage to the first or second degree, or are in-laws, may not be members of the bank bodies at the same time. The governing council concludes mandate agreements with the members of the Bank Council. The mandate includes the commit-

ment to the owner strategy of the Canton of Basel-Stadt as well as the rules for reporting to the canton.

On 16 December 2020, the governing council elected the Bank Council of Basler Kantonalbank for a four-year term of office starting on 1 April 2021.

The Bank Council constituted itself in mid-March 2021 for the term of office until 2025. At the same time, the committees of the Board were also appointed, the composition of which came into effect on 1 April 2021 (see the figure under 'Preliminary remarks' in section 3.5).

All members meet the independence requirements set out in FINMA Circular 2017/1 'Corporate Governance – Banks'.

## Executive Board



### **Dr Basil Heeb**

CEO and Chair of the Executive Board, Member of the Executive Board, Head of the Presidential department since 1 April 2019

Dr sc. techn. ETH



### **Regula Berger**

Member of the Executive and Management Board, Head of Sales Commercial Clients Department since 1 February 2021

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



### **Christoph Auchli**

CFO, Member of the Executive and Management Board, Head of Finance & Risk Department since 22 October 2018

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



### **Özlem Civelek**

Member of the Executive and Management Board, Head of the Service Center since 17 October 2022

Master in Economics, Business Administration & Political Science, University of Stuttgart (D)



## **Raphael Helbling**

Member of the Executive and Management Board, Head of Legal & Compliance since 1 January 2022

Licensed Attorney



## **Andreas Ruesch**

Deputy CEO and Deputy Chair of the Management Board since 1 February 2021,  
Member of the Executive Board,  
Head of Sales Private Clients department since 1 April 2018

Swiss Federal Diploma Banking expert

# Group BKB – Annual financial statements

# At a glance

<b>Balance sheet</b>		<b>31.12.2022</b>	<b>31.12.2021</b>
Total assets	in CHF 1000	55,229,471	53,469,809
- Change	in %	3.3	-1.8
Customer loans	in CHF 1000	34,774,720	33,245,048
- of which Mortgages	in CHF 1000	31,523,993	29,767,013
Customer deposits	in CHF 1000	31,205,037	27,921,834
General public funds <sup>1</sup>	in CHF 1000	31,208,188	27,929,566
Reported own funds (incl. Group net profit)	in CHF 1000	4,210,803	4,076,768
Reported own funds (incl. Group net profit)	in CHF 1000	4,071,536	3,955,696

<b>Income statement</b>		<b>2022</b>	<b>2021</b>
Net income from interest activities	in CHF 1000	389,759	374,058
Income from commission and service activities	in CHF 1000	135,005	134,605
Income from trading activities and exercising the fair-value option	in CHF 1000	65,991	76,040
Other ordinary income	in CHF 1000	8,357	8,780
Gross Income <sup>2</sup>	in CHF 1000	598,264	589,854
- Change	in %	1.4	9.2
Operating income	in CHF 1000	599,112	593,483
- Change	in %	0.9	12.1
Operating expenses	in CHF 1000	336,862	344,253
- Change	in %	-2.1	-1.4
Amortisation, depreciation, write-downs and provisions	in CHF 1000	31,183	27,111
Business performance	in CHF 1000	231,067	222,119
- Change	in %	4.0	41.2
Group net profit	in CHF 1000	139,267	121,072
- Change	in %	15.0	11.8

<b>Profitability key figures</b>		<b>2022</b>	<b>2021</b>
Return on equity (Group net profit before reserves/average equity)	in %	5.3	5.3

<b>Balance sheet ratios</b>		<b>31.12.2022</b>	<b>31.12.2021</b>
Customer loans as % of total assets	in %	63.0	62.2
Mortgage loans as % of customer loans	in %	90.7	89.5
Customer deposits as % of total assets	in %	56.5	52.2
Degree of funding I (customer funds/customer loans) <sup>1</sup>	in %	89.7	84.0
Degree of funding II (general public funds/customer loans) <sup>3</sup>	in %	119.9	124.7
Equity ratio	in %	7.6	7.6
Hard core capital ratio (CET1 ratio)	in %	17.7	17.6
Core capital ratio (T1 ratio)	in %	18.3	18.2
	in %	18.6	18.5
Capital adequacy target <sup>4</sup>	in %	13.0	12.0
Leverage ratio	in %	6.9	6.9
Average liquidity coverage ratio (LCR) – Q4	in %	154.5	233.6
Net stable funding ratio (NSFR)	in %	122.4	125.6
RWA efficiency <sup>5</sup>	in %	1.11	1.07

<b>Income statement ratios</b>		<b>2022</b>	<b>2021</b>
Cost to income ratio (operating expenses/gross income) <sup>2</sup>	in %	56.3	58.4
Net interest income as % of operating income	in %	65.1	63.0
Income from commission and service activities as % of operating income	in %	22.5	22.7
Net trading income as % of operating income	in %	11.0	12.8
Other ordinary income as % of operating income	in %	1.4	1.5
Personnel expenses as % of operating expenses	in %	59.6	60.8
Non-personnel expenses as % of operating expenses <sup>6</sup>	in %	40.4	39.2

<b>Employees</b>		<b>31.12.2022</b>	<b>31.12.2021</b>
Number of employees (Headcount)		1,401	1,455
Number of apprentices and trainees		66	73
Full-time equivalents (FTEs) <sup>7</sup>		1,241	1,289

<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> Gross profit / total risk-weighted assets (RWA).

<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	31.12.2022 in CHF 1000	31.12.2021 in CHF 1000	Change absolute	Change in %
Liquid funds	8,086,076	9,869,589	-1,783,513	-18.1
Receivables from banks	820,903	554,780	266,123	48.0
Receivables from securities financing transactions	5,979,408	6,901,001	-921,593	-13.4
Receivables from customers	3,250,727	3,478,035	-227,308	-6.5
Mortgages	31,523,993	29,767,013	1,756,980	5.9
Trading activities	1,074,887	664,657	410,230	61.7
Positive replacement values of derivative financial instruments	115,348	321,930	-206,582	-64.2
Financial assets	3,462,799	1,527,962	1,934,837	-
Prepaid expenses	119,880	82,811	37,069	44.8
Non-consolidated investments	71,149	65,463	5,686	8.7
Property, plant and equipment	185,528	190,133	-4,605	-2.4
Other assets	538,773	46,435	492,338	-
<b>Total assets</b>	<b>55,229,471</b>	<b>53,469,809</b>	<b>1,759,662</b>	<b>3.3</b>
Total subordinated receivables	3,564	2,143	1,421	66.3
- of which with conversion obligation and/or debt waiver	-	-	-	-
<b>Equity and liabilities</b>				
Liabilities to banks	3,119,198	3,634,830	-515,632	-14.2
Liabilities from securities financing transactions	5,241,854	3,355,520	1,886,334	56.2
Liabilities from customer deposits	31,205,037	27,921,834	3,283,203	11.8
Liabilities from trading activities	4,867	2,169	2,698	-
Negative replacement values of derivative financial instruments	300,054	166,212	133,842	80.5
Liabilities from other financial instruments measured at fair value	428,451	436,672	-8,221	-1.9
Medium-term notes	3,151	7,732	-4,581	-59.2
Bonds and mortgage-backed bonds	10,473,006	13,520,425	-3,047,419	-22.5
Deferred income	160,771	162,508	-1,737	-1.1
Other liabilities	55,306	162,891	-107,585	-66.0
Provisions	26,973	22,248	4,725	21.2
Reserves for general banking risks	2,833,898	2,755,133	78,765	2.9
Share capital	354,150	354,150	-	-
Capital reserve	132,341	132,197	144	0.1
Retained earnings	831,758	794,840	36,918	4.6
Treasury shares (short position)	-80,611	-80,624	13	-
Group net profit	139,267	121,072	18,195	15.0
<b>Total equity and liabilities</b>	<b>55,229,471</b>	<b>53,469,809</b>	<b>1,759,662</b>	<b>3.3</b>
Total subordinated liabilities	191,736	191,736	-	-
- of which with conversion obligation and/or debt waiver	191,736	191,736	-	-
<b>Off-balance sheet transactions</b>				
Contingent liabilities	120,447	177,677	-57,230	-32.2
Irrevocable commitments	3,201,108	2,931,169	269,939	9.2
Liabilities for calls on shares and other equity	118,848	116,288	2,560	2.2

# Income statement

	2022 in CHF 1000	2021 in CHF 1000	Change absolute	Change in %
<b>Income from interest activities</b>				
Interest and discount income	564,873	464,007	100,866	21.7
Interest and dividend income from financial assets	5,286	3,707	1,579	42.6
Interest expenses	-181,248	-97,284	-83,964	86.3
<b>Gross income from interest activities</b>	<b>388,911</b>	<b>370,430</b>	<b>18,481</b>	<b>5.0</b>
Changes in write-downs relating to the risk of default and losses from interest activities	848	3,628	-2,780	-76.6
<b>Net income from interest activities</b>	<b>389,759</b>	<b>374,058</b>	<b>15,701</b>	<b>4.2</b>
<b>Income from commission and service activities</b>				
Commission income from securities and investment activities	108,250	113,096	-4,846	-4.3
Commission income from lending activities	8,686	10,384	-1,698	-16.4
Commission income from other service activities	39,660	31,246	8,414	26.9
Commission expenses	-21,591	-20,121	-1,470	7.3
<b>Income from commission and service activities</b>	<b>135,005</b>	<b>134,605</b>	<b>400</b>	<b>0.3</b>
<b>Income from trading activities and exercising the fair-value option</b>	<b>65,991</b>	<b>76,040</b>	<b>-10,049</b>	<b>-13.2</b>
<b>Other ordinary income</b>				
Income from the disposal of financial assets	148	350	-202	-57.7
Income from investments	4,396	4,240	156	3.7
– of which from investments accounted for using the equity method	370	330	40	12.1
– of which from other non-consolidated investments	4,026	3,910	116	3.0
Real estate income	1,875	1,957	-82	-4.2
Other ordinary income	1,938	2,243	-305	-13.6
Other ordinary expenses	-	-10	10	-100.0
<b>Other ordinary income</b>	<b>8,357</b>	<b>8,780</b>	<b>-423</b>	<b>-4.8</b>
<b>Operating income</b>	<b>599,112</b>	<b>593,483</b>	<b>5,629</b>	<b>0.9</b>
<b>Operating expenses</b>				
Payroll costs	-200,631	-209,311	8,680	-4.1
General and administrative expenses	-126,031	-124,742	-1,289	1.0
Compensation for the state guarantee	-10,200	-10,200	-	-
<b>Operating expenses</b>	<b>-336,862</b>	<b>-344,253</b>	<b>7,391</b>	<b>-2.1</b>
Write-downs on investments and depreciation of property, plant and equipment, and amortisation of intangible assets	-26,482	-28,676	2,194	-7.7
Changes to provisions and other value adjustments, and losses	-4,701	1,565	-6,266	-
<b>Business performance</b>	<b>231,067</b>	<b>222,119</b>	<b>8,948</b>	<b>4.0</b>
Extraordinary income	177	1,422	-1,245	-87.6
Extraordinary expenses	-7	-4	-3	75.0
Change in reserves for general banking risks	-78,765	-91,350	12,585	-13.8
Taxes	-13,205	-11,115	-2,090	18.8
<b>Group net profit</b>	<b>139,267</b>	<b>121,072</b>	<b>18,195</b>	<b>15.0</b>

# Cash flow statement

	2022 cash inflow in CHF 1000	2022 cash outflow in CHF 1000	2021 cash inflow in CHF 1000	2021 cash outflow in CHF 1000
<b>Cash flow from operations and capital</b>	<b>98,990</b>	<b>-</b>	<b>130,136</b>	<b>-</b>
<b>Cash flow from operating result (internal financing)</b>	<b>126,317</b>	<b>-</b>	<b>160,430</b>	<b>-</b>
Income for the period	139,267	-	121,072	-
Change in reserves for general banking risks	78,765	-	91,350	-
Write-downs on property, plant and equipment	26,441	-	28,676	-
Write-downs of properties held for sale	-	-	-	553
Revaluation of financial assets	4,389	-	4,909	864
Revaluation of investments	41	80	-	40
Changes in write-downs relating to risk of default and losses	38,559	40,189	16,172	21,784
Other write-downs	-	679	264	1,319
Other provisions	5,654	3,028	824	3,047
Prepaid expenses	-	36,932	9,347	-
Deferred income	-	1,737	-	423
Dividend for previous year	-	84,154	-	84,154
<b>Cash flow from equity transactions</b>	<b>157</b>	<b>-</b>	<b>149</b>	<b>-</b>
Capital reserve	145	-	146	-
Change in own equity instruments	12	-	3	-
Retained earnings	-	-	-	-
<b>Cash flow from operations in property, plant and equipment</b>	<b>-</b>	<b>27,484</b>	<b>-</b>	<b>30,443</b>
Investments	5,615	11,263	-	6,528
Bank buildings	903	9,873	849	12,627
Other properties	-	44	-	248
Other property, plant and equipment	7	8,800	4	4,062
Software	-	4,029	-	7,831
<b>Cash flow from banking business: Medium and long-term business (&gt; 1 year)</b>	<b>-</b>	<b>5,616,599</b>	<b>2,004,173</b>	<b>-</b>
<b>Cash flow from interbank business</b>	<b>25,073</b>	<b>-</b>	<b>15,532</b>	<b>-</b>
- Receivables from banks	20,073	-	28,584	-
- Liabilities to banks	5,000	-	-	13,052
<b>Cash flow from customer business</b>	<b>-</b>	<b>1,823,764</b>	<b>-</b>	<b>560,190</b>
- Receivables from customers	4,062	93,068	-	22,486
- Mortgages	-	1,748,457	-	286,302
- Liabilities from customer deposits	62,600	44,320	-	246,700
- Medium-term notes	-	4,581	-	4,702
<b>Cash flow from financial investments</b>	<b>-</b>	<b>170,566</b>	<b>41,829</b>	<b>-</b>
- Bonds	90,000	277,000	40,000	-
- Equity instruments/precious metals	16,434	-	-	-
- Properties	-	-	1,829	-
<b>Cash flow from capital market business</b>	<b>-</b>	<b>3,047,419</b>	<b>2,680,463</b>	<b>-</b>
- Bonds	75,410	469,397	-	179,069
- Mortgage-backed bonds	283,800	329,500	251,800	-
- Certificates of Deposit	-	2,607,732	2,607,732	-
<b>Cash flow from other balance sheet items</b>	<b>-</b>	<b>599,923</b>	<b>-</b>	<b>173,461</b>
- Other assets	-	492,338	-	888
- Other liabilities	-	107,585	-	172,573
<b>Cash flow from banking business: Short-term business (&lt; 1 year)</b>	<b>5,502,750</b>	<b>-</b>	<b>-</b>	<b>4,020,042</b>
<b>Cash flow from interbank business</b>	<b>-</b>	<b>806,576</b>	<b>-</b>	<b>1,506,055</b>
- Receivables from banks	-	285,944	1,936,983	-
- Liabilities to banks	-	520,632	-	3,443,038
<b>Cash flow from customer business</b>	<b>6,384,655</b>	<b>-</b>	<b>-</b>	<b>4,923,336</b>
- Receivables from customers	311,805	-	-	342,063
- Receivables from securities financing transactions	921,593	-	-	4,571,683
- Liabilities from securities financing transactions	1,886,334	-	1,673,346	-
- Liabilities from customer deposits	4,572,754	1,307,831	-	1,682,936
<b>Cash flow from trading activities</b>	<b>-</b>	<b>407,532</b>	<b>2,087,072</b>	<b>-</b>
- Trade receivables	-	410,230	2,085,054	-
- Liabilities from trading activities	2,698	-	2,018	-
<b>Cash flow from other financial instruments measured at fair value</b>	<b>-</b>	<b>8,221</b>	<b>180,072</b>	<b>-</b>
- Liabilities from other financial instruments measured at fair value	-	8,221	180,072	-
<b>Cash flow from financial investments</b>	<b>-</b>	<b>1,768,655</b>	<b>-</b>	<b>-</b>
- Certificates of Deposit and Money Market Book Claims	-	1,768,655	-	-
<b>Cash flow from replacement values of derivative financial instruments</b>	<b>340,424</b>	<b>-</b>	<b>142,205</b>	<b>-</b>
- Positive replacement values	206,688	106	191,246	-
- Negative replacement values	133,842	-	-	49,041
<b>Change in fund liquidity</b>	<b>-</b>	<b>1,783,513</b>	<b>-</b>	<b>1,885,733</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>132,197</b>	<b>794,840</b>	<b>2,755,133</b>	<b>-80,624</b>	<b>121,072</b>	<b>4,076,768</b>
Disposal of own capital shares	-	-1	-	-	13	-	12
Appropriation of profit from 2021							
- Allocation to retained earnings	-	-	36,918	-	-	-36,918	-
- Dividend	-	145	-	-	-	-15,954	-15,809
- Distribution to canton	-	-	-	-	-	-68,200	-68,200
Allocations to reserves for general banking risks	-	-	-	78,765	-	-	78,765
Group net profit	-	-	-	-	-	139,267	139,267
<b>Equity at the end of the reporting period</b>	<b>354,150</b>	<b>132,341</b>	<b>831,758</b>	<b>2,833,898</b>	<b>-80,611</b>	<b>139,267</b>	<b>4,210,803</b>

Parent company  
BKB –  
Annual financial  
statements

# At a glance

<b>Balance sheet</b>		<b>31.12.2022</b>	<b>31.12.2021</b>
Total assets	in CHF 1000	37,732,585	34,231,325
- Change	in %	10.2	-4.4
Customer loans	in CHF 1000	18,284,958	17,227,914
- davon mortgages	in CHF 1000	15,137,736	13,875,405
Customer deposits	in CHF 1000	19,243,862	14,608,508
Customer funds <sup>1</sup>	in CHF 1000	19,243,862	14,610,070
Reported own funds (including Net profit)	in CHF 1000	3,588,106	3,496,448
Reported own funds (after appropriation of profit)	in CHF 1000	3,497,223	3,412,294

<b>Income statement</b>		<b>2022</b>	<b>2021</b>
Net income from interest activities	in CHF 1000	211,446	192,748
Income from commission and service activities	in CHF 1000	79,967	80,256
Income from trading activities and exercising the fair-value option	in CHF 1000	56,525	66,575
Other ordinary income	in CHF 1000	80,519	83,230
Gross Income <sup>2</sup>	in CHF 1000	429,601	423,278
- Change	in %	1.5	13.2
Operating income	in CHF 1000	428,457	422,809
- Change	in %	1.3	15.9
Operating expenses	in CHF 1000	232,097	230,601
- Change	in %	0.6	1.5
Amortisation, depreciation, write-downs and provisions	in CHF 1000	-20,621	-19,509
Business performance	in CHF 1000	175,739	172,699
- Change	in %	1.8	45.4
Net Profit	in CHF 1000	128,505	110,646
- Change	in %	16.1	12.3

<b>Profitability key figures</b>		<b>2022</b>	<b>2021</b>
Return on equity (net profit for the year before reserves/average equity)	in %	5.0	5.1

<b>Balance sheet ratios</b>		<b>31.12.2022</b>	<b>31.12.2021</b>
Customer loans as % of total assets	in %	48.5	50.3
Mortgage loans as % of customer loans	in %	82.8	80.5
Customer deposits as % of total assets	in %	51.0	42.7
Degree of funding I (customer funds/customer loans) <sup>1</sup>	in %	105.2	84.8
Degree of funding II (general public funds/customer loans) <sup>3</sup>	in %	138.2	137.9
Equity ratio	in %	9.5	10.2
Hard core capital ratio (CET1 ratio)	in %	19.8	20.0
Core capital ratio (T1 ratio)	in %	20.2	20.4
Total capital ratio	in %	20.6	20.8
Capital adequacy target <sup>4</sup>	in %	12.6	12.0
Leverage ratio	in %	8.0	8.7
Average liquidity coverage ratio (LCR) – Q4	in %	159.5	252.4
Net stable funding ratio (NSFR)	in %	116.6	116.6
RWA-Effizienz <sup>5</sup>	in %	1.11	1.12

<b>Income statement ratios</b>		<b>2022</b>	<b>2021</b>
Cost-to-income ratio (operating expenses/gross income) <sup>2</sup>	in %	54.0	54.5
Net interest income as % of operating income	in %	49.4	45.6
Income from commission and service activities as % of operating income	in %	18.7	19.0
Net trading income as % of operating income	in %	13.2	15.7
Other ordinary income as % of operating income	in %	18.7	19.7
Personnel expenses as % of operating expenses	in %	63.0	64.8
Non-personnel expenses as % of operating expenses <sup>6</sup>	in %	37.0	35.2

<b>Employees</b>		<b>31.12.2022</b>	<b>31.12.2021</b>
Number of employees (Headcount)		1,018	1,039
Number of apprentices and trainees		38	41
Full-time equivalents (FTEs) <sup>7</sup>		901	920

<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> Gross profit / total risk-weighted assets (RWA).

<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

Assets	31.12.2022 in CHF 1000	31.12.2021 in CHF 1000	Change absolute	Change in %
Liquid funds	6,303,573	5,868,880	434,693	7.4
Receivables from banks	1,265,541	946,457	319,084	33.7
Receivables from securities financing transactions	5,979,408	6,901,001	-921,593	-13.4
Receivables from customers	3,147,222	3,352,509	-205,287	-6.1
Mortgages	15,137,736	13,875,405	1,262,331	9.1
Trading activities	1,074,900	665,494	409,406	61.5
Positive replacement values of derivative financial instruments	116,998	321,892	-204,894	-63.7
Financial assets	3,260,459	1,338,412	1,922,047	-
Prepaid expenses	78,260	58,957	19,303	32.7
Investments	747,099	747,157	-58	-
Property, plant and equipment	86,394	90,286	-3,892	-4.3
Other assets	534,995	64,875	470,120	-
<b>Total assets</b>	<b>37,732,585</b>	<b>34,231,325</b>	<b>3,501,260</b>	<b>10.2</b>
Total subordinated receivables	4,718	3,342	1,376	41.2
- of which with conversion obligation and/or debt waiver	-	-	-	-
<b>Equity and liabilities</b>				
Liabilities to banks	2,690,021	2,780,796	-90,775	-3.3
Liabilities from securities financing transactions	5,241,854	3,355,520	1,886,334	56.2
Liabilities from customer deposits	19,243,862	14,608,508	4,635,354	31.7
Liabilities from trading activities	4,867	2,169	2,698	-
Negative replacement values of derivative financial instruments	299,705	166,045	133,660	80.5
Liabilities from other financial instruments measured at fair value	428,451	436,672	-8,221	-1.9
Medium-term notes	-	1,562	-1,562	-100.0
Bonds and mortgage-backed bonds	6,019,887	9,143,476	-3,123,589	-34.2
Deferred income	94,129	90,672	3,457	3.8
Other liabilities	102,511	133,891	-31,380	-23.4
Provisions	19,192	15,566	3,626	23.3
Reserves for general banking risks	2,603,246	2,556,096	47,150	1.8
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	322,802	321,258	1,544	0.5
Voluntary retained earnings	109,800	84,800	25,000	29.5
Treasury shares (short position)	-80,611	-80,624	13	-
- against reserves from capital contributions	-67,839	-67,839	-	-
- other	-12,772	-12,785	13	-0.1
Profit carried forward	2,464	2,372	92	3.9
Net profit	128,505	110,646	17,859	16.1
<b>Total equity and liabilities</b>	<b>37,732,585</b>	<b>34,231,325</b>	<b>3,501,260</b>	<b>10.2</b>
Total subordinated liabilities	101,474	101,474	-	-
- of which with conversion obligation and/or debt waiver	101,474	101,474	-	-
<b>Off-balance sheet transactions</b>				
Contingent liabilities	90,691	144,804	-54,113	-37.4
Irrevocable commitments	2,835,040	2,520,701	314,339	12.5
Liabilities for calls on shares and other equity	92,251	92,251	-	-

# Income statement

	2022 in CHF 1000	2021 in CHF 1000	Change absolute	Change in %
<b>Income from interest activities</b>				
Interest and discount income	357,105	255,864	101,241	39.6
Interest and dividend income from financial assets	4,554	3,164	1,390	43.9
Interest expenses	-149,069	-65,811	-83,258	-
<b>Gross income from interest activities</b>	<b>212,590</b>	<b>193,217</b>	<b>19,373</b>	<b>10.0</b>
Changes in write-downs relating to the risk of default and losses from interest activities	-1,144	-469	-675	-
<b>Net income from interest activities</b>	<b>211,446</b>	<b>192,748</b>	<b>18,698</b>	<b>9.7</b>
<b>Income from commission and service activities</b>				
Commission income from securities and investment activities	65,550	68,026	-2,476	-3.6
Commission income from lending activities	6,658	8,373	-1,715	-20.5
Commission income from other service activities	22,742	17,939	4,803	26.8
Commission expenses	-14,983	-14,082	-901	6.4
<b>Income from commission and service activities</b>	<b>79,967</b>	<b>80,256</b>	<b>-289</b>	<b>-0.4</b>
<b>Income from trading activities and exercising the fair-value option</b>	<b>56,525</b>	<b>66,575</b>	<b>-10,050</b>	<b>-15.1</b>
<b>Other ordinary income</b>				
Income from the disposal of financial assets	103	336	-233	-69.3
Income from investments	33,384	33,309	75	0.2
Real estate income	1,174	1,348	-174	-12.9
Other ordinary income	45,858	48,237	-2,379	-4.9
Other ordinary expenses	-	-	-	-
<b>Other ordinary income</b>	<b>80,519</b>	<b>83,230</b>	<b>-2,711</b>	<b>-3.3</b>
<b>Operating income</b>	<b>428,457</b>	<b>422,809</b>	<b>5,648</b>	<b>1.3</b>
<b>Operating expenses</b>				
Payroll costs	-146,217	-149,428	3,211	-2.1
General and administrative expenses	-75,680	-70,973	-4,707	6.6
Compensation for the state guarantee / guarantor	-10,200	-10,200	-	-
<b>Operating expenses</b>	<b>-232,097</b>	<b>-230,601</b>	<b>-1,496</b>	<b>0.6</b>
Write-downs on investments and depreciation of property, plant and equipment, and amortisation of intangible assets	-17,311	-21,052	3,741	-17.8
Changes to provisions and other value adjustments, and losses	-3,310	1,543	-4,853	-
<b>Business performance</b>	<b>175,739</b>	<b>172,699</b>	<b>3,040</b>	<b>1.8</b>
Extraordinary income	-	36	-36	-100.0
Extraordinary expenses	-	-	-	-
Change in reserves for general banking risks	-47,150	-62,000	14,850	-24.0
Taxes	-84	-89	5	-5.6
<b>Net profit</b>	<b>128,505</b>	<b>110,646</b>	<b>17,859</b>	<b>16.1</b>



# Appropriation of profit

Appropriation of profit	2022 in CHF 1000	2021 in CHF 1000	Change absolute	Change in %
Net profit	128,505	110,646	17,859	16.1
Profit carried forward from previous year	2,464	2,372	92	3.9
<b>Balance sheet profit</b>	<b>130,969</b>	<b>113,018</b>	<b>17,951</b>	<b>15.9</b>
Allocation to statutory retained earnings	1,400	1,400	-	-
Allocation to voluntary retained earnings	36,300	25,000	11,300	45.2
Dividend on participation certificate capital	15,954	15,954	-	-
Compensation for endowment capital	1,429	1,429	-	-
Ordinary handover to the Canton of Basel-Stadt	73,500	66,771	6,729	10.1
<b>Profit carried forward to new account</b>	<b>2,386</b>	<b>2,464</b>	<b>-78</b>	<b>-3.2</b>

Dividend	2022 in CHF	2021 in CHF
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	4.4.2023	3.5.2022

## Balance sheet – after appropriation of profit

Assets	31.12.2022 in CHF 1000	31.12.2021 in CHF 1000	Change absolute	Change in %
Liquid funds	6,303,573	5,868,880	434,693	7.4
Receivables from banks	1,265,541	946,457	319,084	33.7
Receivables from securities financing transactions	5,979,408	6,901,001	-921,593	-13.4
Receivables from customers	3,147,222	3,352,509	-205,287	-6.1
Mortgages	15,137,736	13,875,405	1,262,331	9.1
Trading activities	1,074,900	665,494	409,406	61.5
Positive replacement values of derivative financial instruments	116,998	321,892	-204,894	-63.7
Financial assets	3,260,459	1,338,412	1,922,047	-
Prepaid expenses	78,260	58,957	19,303	32.7
Investments	747,099	747,157	-58	-
Property, plant and equipment	86,394	90,286	-3,892	-4.3
Other assets	534,995	64,875	470,120	-
<b>Total assets</b>	<b>37,732,585</b>	<b>34,231,325</b>	<b>3,501,260</b>	<b>10.2</b>
Total subordinated receivables	4,718	3,342	1,376	41.2
- of which with conversion obligation and/or debt waiver	-	-	-	-
<b>Equity and liabilities</b>				
Liabilities to banks	2,690,021	2,780,796	-90,775	-3.3
Liabilities from securities financing transactions	5,241,854	3,355,520	1,886,334	56.2
Liabilities from customer deposits	19,318,791	14,676,708	4,642,083	31.6
Liabilities from trading activities	4,867	2,169	2,698	-
Negative replacement values of derivative financial instruments	299,705	166,045	133,660	80.5
Liabilities from other financial instruments measured at fair value	428,451	436,672	-8,221	-1.9
Medium-term notes	-	1,562	-1,562	-100.0
Bonds and mortgage-backed bonds	6,019,887	9,143,476	-3,123,589	-34.2
Deferred income	94,129	90,672	3,457	3.8
Other liabilities	118,465	149,845	-31,380	-20.9
Provisions	19,192	15,566	3,626	23.3
Reserves for general banking risks	2,603,246	2,556,096	47,150	1.8
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	324,202	322,658	1,544	0.5
Voluntary retained earnings	146,100	109,800	36,300	33.1
Treasury shares (short position)	-80,611	-80,624	13	-
- against reserves from capital contributions	-67,839	-67,839	-	-
- other	-12,772	-12,785	13	-0.1
Profit carried forward	2,386	2,464	-78	-3.2
<b>Total equity and liabilities</b>	<b>37,732,585</b>	<b>34,231,325</b>	<b>3,501,260</b>	<b>10.2</b>
Total subordinated liabilities	101,474	101,474	-	-
- of which with conversion obligation and/or debt waiver	101,474	101,474	-	-
<b>Off-balance sheet transactions</b>				
Contingent liabilities	90,691	144,804	-54,113	-37.4
Irrevocable commitments	2,835,040	2,520,701	314,339	12.5
Liabilities for calls on shares and other equity	92,251	92,251	-	-

# Statement of changes in equity

	Share capital	Statutory capital reserve	Statutory retained earnings	Reserves for general banking risks	Freiwillige Gewinnreserven und Gewinn- bzw. Verlustvortrag	Treasury shares (short position)	Net profit	Total Total Eigenkapital
	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>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>
Disposal of treasury shares	-	-	-1	-	-	13	-	12
Appropriation of profit 2021								
- Allocation to statutory retained earnings	-	-	1,400	-	-	-	-1,400	-
- Allocation to voluntary retained earnings	-	-	-	-	25,000	-	-25,000	-
- Dividend	-	-	145	-	-	-	-15,954	-15,809
- Distribution to canton	-	-	-	-	-	-	-68,200	-68,200
- Net change in profit carried forward	-	-	-	-	92	-	-92	-
Allocations to the reserves for general banking risks	-	-	-	47,150	-	-	-	47,150
Net profit	-	-	-	-	-	-	128,505	128,505
<b>Equity at the end of the reporting period</b>	<b>354,150</b>	<b>147,750</b>	<b>322,802</b>	<b>2,603,246</b>	<b>112,264</b>	<b>-80,611</b>	<b>128,505</b>	<b>3,588,106</b>

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