



Basler  
Kantonalbank

# Annual Report 2023 – Abridged Version



Basler  
Kantonalbank

Beratung



# About us

Group BKB consists of two group banks: The parent company BKB and Bank Cler.: Following 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: It has a high level of investment expertise in its asset management service, which benefits private banking clients and institutional clients in particular. Client assets under management amount to around CHF 50 billion and Group BKB, when measured by its total assets of CHF 52.7 billion, is one of the ten largest banking groups in Switzerland.

The parent company BKB has been deeply rooted in the Basel region since it was founded in 1899. It positions itself for its private clients as the bank of Basel for Basel and has a total of eleven branches in the cantonal territory. As a universal bank for its corporate and institutional clients, it is also active throughout Northwestern Switzerland. The parent company is majority owned by the Canton of Basel-Stadt and has a state guarantee, for which compensation is paid to the Canton. 14 % of the company's capital is listed as participation certificates on the SIX Exchange. The owner strategy sets the strategic guidelines for the bank and requires, among other things, an above-average level of capitalisation and liquidity. Thanks to its high capitalisation and business model geared towards long-term success, the parent company BKB is one of the safest banks in the country with an AAA rating from Fitch and an AA+ rating from S&P Global Ratings.

Bank Cler is a retail and real estate bank operating throughout Switzerland with a high level of advisory expertise and the 'Zak' neobanking offer. Zak users have access to all the bank's offerings and services, including personal advice from Bank Cler. In total, Bank Cler manages 23 branches, divided into three market areas 'Central' (seven branches), 'South-East' (nine branches) and 'French-speaking Switzerland' (seven branches). It focuses on four business areas: private clients in Switzerland, private banking in Switzerland, private clients abroad and real estate clients in Switzerland. Bank Cler advises its clients according to their needs and stages of life. It offers them everything they need in money matters: from accounts, cards, E-Banking and mobile banking to investment advice, mortgages, pension and inheritance advice and long-term financial planning.

## Group BKB



Sales Private Clients

Sales Commercial Clients

Presidential

Finance & Risk

Legal & Compliance

Services



Sales Department

Finance & Risk

Market Management

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# Our results for 2023



**CHF 169.4  
million**

Group net profit

(previous year: CHF 139.7 million)



**CHF 275.9  
million**

Business performance

(previous year: CHF 231.5 million)



**52.5 %**

Cost Income Ratio

(previous year: 56.3 %)



**6.1 %**

Return on equity

(previous year: 5.3 %)



**18.7 %**

Total capital ratio

(previous year: 18.6 %)



**AAA**

Top rating from Fitch

S&P Global Ratings: AA+  
Morningstar Sustainalytics: 'Low  
Risk',  
MSCI ESG: A



**Sustainable  
investment  
solutions**

CHF 1.7 billion

58 % of total volume of investment  
solutions



**Greenhouse gas  
emissions**

Core business

disclosed for the first time



**Profit transfer to  
the Canton of  
Basel-Stadt**

CHF 450 per Basel  
resident

(previous year: CHF 420)



# Group key figures at a glance

<b>Balance sheet</b>		<b>31.12.2023</b>	<b>31.12.2022 <sup>1</sup></b>
Total assets	in CHF 1000	52,676,596	55,230,118
– Change	in %	–4.6	3.3
Client loans	in CHF 1000	36,302,767	34,775,685
– of which Mortgages	in CHF 1000	33,167,973	31,523,993
Client deposits	in CHF 1000	28,082,391	31,205,037
Client funds <sup>2</sup>	in CHF 1000	28,267,183	31,208,188
Reported own funds (including Group net profit)	in CHF 1000	4,380,893	4,211,361
Reported own funds (excluding Group net profit)	in CHF 1000	4,211,473	4,071,699
<b>Income statement</b>		<b>2023</b>	<b>2022 <sup>1</sup></b>
Net income from interest activities	in CHF 1000	460,446	390,154
Income from commission and service activities	in CHF 1000	134,101	135,005
Income from trading activities and exercising the fair-value option	in CHF 1000	71,492	65,991
Other ordinary income	in CHF 1000	8,887	8,357
Gross Income <sup>3</sup>	in CHF 1000	673,935	598,393
– Change	in %	12.6	1.4
Operating income	in CHF 1000	674,926	599,507
– Change	in %	12.6	1.0
Operating expenses	in CHF 1000	353,609	336,862
– Change	in %	5.0	–2.1
Amortisation, depreciation, write-downs and provisions	in CHF 1000	45,433	31,183
Business performance	in CHF 1000	275,884	231,462
– Change	in %	19.2	4.2
Group net profit	in CHF 1000	169,420	139,662
– Change	in %	21.3	15.4
<b>Profitability key figures</b>		<b>2023</b>	<b>2022</b>
Return on equity (Group net profit before reserves/average equity)	in %	6.1	5.3
<b>Balance sheet ratios</b>		<b>31.12.2023</b>	<b>31.12.2022 <sup>1</sup></b>
Client loans as % of total assets	in %	68.9	63.0
Mortgage loans as % of client loans	in %	91.4	90.6
Client deposits as % of total assets	in %	53.3	56.5
Degree of funding I (client funds/client loans) <sup>2</sup>	in %	77.9	89.7
Degree of funding II (general public funds/client loans) <sup>4</sup>	in %	107.9	119.9
Equity ratio	in %	8.3	7.6
Tier 1 capital ratio (CET1 ratio)	in %	17.8	17.7
Core capital ratio (T1 ratio)	in %	18.3	18.3
Total capital ratio	in %	18.7	18.6
Own funds target value <sup>5</sup>	in %	13.0	13.0
Leverage Ratio	in %	7.2	6.9
Average liquidity coverage ratio (LCR) Q4	in %	140.0	154.5
Net stable funding ratio (NSFR)	in %	123.1	122.4
Risk-weighted asset efficiency <sup>6</sup>	in %	1.32	1.11
<b>Income statement ratios</b>		<b>2023</b>	<b>2022 <sup>1</sup></b>
Cost income ratio (operating expenses/gross income) <sup>3</sup>	in %	52.5	56.3
Net interest income as % of operating income	in %	68.2	65.1
Income from commission and service activities as % of operating income	in %	19.9	22.5
Trading income as % of operating income	in %	10.6	11.0
Other ordinary income as % of operating income	in %	1.3	1.4
Personnel expenses as % of operating expenses	in %	58.7	59.6
Non-personnel expenses as % of operating expenses <sup>7</sup>	in %	41.3	40.4
<b>Employees</b>		<b>31.12.2023</b>	<b>31.12.2022</b>
Number of employees (Headcount)		1,434	1,401
Number of apprentices and trainees		64	66
Full-time equivalents (FTEs) <sup>8</sup>		1,270	1,241

<sup>1</sup> Adjustment of the accounting and valuation principles, as well as adjustment of the previous year's values (restatement).

<sup>2</sup> Client funds (client deposits, medium-term notes).

<sup>3</sup> Gross income (operating income without any changes in write-downs relating to the risk of default and losses from interest activities).

<sup>4</sup> General public funds (client deposits, medium-term notes, bonds and mortgage-backed bonds).

<sup>5</sup> The own funds 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.

<sup>6</sup> Gross profit / total risk-weighted assets (RWA).

<sup>7</sup> The compensation for the state guarantee is allocated to non-personnel expenses for the calculation of this key figure.

<sup>8</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

From the perspective of the Swiss financial centre, 2023 was another eventful year. Seemingly proven structures were questioned and client trust once again proved to be the most precious asset for banks. Stability and security – virtues that until recently were considered rather boring – returned to the forefront. In this environment, the three pillars of the BKB Group's strategy – focusing on strengths, security and proximity to our clients – have also proven their worth over the past year. And the two independent credit ratings, AAA from Fitch and AA+ from S&P Global Ratings, have given an additional boost to our profitable growth. For example, Group net profit increased by 21.3 % to CHF 169.4 million in 2023.

## **We are stronger than ever**

This profit gives us double pleasure. Because BKB is celebrating its 125th anniversary in 2024. We are proud that the bank is stronger than ever in terms of profitability, stability and security in the year of its anniversary. The margins, which have been restored to normal levels by the rise in interest rates, have undoubtedly given a boost. Nevertheless, it is important to note that the excellent business result in 2023 is not mainly due to the one-off effect of rising interest rates, but continues the four-year trend of constantly growing operating profits.

## **We have achieved what we set out to do**

These pleasing dynamics of success are primarily the result of successful strategy implementation. We were also able to achieve the targets set for 2023. Firstly, we have grown profitably and, secondly, we have completed three strategic projects that are taking the Group a major step forward: With the transfer of corporate and institutional clients from Bank Cler to the parent company BKB, both Group banks can focus on those business areas in which there is a strategic fit. Since the go-live of the new Digital Banking, the Group has had a future-proof platform that enables the further expansion of functionalities for our clients. And last but not least, we are able to improve our attractiveness on the labour market by introducing a new remuneration policy, which promotes specialist careers and largely dispenses with variable remuneration.

Since May 2023 we have also been able to regularly demonstrate on TV that we can cover all aspects of everyday life relevant to finance with our advisory services: In Telebasel's new business magazine 'Geld & Co.', our experts regularly answer the most important questions about finance.

## **The dynamics of success are sustained and have broad-based support**

The fact that Group BKB has been able to continuously improve its operating profit in recent years is based on several factors. The Group has a diversified earnings base, which has continued to grow thanks to a high level of security and attractive products and services. Due to the increased efficiency and a simultaneously pronounced cost awareness, this growth was also profitable. And because we did not lose sight of the risks, the quality of the balance sheet continued to improve at the same time. The very good operating result has thus enabled us to further strengthen our equity base and has created an environment in which we will be able to continue to grow on our own. And last but not least, it is also our approximately 1,400 colleagues who, over the past twelve months, have contributed with enthusiasm, empathy and competence to making the strategy adopted two years ago work and to making our clients happy. Satisfaction that was clearly expressed in an external image survey.

## We want to continue to improve

The secure and at the same time profitable growth has meant that all strategic targets in terms of profitability, stability and balance sheet quality have already been achieved after halfway through the strategy period. Of course, this milestone does not mean that around 2,800 hands in the Group are now folded in laps. No; we will continue to work hard. Because we want to continue to grow profitably and further improve the achievement of our goals in the next two years. This will be done by optimising the client experience in 2024, continuously improving the IT infrastructure or making it even more secure and taking balance sheet structure management to a new level. And in our daily collaboration, we will focus even more on the impact achieved so that our clients can feel the results of our actions even more quickly and clearly.

## We let our owners share in the success

The successful financial year is also reflected in the price development of the participation certificate (PC): It was able to grow by 2.9% in 2023. Basler Kantonalbank is using the very good business development and the 125th anniversary to thank its owners – the Canton and the PC owners – for their loyalty. We will, therefore, increase the profit transfer to the Canton of Basel-Stadt and distribute a total of CHF 92.6 million. This amounts to around CHF 450 per citizen of Basel. And we will increase the dividend by 4.8 % to CHF 3.25. This underlines our commitment to the region and our confidence for a continued successful future. Overall, BKB's participation certificate achieved an attractive overall performance of 7.8 % last year.

You can find out how and why the past financial year was so pleasing in this year's annual report. It not only includes detailed figures on the Group and the parent company, a comprehensive sustainability report and the remuneration report. The management report is also exciting. There you will learn, among other things, how the business model of the two Group banks works exactly or what progress we have made in implementing the strategy in detail or the important events that have shaped our year.

## It is time to say thank you!

We thank you very much for your trust in Basler Kantonalbank – whether as a client, as an investor, as an employee, as a supplier, as a financial market expert or as a citizen of Basel. A trust that we do not take for granted. Because we not only owe it the success over the last 125 years, but it also creates the basis for our future. That is why we take the anniversary as an opportunity to say thank you for allowing us to grow and succeed together with our home town of Basel since 1899. We would like to thank you in the form of various audible, palpable and enjoyable anniversary surprises throughout the year and throughout the city. You can find out where and when we are planning something on our anniversary page on the web. On this page you will also find a film review of BKB's activities over the last 125 years.

We now wish you interesting insights as you read, scroll and dive into the annual report. And we look forward to many encounters with you in our anniversary year.

Warm regards

Your Basler Kantonalbank



Adrian Bult  
Chair of the Bank Council

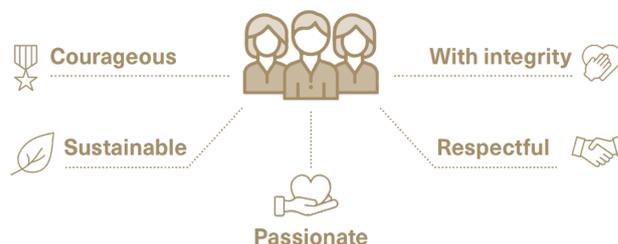


Basil Heeb  
CEO

# Values, vision and strategic direction

## Values

Cooperation within the Group is guided by the values of 'integrity, sustainability, courage, passion and respect'.



## Vision

Our vision is the future-oriented component of the brand and sets the long-term direction for development. The strategy, objectives and specific implementation measures are aligned to this vision. The vision provides motivation and guidance for the

employees of the Group with regard to their work behaviour. It manifests itself in the value proposition in daily contact with clients. The two brands Basler Kantonalbank (BKB) and Bank Cler are embedded in it.



<p><b>Our vision</b></p>	<p>'From Basel. For Basel. Safe, close, committed.'</p>	<p>'Every day we make dealing with money easier. So that we all have more from life. Today and in the future.'</p>
<p><b>Our service promise to you</b></p>	<ul style="list-style-type: none"> <li>• Simplicity</li> <li>• Security</li> <li>• Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Simple banking</li> <li>• Dedicated advisory services</li> <li>• Social responsibility</li> </ul>
<p><b>Our brand values</b></p>	<ul style="list-style-type: none"> <li>• Strong</li> <li>• From Basel</li> <li>• Empathic</li> </ul>	<ul style="list-style-type: none"> <li>• Smart</li> <li>• Fresh</li> <li>• Swiss</li> </ul>
<p><b>Group strategy for 2022–2025</b></p>	<p>'Building on strengths – grow sustainably and profitably'</p>	
<p>The Law on Basler Kantonalbank and the Canton of Basel-Stadt's owner strategy for 2021–2025</p>		

## The owner's requirements

The environment is constantly changing: The market, social developments and megatrends, such as digitalisation, sustainability or a fast pace of change influence client behaviour and the operating conditions. Group BKB must, therefore, continuously refine 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. The parent company BKB makes an important contribution to achieving these goals with its banking services. 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 2021 – 2025 strategy period, 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. Specifically, ESG criteria have been integrated into the core business and the topics of climate protection and management of climate risks have taken on a 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. The parent 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, at most, increases region-specific risks. 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+

The BKB Group pursues a strategy and ethical business policy geared towards long-term success. The Group Strategy 2022+ was developed based on the Owner Strategy 2021–2025 and the Law on Basler Kantonalbank. 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 qualified employees be recruited and retained at the business in the long term. In addition, the general public, clients and employees today place higher expectations on 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 focuses 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 has withdrawn from business segments 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 its Strategy 2022+ the BKB Group has created a stable basis for long-term success. With our business model focused on our strengths, our proximity to our clients and our strong roots in our home canton, we are very well prepared for the future.'*

### Quantitative targets in 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 efficiency: min. 1.0 %

## Qualitative objectives

In addition to the five quantitative KPIs, various qualitative objectives were formulated. They can be assigned to four strategic thematic areas according to the following figure.

### Strategic thematic areas



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

### *Expanding holistic client care*

Target-group-specific support and advisory services, as well as a target-based 360-degree advisory approach are intended to strengthen client loyalty, optimise product penetration and increase the number of clients using BKB as their primary bank.

### *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 range of sustainable products and services will be expanded further by 2025. 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 or communicating the brand values and promises to the outside world, thus strengthening brand trust and brand image. The parent company BKB is positioning itself specifically with its business model focused on security and its capital strength. Bank Cler differentiates itself from the competition with uncomplicated solutions and a fresh, rather youthful appearance.

## **'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 in part 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. Accordingly, the two Group banks are increasing the degree of self-service and, in doing so, enabling an end-to-end client experience. For this purpose, the infrastructure and functionalities of Mobile and E-Banking have been expanded. In 2023 Digital Banking was migrated to a new, future-proof solution.

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

The parent company BKB wants to become the market leader in its home market in all business areas that are part of its core business or to expand its lead further. 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 increasingly 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. With a market-based remuneration model, which was introduced on 1 January 2024 and the promotion of specialist careers, the Group is increasing its attractiveness in the labour market.

### *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. This means that the Group is achieving better solutions more quickly than going it alone.

## **Progress in implementing our strategy**

The Group achieved what it set out to achieve in the second year of the 2022 – 2025 strategy period: It has grown profitably and has successfully completed a range of projects that are crucial for the further development of the Group.

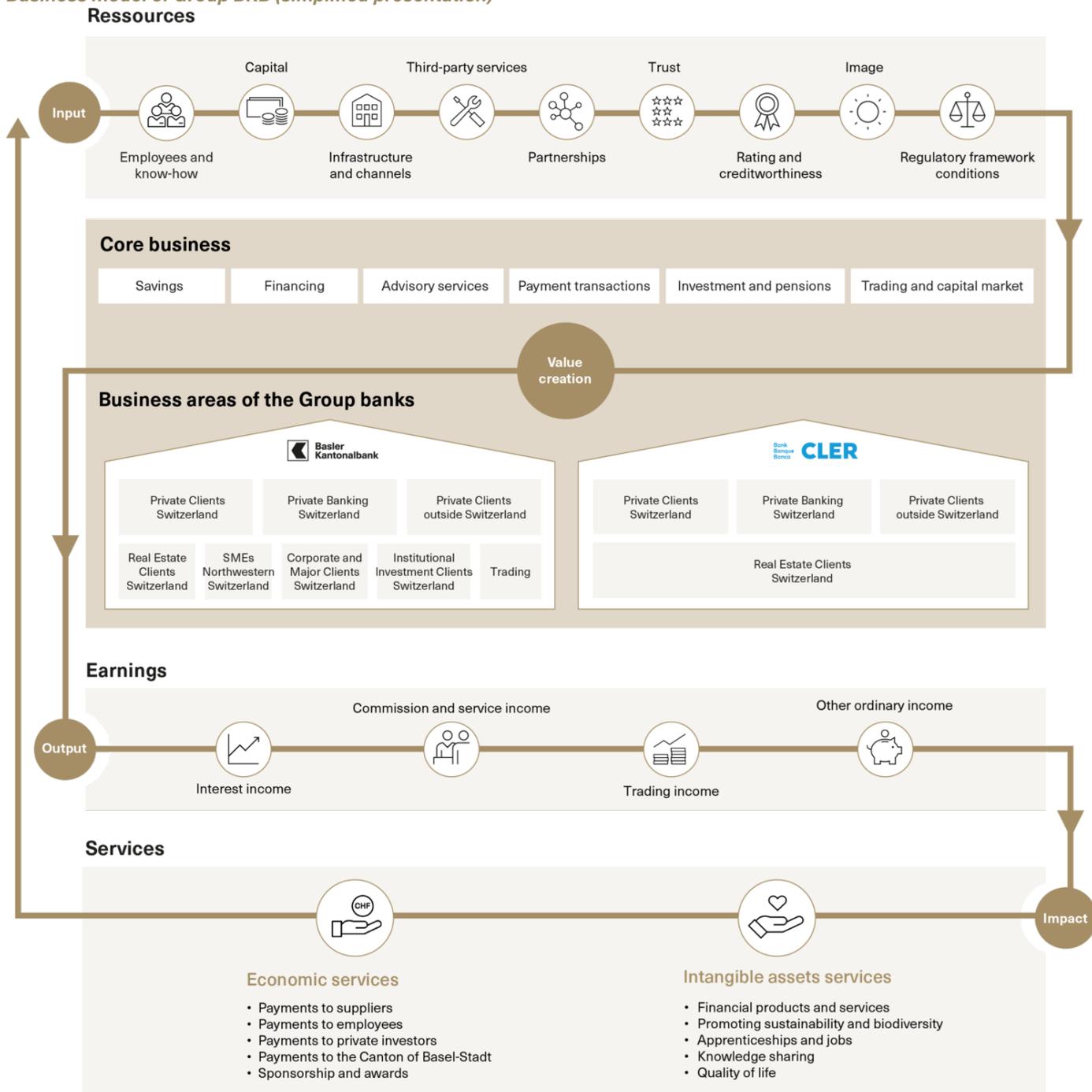
The progress made is described in the chapter 'Business development'.

# Group business model

Group BKB operates with two banks: The parent company Basler Kantonalbank in the Canton of Basel-Stadt and Bank Cler in urban centres in Switzerland.

The following business model explains the relationship between input (resources) and output (services) or shows with which types of business and in which business areas value is created or revenues are generated, which in turn make an impact.

## Business model of Group BKB (simplified presentation)



## Resources

As a financial service provider, the Group primarily relies on the know-how of its approximately 1,400 employees, whose expertise and commitment contribute significantly to the high quality of its products and services. They are, therefore, the most important resource of all.

The Group's capital is, on the one hand, the foundation of its financial strength or security and, on the other hand, an economic prerequisite for the provision of banking services. The equity capital available to the Group consists, firstly, of the share capital of the parent company BKB, which consists of the endowment capital provided by the Canton of Basel-Stadt and the participation certificate capital traded on the stock exchange. Secondly, it consists of the capital and profit reserves that have been accumulated in the course of the business activities of the two Group banks to date, as well as AT1 bonds. The share capital of Bank Cler consists of paid-up registered shares, which are 100 % owned by the parent company. In addition, the two banks have at their disposal as borrowed capital the deposits of their private and corporate clients, bonds and loans from other commercial banks.

Central functions, such as banking services, IT or HR, were bundled into Group units. They create, test and operate components of the Group infrastructure. This also includes the office spaces, as well as the respective branches of the two Group banks: Eleven branches of the parent company BKB in the cantonal area of Basel-Stadt, as well as the 23 branches of Bank Cler in the most important urban centres in all three language regions of Switzerland. The infrastructure also includes the cash machines the Group's advisory centre and digital channels, such as Mobile and E-Banking or the neobanking app 'Zak' from Bank Cler. In its entirety, the Group infrastructure forms a central resource for the provision of products or the rendering of services and forms the most important interface with the client base.

In a number of product and service areas, Group BKB relies on third-party services from its suppliers. These are bound by clear requirements in terms of sustainability, confidentiality and security. Particular attention is paid to those outsourcing partners who provide essential services for banking operations.

The Group expands or improves its offering and opens up new client segments through targeted partnerships. Examples include the partnerships with Max Havelaar for the production of Fairtrade-certified gold, the cooperation with the FHNW in the training of employees in the field of sustainability, the joint commitment with BirdLife Switzerland for biodiversity in the Basel region or the business magazine 'Geld & Co.', which has been broadcast on Telebasel since May 2023 with the support of experts from BKB.

As intangible resources of Group BKB, the trust of clients is paramount. It is the most important, intangible resource and forms the basis of every client relationship. It is based to a large extent on the image of the two Group banks, as well as on good credit and ESG ratings. The two excellent international ratings of the parent company by Fitch (AAA) and S&P Global Ratings (AA+), as well as the stable consolidated balance sheet with a high level of own funds, provide security and create confidence. The parent company BKB received an ESG risk of 15.0 in March 2023 from Morningstar Sustainalytics and was classified as 'low risk' with regard to material ESG risks. The world's largest ESG rating agency MSCI has consistently rated Basler Kantonalbank with a good grade of A for several years.

In addition, the constantly changing environment in which the two commercial banks operate has a central influence on the Group's business activities. They are described in the chapter Market environment. The regulatory framework conditions at home and abroad are in the foreground. In addition, however, economic, social and environmental conditions also have a significant influence on the business activities and business model of Group BKB.

## Core business

Basler Kantonalbank offers the comprehensive range of a universal bank, while Bank Cler focuses on private and real estate clients. Because every client differs in terms of financial situation, investment horizon, risk appetite and objectives, they or their individual situation are put at the centre with goal-based 360-degree advice. In particular, the parent company BKB satisfies all the financial needs of private and corporate clients with a comprehensive range of products and services in the areas of savings, financing, consulting, payment transactions and investment and pensions, as well as trading and capital markets, thereby enabling a holistic advisory approach.

In contrast to the parent company BKB, Bank Cler pursues a simpler business model and focuses its core business on basic products and services.

## Business areas

### Parent Company BKB

The parent company BKB is primarily active in Northwestern Switzerland. In addition, BKB is active throughout Switzerland as a niche player in business areas in which it has competitive advantages and where profitable growth opportunities are realistic. According to BKB's performance mandate, private clients, private banking, small and medium-sized enterprises (SMEs), real estate clients and institutional investors are the most important business areas. In total, the parent company BKB is active in the eight business areas described below.

BKB offers its private clients in Switzerland all the products and services to meet their needs in the areas of payments, savings, financing, investing and pensions. The solutions are simple, accessible quickly, available reliably and of good quality. BKB is steadily expanding its range of sustainable products and services. In the case of delegation solutions, the sustainable variant is the standard. The advice is carried out holistically according to the goal-based approach.

With private banking, BKB offers its clients domiciled in Switzerland not only basic services from the private client business, but also comprehensive advice and holistic solutions, including wealth management, financial planning, pension and succession advice, inheritance advice and philanthropy. In the case of delegation solutions, the sustainable variant is the standard. The customer base also benefits from the investment expertise in asset management. Great emphasis is placed on tailor-made and transparent services.

The business segment 'Private Clients outside Switzerland' comprises the two business segments 'Private Client Business Cross-Border' and 'Private Banking outside Switzerland'. The parent company BKB exclusively offers these clients products and services for their needs in the areas of payments, savings and investments. The focus is on cross-border commuters from Germany and France, as well as high-net-worth individuals from Germany. Existing clients from the other countries will continue to be served with a reduced range of services, taking into account certain exceptional criteria (e.g. Swiss nationality according to the 'Swissness approach').

In business with real estate clients, tailor-made solutions are offered for the financing of investment properties. The focus in the home market is on housing cooperatives and real estate companies. Other client segments, such as real estate funds and listed real estate companies, are addressed throughout Switzerland. Cooperation with the retail business is a competitive advantage in this respect.

In its business with SMEs, the parent company BKB offers products and services to meet their needs in payments, financing and savings. They should be as simple as possible, quickly accessible and integrable into the core processes of SMEs. The business with SMEs is part of BKB's performance mandate and an important element of its reputation in its home market.

In the 'Corporate and Major Clients' business segment, the parent company offers solutions for companies in Switzerland in the areas of financing (loans and capital market), hedging, foreign exchange and payment transactions. BKB distinguishes itself from its competitors through quick credit decisions, sustainable financing instruments and a comparatively wide range and depth of services, as well as professionalism and competence. It focuses on selected industries and restricts its unsecured exposures in order to limit risk and optimise capital deployment. International credit transactions are not carried out.

The 'Institutional Investment Clients' business segment includes institutional investors (foundations and pension funds), asset management and external asset managers. The parent company BKB offers institutional investors tailor-made advisory and asset management services according to their individual investment needs. Asset management includes research and portfolio management, provides the Group's delegation solutions (investment funds, asset management mandates) and thus plays a key role in the growth of other business areas as a supplier.

The 'Trading' business area includes client trading (equities, bonds, foreign exchange, derivatives, precious metals), issuing activities (bonds, structured products), money market business and securities financing (securities lending, repurchase agreements). The volatility of the valuation of the trading books is limited by restricting their size or by the systematic use of hedging instruments.

It is important to note that in the parent company BKB, all business decisions are assessed in accordance with value-based bank management not only from the point of view of income, but also from the point of view of risk and taking into account the cost of capital. This approach ensures risk-oriented and, thus, long-term growth.

## Bank Cler

Bank Cler's offering differs in some respects from BKB in terms of breadth and pricing in order to take account of the specific circumstances of its target segments. In doing so, Bank Cler is pursuing a simpler business model. In order to focus its business activities, it has withdrawn from business segments with marginal activities or a low strategic fit (SMEs, external asset managers, institutional clients, corporate and large clients). These clients have been centrally supported in the corresponding competence centres of the parent company since 2023 wherever it is possible and economically feasible to do so. As a result, Bank Cler is limited to the four business areas listed below.

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. In addition, the neobanking app 'Zak' is available, which lets everyday banking transactions be performed easily. In the basic version, it is available free of charge.

In the 'Private Banking Switzerland' business segment, Bank Cler provides comprehensive advice to high-net-worth individuals domiciled in Switzerland. The client base is holistically advised by specialists with regards to individualised solutions, including wealth management, pension provision and financial planning.

'Private Clients outside Switzerland' comprises 'Private Client Business Cross-Border' and 'Private Banking outside Switzerland'. 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-worth private clients from Germany. In doing so, it exclusively offers these clients products and services for their needs in the areas of payments, savings and investments.

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.

## Earnings

Thanks to a diversified business model, the Group generates its income not only from traditional interest activities, but also to a substantial extent from the commission and services business, as well as the trading activities. Other ordinary income, which includes income from the disposal of financial assets, investment income or property income, is also included, but accounts for a smaller share of the total financial output of Group BKB.

Further information on earnings development in the last financial year can be found in the chapter 'Business development' or the financial section of the annual report.

## Services

With its constantly growing economic performance and its distribution to its stakeholders, Group BKB contributes to economic stability and security in the Basel region and beyond: The Canton of Basel-Stadt receives compensation from the state guarantee, interest on the endowment capital and a profit distribution as a capital provider of BKB, as well as tax revenue from Bank Cler. The borrowed capital of private and corporate customers, as well as third-party banks, bears market interest. The employees of Group BKB benefit from stable jobs and market-oriented wages, attractive working conditions, development opportunities and a motivating corporate and management culture. The suppliers have stable partnerships with the two Group banks. With sponsorship and grants, the two Group banks contribute to sustainable development in the Basel region (parent company BKB) and in the urban centres of Switzerland (Bank Cler).

With their business activities and other activities, the two Group banks also provide extensive intangible services for sustainable development in their market regions. According to the guidelines of the owner strategy, the parent company BKB enables, for example, the population and economy of the Canton of Basel-Stadt to meet their financial product and service needs. With around 1400 jobs, 64 apprenticeships and comprehensive training programmes on financial and sustainability topics for employees, as well as the transfer of knowledge to clients and other interested parties – whether via the new business magazine on Telebasel 'Geld & Co.' or at customer events – the two Group banks create significant social added value. In addition, the two banks contribute to a higher quality of life in the respective regions with their sponsorship commitments and support for local businesses. This is particularly noticeable in the Basel region, where the parent company BKB is deeply rooted.

# Market environment

## Macroeconomic environment

### Economy

The economic and social environment remained difficult in the reporting year. In addition to the geopolitical factors – the wars in Ukraine and the Middle East – the economic conditions were also challenging. Even China's economy has not been able to reach growth rates because of the real estate crisis and the growing problems associated with the ageing population are becoming an increasing burden on the economy. In the Western industrialised nations, financing conditions have tightened as a result of the restrictive monetary policy of central banks, which, combined with the aftermath of the energy crisis, has led to slightly negative growth rates in some European countries. In contrast to Europe, a recession was able to be avoided in the USA. The probability that the US economy will succeed in a 'soft landing' is considered high.

The economic momentum emanating from the USA has had a positive impact on the global economy in recent months. In addition, inflation rates have already fallen again after the rapid increase until the end of 2022. This is due to the restrictive monetary policy of the central banks, as well as functioning supply chains and the base effects on commodity and energy prices. Key interest rates are expected to fall again in 2024 against the background of falling inflation rates and the weak economic outlook.

### Stock market performance

Despite the challenging economic and geopolitical environment, 2023 ended positively in the financial markets. Individual equity markets even marked new highs and price gains were also recorded in bonds thanks to falling yields. When converted into Swiss francs, the profits were not quite as high as in local currencies. Last year was also marked by an appreciation of the Swiss franc against the US dollar and the euro. The euro mostly traded below parity last year and even traded below 93 rappen per euro during the last few trading days.

In the first half of the reporting year, the takeover of CS by UBS and three bankruptcies in medium-sized US banks caused temporary uncertainties and price falls. The war in the Gaza Strip also led to some unrest in the markets, at least in the short term. Thanks to significantly falling inflation rates and the foreseeable end of the policy rate hikes, prices recovered relatively quickly in each case. In Switzerland, the SPI rose by 6 % within a year and Swiss bonds returned more than 7 % (as measured by the Swiss Bond Index). The chances of positive performance in 2024 are considered intact.

### Real estate market

The year 2023 was pleasing for investors in listed Swiss real estate investments. Both real estate funds and equities have developed positively. While a good year was already on the horizon for real estate equities by the middle of the year, the funds were only able to grow in the last two months of the year. Overall, the Swiss Real Estate Fund Index (SWIIT) grew by 5 % in 2023 while the Real Estate Equity Index (REAL) rose by just over 10 %. The equities technically follow the volatile overall market and fundamentally have a higher proportion of commercial properties in the portfolio. The funds are not overpriced on average.

Fundamental factors, such as high inflation and a weakening economy, could easily have removed the supply or demand for residential and office space. The rise in interest rates also made the financing of real estate more expensive and provided an alternative to real estate through more attractive bond yields. Ultimately, however, the market for real estate investments turned out to be more robust than expected. Demand for housing remains high, with funds reporting rising asset values, stable rental income and falling vacancies. 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

As of 1 January 2023 changes in banking legislation (Swiss Federal Act on Banks and Savings Banks and the Swiss Banking Ordinance) have come into force. These include, among other things, new insolvency provisions with rules on the restructuring plan, on capital measures, such as the conversion of debt into equity, and value adjustment, as well as special provisions for the restructuring of cantonal banks. Deposit protection has also been improved: As before, deposits up to a maximum of CHF 100,000 per customer are treated as privileged in the bankruptcy of a bank. Holders of joint accounts are now considered separate depositors. Due to mandatory precautions, the secured deposits are to be paid out more quickly in the future. The new provisions on deposit insurance have increased the contribution obligations at Basler Kantonalbank and Bank Cler by around 30 %. Finally, the custodians of book securities are newly obliged to keep their own and client holdings separately and to take certain protective measures in the case of foreign purchases. Clients are also being informed better about these processes.

### Prevention of money laundering

On 1 January 2023 the revised Swiss Money Laundering Act (MLA), the Swiss Money Laundering Ordinance (MLA) and the FINMA Money Laundering Ordinance came into force. 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 to the Money Laundering Reporting Office (Meldestelle für Geldwäscherei). Basler Kantonalbank has defined measures and has been implementing the requirements since 1 January 2023.

### Data protection legislation

Basler Kantonalbank handles the data of its clients and employees with care. The data protection statement applies to all areas of the two Group banks and can be viewed on the website of BKB or Bank Cler.

The new data protection legislation came into force on 1 September 2023 and brought with it various adjustments and new criminal liability provisions. In addition, new governance obligations have been introduced (a processing directory, data protection impact assessments), the rights of data subjects have been strengthened and the requirements for the organisation of security have been tightened. The conclusion of contracts with order processors was subject to further conditions and the inclusion of sub-contractors has been more strictly regulated.

As part of a project, Basler Kantonalbank began implementing the new requirements at an early stage and at the same time implemented process optimisations. All employees were trained using web-based learning prior to the entry into force of the new Swiss Data Protection Act. In addition, selected groups of employees were made aware of the new legal and regulatory framework through additional face-to-face and online training.

### Basel III – Update

Switzerland is currently implementing the 'final Basel III standards'. To this end, the Federal Council adopted the necessary amendments to the Swiss Ordinance on Capital Requirements for Banks in November 2023. The new requirements will come into force on 1 January 2025. The last package is primarily aimed at restoring credibility to the calculation of risk-weighted assets (RWA) and improving the comparability of banks' capital ratios. These are amended provisions for the own funds requirements for credit and operational risks, market risks and credit valuation adjustment risks. On average, no significant change in the total required own funds is expected for the banking sector.

### Sustainability in the finance sector

Sustainable finance and ESG (environment, social and governance) are two important topics for a more sustainable Swiss financial centre. The activities of the federal government, the FINMA supervisory authority, the Swiss Bankers Association (SBA) and the Asset Management Association Switzerland (AMAS), as well as other players in the financial market, were very diverse in 2023. Increasingly, the SBA, the AMAS and the Swiss Insurance Association (SVV) acted in concert as the largest industry associations to underline the importance of this topic for the financial sector.

The self-regulation of the AMAS on 'Transparency and the Disclosure of Collective Assets Related to Sustainability' came into force on 30 September 2023. It defines binding principles-based minimum standards for the organisation of financial institutions that create and manage collective assets related to sustainability, as well as for the obligation to provide information and report on sustainability-related products. Since August 2023 the parent company BKB has been a member of AMAS and is, therefore, directly required to implement and comply with the self-regulation. In Group BKB, the principles are specified and implemented as part of its activity. The self-regulation of the SBA was expanded to include the 'Guidelines for Financial Service Providers on the Inclusion of ESG Preferences and ESG Risks in Investment Advice and Asset Management' and the 'Guidelines for Providers of Mortgages to Promote Energy Efficiency' with effect from 1 January 2023 and the corresponding transitional periods. The guidelines regulate the inclusion of sustainability preferences and risks in portfolio-related investment advice and asset management, as well as in the offering of mortgages to promote energy efficiency.

In order to avoid greenwashing in the financial sector, the Federal Council has already published a position paper at the end of 2022, which sets out the strategic thrust, in which a financial product or financial service can be described as sustainable. In October 2023 the Federal Council went one step further and announced that the Swiss Federal Department of Finance would draw up a template for principle-based state regulation at ordinance level by mid-2024 at the latest. Group BKB is aware of the problem of greenwashing and has declared it a central compliance risk. In order to minimise the risk of greenwashing with regard to all banking products and services, the Group relies on the internal sensitisation of the relevant bodies. On the other hand, a catalogue of measures has been developed to ensure, among other things, the correct use of sustainability terms in external communication and their anchoring in the instructions.

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, Group BKB established the 'Sustainability in Supply and Operations' strategy in 2023. It coordinates, prioritises and manages the operational and project-based work on the topic of 'sustainable finance'.

On 1 February 2024 FINMA opened the hearing on the new FINMA circular 'Nature-related financial risks' for banks and insurance companies. With the new circular, FINMA specifies the requirements for the risk management of financial institutions with regard to these risks. It also sets out how the material financial risks arising from the nature of the business are to be embedded as risk drivers in the existing management of credit, market, liquidity and operational risks. The new FINMA circular is to enter into force on 1 January 2025.

With the entry into force of the Ordinance on Climate Reporting for Large Swiss companies on 1 January 2024, banks and insurance companies will have to publish climate reporting based on the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) (or equivalent). Group BKB has started setting up risk management processes in accordance with the requirements of the TCFD.

## **FINMA Circular 2023/1 'Operational Risks and Resilience – Banks'**

Circular 2023/1 'Operational Risks and Resilience – Banks' entered 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 (BCM) of the Swiss Bankers Association. In doing so, FINMA specifies its supervisory practice in connection with information and communication technology, as well as the handling of critical data and cyber risks.

The implementation of the FINMA requirements for resilience will take place at Basler Kantonalbank in accordance with the transitional periods until the end of 2025.

## Important influences and positioning of the Group

Four main trends are shaping business development and the course of business in the current strategy period. In contrast to other influencing factors, their development can be estimated relatively well. They have, therefore, been taken into account in the strategy definition and have an impact on the implementation of the strategy.

### Neobanks

Neobanks have focussed business models and revenue streams. They have a clear focus on innovation and technology and are often highly specialised. Even if they only operate in a narrow business segment, they often have a clear competitive advantage due to the high scalability of this business and their specialisation and score points in their narrowly defined business segment in terms of customer centricity, simplicity, efficiency and transparency. For this reason, it is to be expected that neobanks will be able to gain further market share there in the coming years. 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. Due to their clearly limited offer or their one-sided strength, the neobanks can only serve a certain customer segment: Specifically clients who are not looking for a main banking relationship but who obtain banking services from a range of institutions and place less value on holistic advisory services.



As soon as a personal or trusting relationship is in the foreground, a holistic view is desired or complex needs are at stake, Group BKB continues to stay ahead of the neobanks. In particular, goal-oriented advice can cover the need for a holistic and forward-looking perspective.

→ [More on goal-oriented advice](#)

With the 'Zak' neobanking app, Bank Cler has an offer for those bank clients who do not need advisory services or are looking for an uncomplicated secondary bank for their everyday banking transactions. The app is free in the basic version.

→ [More about Zak](#)



### New work

The term 'new work' includes modern forms of work (flexible, remote work), new forms of organisation (flat hierarchies with self-organised teams, intrapreneurship), as well as methods for reducing time-to-market (design thinking, lean start-up). 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.



Within the Group, the challenges associated with new forms of working are addressed through mobile working, co-working spaces and agile, interdisciplinary teams within the scope of 'impact-oriented working'.

## 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 ('to partner').

With the increasing importance of ecosystems, the possibility of differentiating from competitors with offers beyond conventional banking services (e.g. insurance solutions, consulting in the energy management of real estate) or access to previously unreachable client segments, the importance of partnerships is also increasing. This results in win-win situations, which can be leveraged.



'Growth through partnerships' is a strategic objective of the Group. Existing partnerships were also further optimised in 2023 in order to generate increased added value for the client base or the City of Basel or to open up new client segments. In May 2023 for example, the new business magazine 'Geld & Co.' was launched in cooperation with Telebasel. And since June 2023 the parent company BKB has been committed to preserving biodiversity in the region together with BirdLife Switzerland.

→ [More about partnerships and engagement](#)

## 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. Therefore, they expect their bank to implement the omni-channel approach. Since 100% permeability is associated with high investment costs, this is not necessarily the goal. Where appropriate and expedient, however, basic needs, such as the blocking of debit and credit cards, opening accounts or providing account balances, as well as payments, should be handled as conveniently as possible and at any time. In most cases, the customer base continues to seek direct contact with their advisor for complex issues.



With the new Digital Banking platform, the Group has had a future-oriented and high-performance infrastructure since 2023. It is further expandable in terms of functionalities and enables extended self-service possibilities. This allows the changing needs of the client to be addressed even better.

→ [More about BKB's Digital Banking](#)

# Group business development

## Quantitative development: Profitable growth

The focus on strengths, security and proximity to customers have also had an impact in the last year: Group BKB achieved what it set out to achieve in the second year of the 2022 – 2025 strategy period: It has grown profitably and has successfully completed various projects that are crucial for further development.

With its business model geared towards stable earnings, Group BKB is solid and forward-looking, even in a rapidly transforming banking sector. Against this background, the dividend for the 2023 financial year will be increased to CHF 3.25 gross per BKB participation certificate. At the same time, the Canton of Basel-Stadt benefits from a total transfer of CHF 92.6 million (incl. settlement of the state guarantee).

### Group key performance indicators

	2023 in CHF 1000	2023 in %	2022 in %
<b>Return on equity</b>		<b>6.1</b>	<b>5.3</b>
- Group net profit before reserves	260,270		
- Equity on 45292	4,211,361		
- Equity on 45657	4,380,893		
(Group net profit before reserves/average own funds×100)			
<b>Degree of funding I</b>		<b>77.9</b>	<b>89.7</b>
- Receivables from clients	3,134,794		
- Mortgages	33,167,973		
Client loans	36,302,767		
- Liabilities from client deposits	28,082,391		
- Medium-term notes	184,792		
Client funds	28,267,183		
(client funds/client loans×100)			
<b>Degree of funding II</b>		<b>107.9</b>	<b>119.9</b>
- Client funds	28,267,183		
- Bonds and mortgage-backed bonds	10,902,766		
General public funds	39,169,949		
(general public funds/client loans×100)			
<b>Cost Income Ratio</b>		<b>52.5</b>	<b>56.3</b>
- Operating expenses	353,609		
- Gross Income <sup>1</sup>	673,935		
Cost income ratio (operating expenses/gross income×100)			

<sup>1</sup> Gross income: Operating income without any changes in write-downs relating to the risk of default and losses from interest activities.

## All strategic objectives achieved

In the 2023 financial year, Group BKB was able to further improve its operating performance. It generated a +21.3% increase in Group net profit to CHF 169.4 million.

The strong result means that the five objectives of the strategy period running until 2025 have already been achieved after two years.

### Strategic objectives

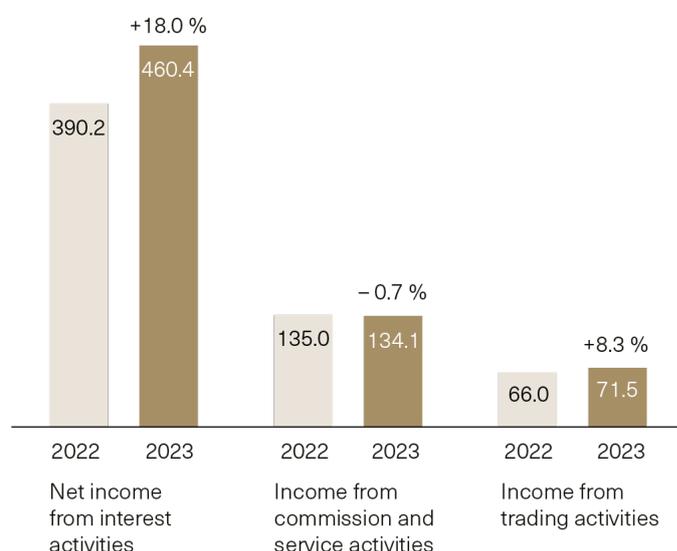
	Profitability		Stability		Balance sheet quality
	Efficiency	Profitability	Liquidity	Fin. stability	Capital efficiency
Target 2025	≤ 55 % Cost Income ratio	≥ 6 % Return on equity	≥ 110 % Net Stable funding ratio	≥ 16 % Total capital ratio	≥ 1.0 % Risk-weighted asset efficiency
Value 2023	<b>52.5 %</b> (previous year: 56.3 %)	<b>6.1 %</b> (previous year: 5.3 %)	<b>123.1 %</b> (previous year: 122.4 %)	<b>18.7 %</b> (previous year: 18.6 %)	<b>1.32 %</b> (previous year: 1.11 %)

## Success in 2023 is based on five factors

### #1: A broad earnings base

The diversified business model creates a stable earnings base at a high level. Net income from interest activities increased by +18.0 % to CHF 460.4 million. This increase is based, on the one hand, on the classic differential interest rate business, where the volume has risen and, at the same time, the margins have returned to normal after the interest rate reversal. On the other hand, money market transactions and securities financing have also made an important contribution. Thanks to the confidence of our customer base in BKB's investment expertise, the custody account volume increased by CHF +0.8 billion to CHF 22.1 billion in the reporting year. As a result, net income from the commission and services business again made a significant contribution to net income of CHF 134.1 million (-0.7 %), despite further declines in transactional income. The broad-based trading business has once again proven to be an important earnings pillar with a trading profit of CHF 71.5 million (+8.3 %).

### Income fields in CHF million



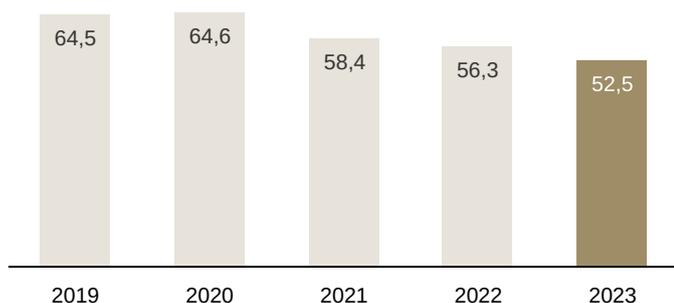
The broad-based growth of Group BKB led to a net increase in operating income by +12.6 % to CHF 674.9 million.

## #2: Focus and efficiency

The second year of the strategy period was also marked by a focus on the strengths of the business model or its simplification. In the course of this, Bank Cler has gradually withdrawn from business areas with low strategic fit since 2022. That is why all corporate clients – with the exception of real estate clients – as well as institutional investment clients are now managed centrally from the respective competence centres of BKB. The strategic decision to focus our efforts and stringent cost management at the same time have had a numerical effect: Despite inflation and the strong growth in business volume or the associated comprehensive investments in customer care, digitalisation, cloud technology and IT security, business expenses rose moderately by +5.0 % to CHF 353.6 million. The significant decline in the cost income ratio from 56.3 % in the previous year to 52.5 % shows that the Group is using its resources more efficiently.

### Cost Income Ratio

in %

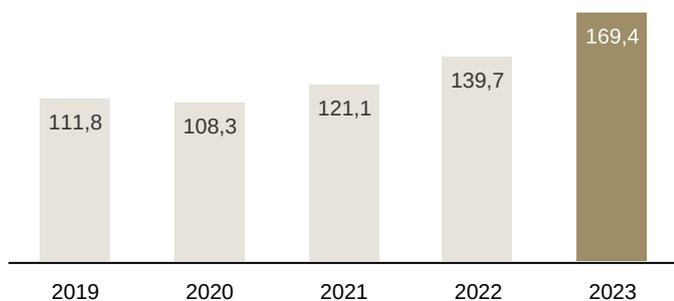


## #3: Profitability

The striking increase in earnings combined with moderately rising costs led to a significant increase in Group net profit by +21.3 % to CHF 169.4 million.

### Group net profit

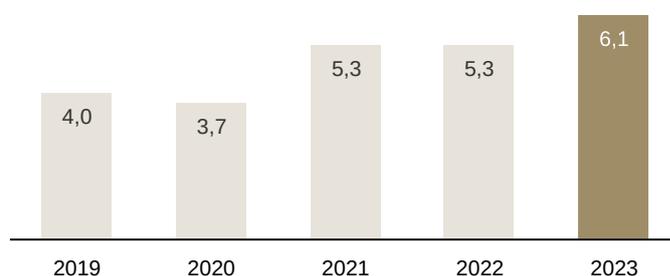
in CHF million



This increase in profit is all the more remarkable because, due to the very good operating result, high reserves were formed again (CHF 90.9 million) in order to further strengthen own funds and be able to finance future growth. The reported own funds thus amount to CHF 4.2 billion (excluding Group net profit). Despite the increase in equity capital, the return on equity was again increased significantly to 6.1 % (previous year 5.3 %) within a year.

### Return on Equity

in %

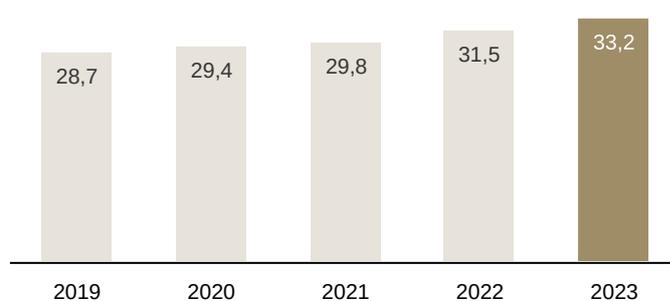


## #4: Balance sheet quality and stability

The Group aligns its balance sheet to stability and manages growth in a risk-oriented manner. The decline in total assets (-4.6 % to CHF 52.7 billion) and customer funds (-9.4 % to CHF 28.3 billion) is attributable to reporting date effects in operational liquidity management in the interbank market and opportunistic money market transactions. However, the growth of the Group is reflected in the +4.4 % increase in client loans. In the mortgage business, the Group grew by +5.2 % and gained further market share with an increase in mortgage receivables to CHF 33.2 billion. This growth was achieved exclusively by counterparties with high creditworthiness or applying a conservative approach to financial sustainability.

### Mortgages

in CHF billion



Thanks to risk-oriented lending, the quality of the loan portfolio remained high, allowing impairment losses to be reversed in 2023.

### Impairment losses in the loan portfolio

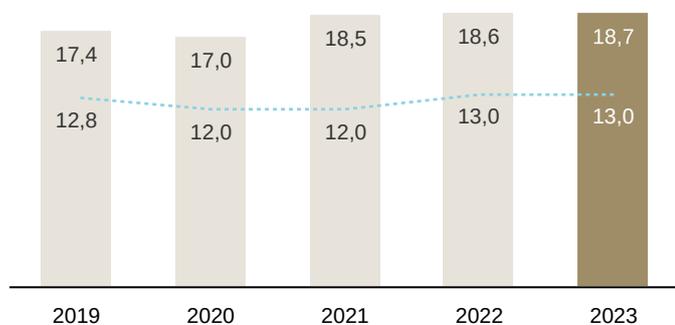
in %



The total capital ratio was further improved to 18.7 % (previous year 18.6 %) thanks to profitable and risk-conscious growth and additions to reserves.

### Total capital ratio

in %



■ FINMA-requirement

The capitalisation thus exceeds both the strategic target (>16.0 %) and the regulatory target (13.0 %, incl. the countercyclical capital buffer).

### #5: Security and trust

The two international ratings of the parent company BKB from Fitch (AAA) and S&P Global Ratings (AA+) as well as the stable consolidated balance sheet with high own funds create security and trust. In addition, Morningstar Sustainalytics assessed the ESG risks (environmental, social and governance) associated with its business activities and awarded them the 'low risk' rating. Against this background, Group BKB was able to establish itself as a 'safe haven' even in the last banking year, which was turbulent as a whole. The Group benefits from its high credit-worthiness and solidity not only among private and corporate clients, but above all in its business with institutional counterparties and in its access to the money and capital markets.

## Qualitative development: Consistent and focused strategy implementation

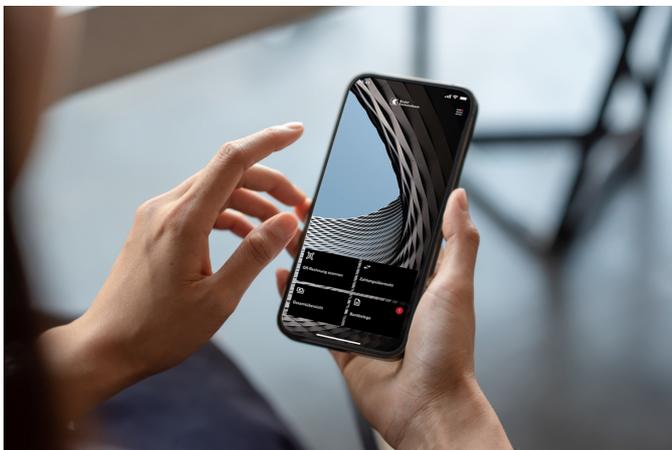
The fact that Group BKB can look back on a successful year is not only reflected in quantitative terms, but also in qualitative terms thanks to the successful implementation of the strategy.

### Milestones achieved in 2023

Thanks to a consistent approach, milestones in strategy implementation were able to be achieved again in a number of areas in 2023. A selection of the most formative advances is described in more detail below.

### Future-proof Digital Banking

In the spring, after two years of preparation, Digital Banking was migrated to the new Avaloq environment on schedule. The challenges that emerged on the client side in the first few weeks were able to be mastered in a timely manner by a dedicated, interdisciplinary team in close exchange with the clients. In recent months, internal feedback and client feedback have been used to improve Mobile and E-Banking in several releases. In the meantime, more information and functions have become available, clarity has been improved and user-friendliness has been increased. Further optimisations will also be implemented in coming months to make Digital Banking even easier and better for clients.



The new Digital Banking has been in operation since spring 2023 and is constantly being refined.

→ Find out more

### Awards as 'Top Bank'

The trust of clients and the security of their deposits are essential for the success of any bank. In this respect, a good image builds trust and is the indispensable basis of the business model. In November 2023 the parent company BKB and Bank Cler were again awarded 'Top Bank' status by clients in a number of categories. This confirms the result of the latest image and brand measurement, according to which the parent company BKB enjoys the best reputation among all comparison banks active in the region in terms of stability, solidarity with the region, success, ecology and social responsibility. Bank Cler has ranked first in terms of its transparent advice and client centricity.

BKB and Bank Cler were again awarded 'Top Bank' in several categories in 2023.

→ Find out more



## Noticeable effect on clients

In order to have a noticeable impact on clients more quickly and effectively with our projects, cross-divisional cooperation is being redesigned as part of 'impact-oriented working' (IOW). Initial experiences were able to be gained at all levels as early as 2023: The management when prioritising and managing the projects in the business contexts, the interdisciplinary teams when implementing the projects and the portfolio management when coordinating this agile world.

Ultimately, the improved solutions and advisory expertise can only have an effect on clients if there is an awareness of how important a certain financial skill is for everyone. After all, financial well-being is not only dependent on external factors, but can also be influenced actively. For this purpose, the course must be set in good time, in particular with regards to existential questions, such as pension provision, investment or estate planning. With the new business magazine 'Geld & Co.', Telebasel wants to create the necessary awareness among the population together with experts from BKB. At the same time, in doing so the parent company can transfer its comprehensive advisory expertise to the outside world.



Experts from BKB have been providing information on financial topics in Telebasel's new business magazine 'Geld & Co.' since May 2023.

→ [To the 'Geld & Co.' programmes](#)

## Commitment to biodiversity

The parent company BKB has been actively committed to preserving biodiversity in Basel since 2023. Because the dwindling biodiversity of flora and fauna affects people directly: Cities continue to heat up, food sources are in danger and recreational areas are disappearing or losing their attractiveness. For this reason, the parent company BKB has entered into a collaboration with the nature conservation organisation 'BirdLife Switzerland'. With the 'Basel is blooming' ('Basel blüht auf') initiative, they are jointly implementing measures to preserve natural habitats in the city or to create new ones. In a first action in June 2023, a natural meadow consisting of meadow tiles and measuring around 600 square metres was created temporarily in Meret Oppenheim Platz near the SBB station. Since then, 3,000 meadow tiles have flourished on countless balconies or front gardens in the city and region. Further measures are planned to green façades, roofs and open spaces and to sensitise the population to the connection between biodiversity and climate.



In June 2023 BKB launched its commitment to biodiversity with a natural meadow market in Meret Oppenheim Platz.

→ [More about the 'Basel is blooming' initiative](#)

## New remuneration policy

Rating, processes, products, image, balance sheet and strategy only lead to success with the appropriate human resources: They are crucial for the quality of the services provided, as well as the trust and satisfaction of clients. That is why the strength of the Group is based above all on its approximately 1,400 employees. In order to ensure its long-term attractiveness in the competition for qualified employees, Group BKB has developed a new remuneration model in recent years and introduced it on 1 January 2024. It contains two core elements: The strengthening of specialist careers and a substantial waiver of bonuses. Both measures serve the long-term development of BKB. Firstly, by integrating the previously variable remuneration into the fixed amount for the majority of employees, the incentives for short-term profitability are reduced in favour of long-term success. Secondly, the increase in the assured salary ensures stable remuneration and strengthens the occupational pension scheme for employees.

In July 2023 employees were informed about the new compensation model, which increases the Group's attractiveness as an employer and underlines the long-term orientation of the Group.



## Innovation in the issuing business

Six Swiss commercial banks are participating in the 'Helvetia III' pilot project of the Swiss National Bank (SNB) and the SIX Digital Exchange. The parent company BKB is one of them. Thanks to its many years of experience in the issuing business, the parent company was able to support the Canton of Basel-Stadt in issuing one of the first digital Swiss franc bonds in November 2023 as lead manager. The transaction is a groundbreaking step for the future of digital finance and underlines the innovative and transformative power of BKB in the issuing business.



Basler Kantonalbank is one of the pacesetters in the digitalisation of finance.

→ To the media release of 15. November 2023

## Changes in the Executive Board

At the beginning of December 2023 Andreas Ruesch, Head of Sales Private Clients and Deputy CEO, as well as Deputy Chair of the Group Executive Board, left BKB to continue his professional career outside the Group. The divisional management was handed over to René Bürgisser, Head of Division for Sales Management, on an interim basis. Regula Berger, Head of Sales Commercial Clients, has been appointed Deputy CEO and Deputy Chair of the Executive Committee.



Since 1 March 2024 Markus Hipp has been Head of Sales Private Clients and is a member of the Executive Board and Group management. Markus Hipp has many years of experience and has been with BKB since 2007 most recently as Head of Private Banking.

→ To the press release of 28 February 2024

## Progress in the strategic areas

With the completion of client transfers from Bank Cler to BKB, the go-live of the new Digital Banking and the new remuneration policy, the first major strategic projects were successfully completed in 2023.

The following describes the progress made in relation to the various strategic topics in the reporting year 2023.

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

Measure	Progress in 2023
Expanding holistic client care	<ul style="list-style-type: none"> <li>• Goal-based advisory services by further anchoring the 'Compass' consulting tool in the advisory process</li> <li>• Completion of the transfer of institutional and external asset management clients from Bank Cler to the parent company BKB</li> <li>• Improving customer satisfaction scores (NPS)</li> <li>• Award for the parent company BKB and Bank Cler as 'Top Bank' in several categories</li> </ul>
Promoting sustainability	<ul style="list-style-type: none"> <li>• Sponsoring BirdLife Switzerland as part of the new commitment to biodiversity</li> <li>• Sustainably oriented events (catering, acts, travel)</li> <li>• Expansion of sustainable financing: first bilateral Sust.-Linked Loan with SMEs</li> <li>• Rating by Sustainalytics as 'low risk'</li> <li>• Anchoring ESG know-how into the organisation.</li> </ul>
Strengthen brand positioning/differentiation	<ul style="list-style-type: none"> <li>• Popular bank: Strengthened brand values according to image measurement</li> <li>• Strong bank: First-time rating AAA by Fitch</li> <li>• Basel bank: Participation in and sponsorship of numerous events for the population and clients</li> <li>• Empathic bank: Outwardly supported advisory expertise through new broadcasting format on Telebasel 'Geld &amp; Co.'</li> <li>• Sustainable bank: Rating by Sustainalytics as 'low risk', expansion of the range of sustainable financing</li> </ul>

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

Measure	Progress in 2023
Simplify products and processes	<ul style="list-style-type: none"> <li>• Improving the financing process (ongoing)</li> <li>• Improving the onboarding process (ongoing)</li> <li>• Simplified loan application process</li> <li>• Simplified internal processes (creation of reports)</li> <li>• Introduction of new Digital Banking</li> </ul>
Increase self service	<ul style="list-style-type: none"> <li>• Introduction of cashless counters</li> <li>• Introduction of new Digital Banking with extended self-service options</li> <li>• Ongoing expansion of functionalities in Mobile and E-Banking</li> </ul>

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

Measure	Progress in 2023
Empowering employees and the organisation	<ul style="list-style-type: none"><li>• Two CAS sustainability training courses: ESG expertise anchored into the organisation</li><li>• Initial experience with impact-oriented working (IOW) through the creation of an agile, interdisciplinary team that is responsible for the operation and refinement of Digital Banking</li><li>• Introduction of new remuneration model with specialist careers</li><li>• 'Best Employer 2023' award</li></ul>
Develop partnerships	<ul style="list-style-type: none"><li>• New partnership: BirdLife Switzerland</li><li>• Existing partnership optimised: 'Geld &amp; Co.' format on Telebasel</li></ul>

## Outlook for 2024

After the successful previous year and the achievement of all five strategic KPIs in terms of profitability, security and balance sheet quality, four topics will be addressed as a priority in Group BKB in the current year. This comes with the ambition to further improve the achievement of goals in the second half of the strategy.

- The **profitable growth** is to be continued in a targeted manner. In view of increased price competition, it will be important to be able to enforce the target margins. Two factors are central to this: Firstly, empathy for the clients and the high quality of the advisory services and processes.
- Balance sheet management **is gaining in importance**. After all, capital strength and refinancing are key prerequisites for realising further growth ambitions.
- Two **core processes** – onboarding and financing – will be simplified and thus brought to a new level. This will increase efficiency further and improve ease of use for clients.
- **Impact-oriented work** – IOW – will be further anchored in the Group. Thanks to this networked, lean and agile form of interdisciplinary collaboration, changes are not only implemented more quickly, but can also have a faster impact on clients. Associated with this is the claim that in future only those solutions will be implemented, which meet an effective client need or are relevant to the client base.

Basil Heeb, CEO of BKB and Chairman of the Group Executive Board, is confident for the year 2024:

*'The parent company BKB can celebrate its 125th anniversary this year and is stronger than ever. Even if the earnings momentum stimulated by the interest rate reversal is likely to weaken in the course of 2024 and the interest rate environment remains challenging, the Group has a stable long-term basis for success. With our new strategic accents, we want to improve the achievement of goals further in the coming two years until the end of the strategy period in 2024.'*



125 years of BKB – a bank with a long tradition

→ [To the anniversary film](#)

# Information for investors

## 2023 business result at a glance

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 63.20

Closing price for the year



31.12.2022: CHF 61.40

### CHF 3.25

Dividend per participation certificate



2022: CHF 3.10

### 5.1 %

Dividend yield



2022: 5.0 %

### 1.9 %

Average performance

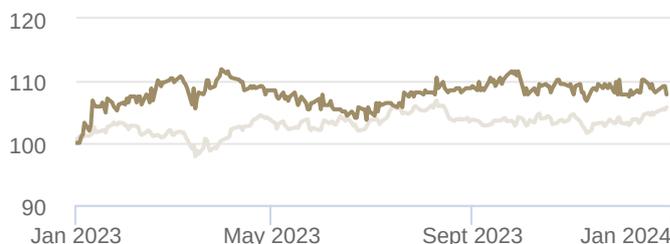


for the last 5 years (p.a.)

## Price statistics

		2023	2022
Highest price	in CHF	68.20	67.00
Lowest price	in CHF	60.80	57.40

## Price performance in per cent (total return)



● BKB participation certificate

● SPI-Banken

## Key figures per participation certificate

		31.12.2023	31.12.2022
Nominal value per participation certificate	in CHF	8.50	8.50
Book value <sup>1</sup>	in CHF	101.08	97.73
Price-to-earnings ratios		10.1	11.7
Price-book ratio		0.6	0.6

<sup>1</sup> PC capital and endowment capital.

## Yield

		2023	2022
Dividend	in CHF	3.25	3.10
Dividend yield	in %	5.1	5.0
Performance incl. div.	in %	7.8	4.1

## Key figures for Group BKB

		31.12.2023	31.12.2022 <sup>1</sup>
Total assets	in CHF billion	52.7	55.2
Client loans	in CHF billion	36.3	34.8
Client assets <sup>2</sup>	in CHF billion	49.3	52.6
Total capital ratio	in %	18.7	18.6

		2023	2022 <sup>1</sup>
Business performance	in CHF million	275.9	231.5
Group net profit	in CHF million	169.4	139.7
Return on equity	in %	6.1	5.3
Cost income ratio (operating expenses/gross income)	in %	52.5	56.3

		2023	2022
Sustainability-related delegation solutions	in CHF billion	2.2	1.9
Sustainability-related loans	in CHF billion	1.9	1.7
Number of employees	Headcount	1,434	1,401

<sup>1</sup> Adjustment of the accounting and valuation principles, as well as adjustment of the previous year's values (restatement).

<sup>2</sup> Client assets, custody accounts, fiduciary investments, global custody.

### Diversified business model

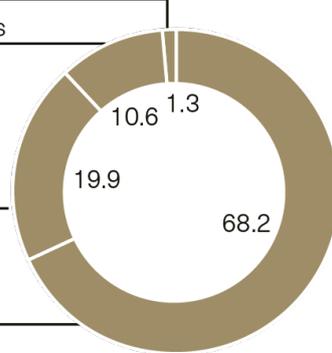
in % of gross income

Other ordinary income

Income from trading activities

Income from commission and service activities

Net income from interest activities



## Company profile

Rooted in Basel for 125 years, Basler Kantonalbank (BKB) is active as a niche player in selected business areas throughout Switzerland 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.

### Business areas of Basler Kantonalbank

- Private Clients Switzerland
- Private Clients outside Switzerland
- Private Banking Switzerland
- Corporate and Major Clients Switzerland
- SMEs Northwestern Switzerland
- Real Estate Clients Switzerland
- Institutional Investment Clients Switzerland
- Trading

### Business areas of Bank Cler

- Private Clients Switzerland
- Private Clients outside Switzerland
- Private Banking Switzerland
- Real Estate Clients Switzerland

## Strategic objectives

1. Increase profitability and ensure stability
2. Further promoting sustainability
3. Expanding holistic client care
4. Strengthen brand positioning and differentiation
5. Increase the level of self-service
6. Simplify products and processes
7. Develop partnerships
8. Empowering employees and the organisation

## Performance ambitions of Group BKB

**52.5 %**

Cost income ratio

Target value 2025: max. 55.0 %

Objective achieved

**123.1 %**

Net stable funding ratio

Target value 2025: min. 110.0 %

Objective achieved

**6.1 %**

Return on equity

Target value 2025: min. 6.0 %

Objective achieved

**18.7 %**

Total capital ratio

Target value 2025: min. 16.0 %

Objective achieved

**1.32 %**

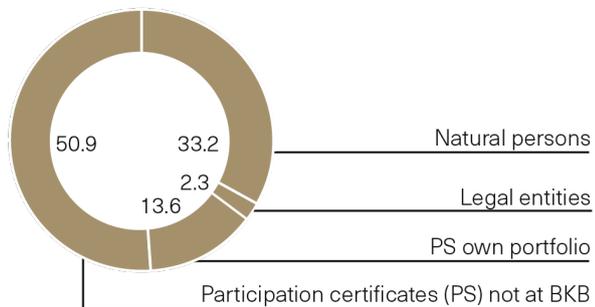
Risk-weighted asset efficiency

Target value 2025: min. 1.0 %

Objective achieved

### Structure of the participation capital

in %



### 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.

### Stock exchange listing

SIX Swiss Exchange  
Securities number: 923646  
Ticker Symbol: BSKP



# Our claim and approach to sustainability at a glance

## Understanding of sustainability

Group BKB's understanding of sustainability is based on the requirements of the Cantonal Bank Act and the owner 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 understanding of sustainability



### Promoting climate protection

#### Examples:

- Net-zero goal: Reduction of greenhouse gases
- Conversion to a low greenhouse gas economy with the help of green loans
- Promote renewable energy, e.g. sustainability mortgage
- Promote biodiversity, e.g. engagement with BirdLife Switzerland

### Promotion equal opportunities

#### Examples:

- Equal pay for men and women
- Affordable housing via the social bond
- Integration of people with physical/mental impairment via the social bond and Group personnel policy
- Youth and talent development through the Group's HR policy and sponsorship

### Promoting the local economy

#### Examples:

- Start-up and innovation support, e.g. Startup Academy
- SME support via the SME impulse programme
- Creation of training places
- Safeguarding jobs

## Sustainability strategy

### **'Further promoting sustainability' – a central goal of the Group Strategy 2022+**

*(GRI 2-23)*

Sustainability is increasingly in focus in the current strategy period of Group BKB: 'Further promoting sustainability' is one of the eight strategic goals. The operational implementation of this strategic focus continued in the reporting year 2023 based on the defined responsibilities and implementation vessels.

In keeping with its vision 'From Basel. For Basel. Secure, close and committed.', the parent company Basler Kantonalbank (BKB) regards its commitment to a sustainable society as a central element of its business strategy, which must be continuously and integrally developed throughout the entire organisation. The increased relevance of sustainability is also clearly reflected in the owner strategy for the parent company BKB (2021-2025). Chapter 3.5 of the owner strategy, for example, formulated comprehensive and concrete targets for the first time.

Similarly, sustainability is 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: 'Every day we make dealing with money 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 for Group BKB in 2023, that have arisen in the course of its business activities and, in particular, its efforts to achieve the strategic goal of 'further promoting sustainability'. Where necessary and possible, the report takes into account the specific sustainability performance of the two Group banks, the parent company 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 'sustainability in supply and operations' was created as an implementation tool. The implementation of suitable individual measures is coordinated and monitored in this direction, the corresponding responsibilities are defined and the chronological sequence is determined under the leadership of Regula Berger, the member of the Group Executive Board responsible. 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 2023, the focus was on the following points in particular:

- Implementation of the self-regulations issued by the Swiss Bankers Association (SBA) in the area of investment advice and asset management, as well as in the area of mortgage advice (BKB Group)
- Implementation of the self-regulation issued by the Asset Management Association Switzerland (AMAS) with regard to transparency and disclosure of collective assets related to sustainability (Group BKB)
- Training and empowerment of employees with regard to sustainability/ESG, e.g. with the help of the CAS "Sustainable Finance" in partnership with the FHNW (Group BKB)
- Expansion of lending to corporate clients through green loans and sustainability-linked loans (parent company BKB)
- Determination of financed emissions according to the PCAF standard as the basis for a comprehensive climate plan (BKB Group)
- Sponsorship commitment on biodiversity in partnership with BirdLife Switzerland (parent company BKB)
- Further development of non-financial reporting in accordance with legal requirements (Group BKB)
- Progressive personnel policy and diversity (Group BKB)
- Environmentally friendly renovation of administrative buildings (Group BKB)

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. The operational priorities then reflect the importance of the topics according to the materiality analysis.

### **Outlook**

Financing that supports a climate-friendly transition by companies should continue to be the focus in 2024. A comprehensive climate plan will be drawn up in the coming year with the help of the principles developed in 2023 regarding the financed emissions in the Group. Furthermore, a revision and refinement of the sustainable investment approach and, thus, also of the sustainable investment range is planned.

# Governance

# Corporate governance – introduction

Based on the 'Directive on Information Relating to Corporate Governance' (DCG) of 29 June 2022, which has been in force since 1 January 2023, 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, the remuneration-relevant information is presented in detail in the remuneration report and with regard to sustainability, including transparency on non-financial matters, in the sustainability 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.

Group BKB consists of Basler Kantonalbank and Bank Cler. As a digital bank with a physical presence throughout Switzerland, Bank Cler plays a central role for Basler Kantonalbank in achieving the strategic goals of Group strategy 2022+. Economies of scale in operations, investment and innovation can be realised consistently, 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 corporate bodies in force on 31 December 2023 with an indication of the most significant changes and the point in time 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 2022.

# Group structure and shareholders

## 1.1 Group structure

Group BKB consists of the parent company Basler Kantonalbank and Bank Cler Ltd. Furthermore, Basler Kantonalbank holds a strategic stake 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 its subsidiary Bank Cler Ltd. 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 Board of Management 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 Board of Management 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 Basler Kantonalbank and Bank Cler). For example, it prepares the business of Bank Cler and makes recommendations to the Board of Directors of Bank Cler. 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 2017/1 '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 prepares a comprehensive report on the audit of the overhead management body within the meaning of Article 728b par. 1 Swiss Code of Obligations and a report on the supervisory audits for each supervised Group financial company.

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) for the communication of changes in the investment structure does not apply to participations in Basler Kantonalbank, since neither the endowment capital nor the participation certificates are considered shares within the meaning of the act.

## 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 Bank Council is addressing this important issue in Group BKB. The owner expects Basler Kantonalbank to contribute to the balanced and 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 2023. 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 Capital volume 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 and 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 additional participation certificate capital. As at 31 December 2023, 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 par 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 par 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 2023, 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

The BKB participation certificates are bearer securities, which is why there are also 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 to 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 determined 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

## 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

#### Risk Committee

Domenico Scala (Chair)  
Dr Jacqueline Henn  
Priscilla M. Leimgruber  
Prof. Dr. Kristyna Ters

#### Audit Committee

Karoline Sutter (Chair)  
Dr Christine Hehli Hidber  
Domenico Scala

#### Remuneration & Nomination Committee

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 commitment 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 requirements for independence in accordance with FINMA Circular 2017/1 'Corporate Governance – Banks'.

## Members of the Bank Council

The members of the Bank Council in office as at 31/12/2023 are listed below.



### **Adrian Bult**

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

Lic. oec. HSG; Economist, professional member  
of the Board of Directors



### **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



### **Dr Christine Hehli Hidber**

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

Dr iur., Licensed Attorney



### **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



**Prof. Dr Kristyna Ters**

Member of the Bank Council since 1 April 2021

Professor, University of Applied Sciences and Arts  
Northwestern Switzerland FHNW, School of Business, Basel-  
Stadt

# Executive Board

## Members of Executive Board

The Executive Board consists of the CEO and five other members as of 31 December 2023. These each manage one department. The members of the Executive Board are listed below, stating their nationality, education and professional background and any previous work for Basler Kantonalbank or a Group finance company.



### **Dr Basil Heeb**

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

Dr sc. techn. ETH



### **Regula Berger**

Deputy CEO and Deputy Chair of the Group Executive Board since 5 December 2023, Member of the Executive Board, Head of Sales Commercial Clients since 1 February 2021

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



### **Christoph Auchli**

CFO, Member of the Executive Board and Group Executive Board, Head of Finance and Risk since 22 October 2018

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



### **Özlem Civelek**

Member of the Executive Board and Group Executive Board, Head of Service Centre since 17 October 2022

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



**Raphael Helbling**

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

Licensed Attorney



**Andreas Ruesch<sup>1</sup>**

Deputy CEO and Deputy Chair of the Group Executive Board  
until

5 December 2023, Member of the Executive Board, Head of  
Sales Private Clients Department since 1 April 2018

Swiss Federal Diploma Banking expert

<sup>1</sup> Andreas Ruesch left the BKB Group on 5 December 2023 (see the press release). On 1 March 2024 Markus Hipp took over the management of the Sales Private Clients department.



# Group key figures at a glance

<b>Balance sheet</b>		31.12.2023	31.12.2022 <sup>1</sup>
Total assets	in CHF 1000	52,676,596	55,230,118
– Change	in %	–4.6	3.3
Client loans	in CHF 1000	36,302,767	34,775,685
– of which Mortgages	in CHF 1000	33,167,973	31,523,993
Client deposits	in CHF 1000	28,082,391	31,205,037
Client funds <sup>2</sup>	in CHF 1000	28,267,183	31,208,188
Reported own funds (including Group net profit)	in CHF 1000	4,380,893	4,211,361
Reported own funds (excluding Group net profit)	in CHF 1000	4,211,473	4,071,699
<b>Income statement</b>		2023	2022 <sup>1</sup>
Net income from interest activities	in CHF 1000	460,446	390,154
Income from commission and service activities	in CHF 1000	134,101	135,005
Income from trading activities and exercising the fair-value option	in CHF 1000	71,492	65,991
Other ordinary income	in CHF 1000	8,887	8,357
Gross Income <sup>3</sup>	in CHF 1000	673,935	598,393
– Change	in %	12.6	1.4
Operating income	in CHF 1000	674,926	599,507
– Change	in %	12.6	1.0
Operating expenses	in CHF 1000	353,609	336,862
– Change	in %	5.0	–2.1
Amortisation, depreciation, write-downs and provisions	in CHF 1000	45,433	31,183
Business performance	in CHF 1000	275,884	231,462
– Change	in %	19.2	4.2
Group net profit	in CHF 1000	169,420	139,662
– Change	in %	21.3	15.4
<b>Profitability key figures</b>		2023	2022
Return on equity (Group net profit before reserves/average equity)	in %	6.1	5.3
<b>Balance sheet ratios</b>		31.12.2023	31.12.2022 <sup>1</sup>
Client loans as % of total assets	in %	68.9	63.0
Mortgage loans as % of client loans	in %	91.4	90.6
Client deposits as % of total assets	in %	53.3	56.5
Degree of funding I (client funds/client loans) <sup>2</sup>	in %	77.9	89.7
Degree of funding II (general public funds/client loans) <sup>4</sup>	in %	107.9	119.9
Equity ratio	in %	8.3	7.6
Tier 1 capital ratio (CET1 ratio)	in %	17.8	17.7
Core capital ratio (T1 ratio)	in %	18.3	18.3
Total capital ratio	in %	18.7	18.6
Own funds target value <sup>5</sup>	in %	13.0	13.0
Leverage Ratio	in %	7.2	6.9
Average liquidity coverage ratio (LCR) Q4	in %	140.0	154.5
Net stable funding ratio (NSFR)	in %	123.1	122.4
Risk-weighted asset efficiency <sup>6</sup>	in %	1.32	1.11
<b>Income statement ratios</b>		2023	2022 <sup>1</sup>
Cost income ratio (operating expenses/gross income) <sup>3</sup>	in %	52.5	56.3
Net interest income as % of operating income	in %	68.2	65.1
Income from commission and service activities as % of operating income	in %	19.9	22.5
Trading income as % of operating income	in %	10.6	11.0
Other ordinary income as % of operating income	in %	1.3	1.4
Personnel expenses as % of operating expenses	in %	58.7	59.6
Non-personnel expenses as % of operating expenses <sup>7</sup>	in %	41.3	40.4
<b>Employees</b>		31.12.2023	31.12.2022
Number of employees (Headcount)		1,434	1,401
Number of apprentices and trainees		64	66
Full-time equivalents (FTEs) <sup>8</sup>		1,270	1,241

<sup>1</sup> Adjustment of the accounting and valuation principles, as well as adjustment of the previous year's values (restatement).

<sup>2</sup> Client funds (client deposits, medium-term notes).

<sup>3</sup> Gross income (operating income without any changes in write-downs relating to the risk of default and losses from interest activities).

<sup>4</sup> General public funds (client deposits, medium-term notes, bonds and mortgage-backed bonds).

<sup>5</sup> The own funds 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.

<sup>6</sup> Gross profit / total risk-weighted assets (RWA).

<sup>7</sup> The compensation for the state guarantee is allocated to non-personnel expenses for the calculation of this key figure.

<sup>8</sup> Apprentices and trainees are weighted at 50 %.

# Consolidated balance sheet

Assets	31.12.2023 in CHF 1000	31.12.2022 <sup>1</sup> in CHF 1000	Change in absolute terms	Change in %
Liquid funds	6,952,314	8,086,076	-1,133,762	-14.0
Receivables from banks	305,672	820,903	-515,231	-62.8
Receivables from securities financing transactions	3,741,400	5,979,408	-2,238,008	-37.4
Receivables from clients	3,134,794	3,251,692	-116,898	-3.6
Mortgages	33,167,973	31,523,993	1,643,980	5.2
Trading activities	1,146,136	1,074,887	71,249	6.6
Positive replacement values of derivative financial instruments	160,341	115,348	44,993	39.0
Financial assets	3,414,734	3,462,799	-48,065	-1.4
Prepaid expenses	136,515	119,562	16,953	14.2
Non-consolidated investments	72,455	71,149	1,306	1.8
Property, plant and equipment	165,528	185,528	-20,002	-10.8
Other assets	278,736	538,773	-260,037	-48.3
<b>Total assets</b>	<b>52,676,596</b>	<b>55,230,118</b>	<b>-2,553,522</b>	<b>-4.6</b>
Total subordinated receivables	6,612	3,564	3,048	85.5
– of which with conversion obligation and/or debt waiver	–	–	–	–
<b>Equity and liabilities</b>				
Liabilities to banks	5,667,544	3,119,198	2,548,346	81.7
Liabilities from securities financing transactions	2,608,810	5,241,854	-2,633,044	-50.2
Liabilities from client deposits	28,082,391	31,205,037	-3,122,646	-10.0
Liabilities from trading activities	9,679	4,867	4,812	98.9
Negative replacement values of derivative financial instruments	203,916	300,054	-96,138	-32.0
Liabilities from other financial instruments measured at fair value	295,178	428,451	-133,273	-31.1
Medium-term notes	184,792	3,151	181,641	–
Bonds and mortgage-backed bonds	10,902,766	10,473,006	429,760	4.1
Deferred income	204,241	160,860	43,381	27.0
Other liabilities	110,991	55,306	55,685	–
Provisions	25,395	26,973	-1,578	-5.9
Reserves for general banking risks	2,924,748	2,833,898	90,850	3.2
Share capital	354,150	354,150	–	–
Capital reserve	132,486	132,341	145	0.1
Retained earnings	880,700	831,921	48,779	5.9
Treasury shares (short position)	-80,611	-80,611	–	–
Group net profit	169,420	139,662	29,758	21.3
<b>Total equity and liabilities</b>	<b>52,676,596</b>	<b>55,230,118</b>	<b>-2,553,522</b>	<b>-4.6</b>
Total subordinated liabilities	188,502	191,736	-3,234	-1.7
– of which with conversion obligation and/or debt waiver	188,502	191,736	-3,234	-1.7
<b>Off-balance sheet transactions</b>				
Contingent liabilities	256,182	120,447	135,735	–
Irrevocable commitments	3,638,069	3,201,108	436,961	13.7
Liabilities for calls on shares and other equity	119,002	118,848	154	0.1

<sup>1</sup> Adjustment of the accounting and valuation principles, as well as adjustment of the previous year's values (restatement).

# Consolidated income statement

	2023 in CHF 1000	2022 <sup>1</sup> in CHF 1000	Change in absolute terms	Change in %
<b>Income from interest activities</b>				
Interest and discount income	1,212,530	564,873	647,657	-
Interest and dividend income from financial assets	18,623	5,286	13,337	-
Interest expenses	-771,698	-181,119	-590,579	-
<b>Gross income from interest activities</b>	<b>459,455</b>	<b>389,040</b>	<b>70,415</b>	<b>18.1</b>
Changes in write-downs relating to the risk of default and losses from interest activities	991	1,114	-123	-11.0
<b>Net income from interest activities</b>	<b>460,446</b>	<b>390,154</b>	<b>70,292</b>	<b>18.0</b>
<b>Income from commission and service activities</b>				
Commission income from securities and investment activities	104,604	108,250	-3,646	-3.4
Commission income from lending activities	11,540	8,686	2,854	32.9
Commission income from other service activities	36,407	39,660	-3,253	-8.2
Commission expenses	-18,450	-21,591	3,141	-14.5
<b>Income from commission and service activities</b>	<b>134,101</b>	<b>135,005</b>	<b>-904</b>	<b>-0.7</b>
<b>Income from trading activities and exercising the fair-value option</b>	<b>71,492</b>	<b>65,991</b>	<b>5,501</b>	<b>8.3</b>
<b>Other ordinary income</b>				
Income from the disposal of financial assets	236	148	88	59.5
Income from investments	5,052	4,396	656	14.9
- of which from investments accounted for using the equity method	353	370	-17	-4.6
- of which from other non-consolidated investments	4,699	4,026	673	16.7
Real estate income	2,057	1,875	182	9.7
Other ordinary income	1,573	1,938	-365	-18.8
Other ordinary expenses	-31	-	-31	-
<b>Other ordinary income</b>	<b>8,887</b>	<b>8,357</b>	<b>530</b>	<b>6.3</b>
<b>Operating income</b>	<b>674,926</b>	<b>599,507</b>	<b>75,419</b>	<b>12.6</b>
<b>Operating expenses</b>				
Payroll costs	-207,592	-200,631	-6,961	3.5
General and administrative expenses	-135,817	-126,031	-9,786	7.8
Compensation for the state guarantee	-10,200	-10,200	-	-
<b>Operating expenses</b>	<b>-353,609</b>	<b>-336,862</b>	<b>-16,747</b>	<b>5.0</b>
Write-downs on investments and depreciation of property, plant and equipment, and amortisation of intangible assets	-28,096	-26,482	-1,614	6.1
Changes to provisions and other value adjustments, and losses	-17,337	-4,701	-12,636	-
<b>Business performance</b>	<b>275,884</b>	<b>231,462</b>	<b>44,422</b>	<b>19.2</b>
Extraordinary income	71	177	-106	-59.9
Extraordinary expenses	-	-7	7	-100.0
Change in reserves for general banking risks	-90,850	-78,765	-12,085	15.3
Taxes	-15,685	-13,205	-2,480	18.8
<b>Group net profit</b>	<b>169,420</b>	<b>139,662</b>	<b>29,758</b>	<b>21.3</b>

<sup>1</sup> Adjustment of the accounting and valuation principles, as well as adjustment of the previous year's values (restatement).

# Consolidated cash flow statement

	2023 cash inflow in CHF 1000	2023 cash outflow in CHF 1000	2022 cash inflow in CHF 1000	2022 cash outflow in CHF 1000
<b>Cash flow from operations and capital</b>	<b>215,094</b>		<b>98,990</b>	<b>-</b>
<b>Cash flow from operating result (internal financing)</b>	<b>224,286</b>		<b>126,317</b>	<b>-</b>
Income for the period	169,420	-	139,267	-
Change in reserves for general banking risks	90,850	-	78,765	-
Write-downs on property, plant and equipment	27,939	-	26,441	-
Write-downs of properties held for sale	-	101	-	-
Revaluation of financial assets	4,642	-	4,389	-
Revaluation of investments	94	-	41	80
Changes in write-downs relating to risk of default and losses	-	2,522	38,559	40,189
Other write-downs	-	-	-	679
Other provisions	-	1,578	5,654	3,028
Prepaid expenses	-	16,956	-	36,932
Deferred income	43,381	-	-	1,737
Dividend for previous year	-	90,883	-	84,154
<b>Cash flow from equity transactions</b>	<b>145</b>		<b>157</b>	<b>-</b>
Capital reserve	145	-	145	-
Change in own equity instruments	-	-	12	-
<b>Cash flow from operations in property, plant and equipment</b>		<b>9,337</b>		<b>27,484</b>
Investments	-	1,400	5,615	11,263
Bank buildings	-	1,548	903	9,873
Other properties	-	34	-	44
Other property, plant and equipment	-	4,636	7	8,800
Software	-	1,719	-	4,029
<b>Cash flow from banking business: Medium and long-term business (&gt; 1 year)</b>		<b>831,436</b>		<b>5,616,599</b>
<b>Cash flow from interbank business</b>		<b>12,822</b>	<b>25,073</b>	<b>-</b>
- Receivables from banks	30,178	-	20,073	-
- Liabilities to banks	-	43,000	5,000	-
<b>Cash flow from client business</b>		<b>1,609,373</b>		<b>1,823,764</b>
- Receivables from clients	-	19,595	4,062	93,068
- Mortgages	-	1,629,082	-	1,748,457
- Liabilities from client deposits	-	142,337	62,600	44,320
- Medium-term notes	181,641	-	-	4,581
<b>Cash flow from financial investments</b>	<b>45,277</b>			<b>170,566</b>
- Bonds	44,270	-	90,000	277,000
- Equity instruments/precious metals	-	-	16,434	-
- Properties	1,007	-	-	-
<b>Cash flow from capital market business</b>	<b>429,760</b>			<b>3,047,419</b>
- Bonds	436,260	-	75,410	469,397
- Mortgage-backed bonds	-	6,500	283,800	329,500
- Money market securities (certificates of deposit)	-	-	-	2,607,732
<b>Cash flow from other balance sheet items</b>	<b>315,722</b>			<b>599,923</b>
- Other assets	260,037	-	-	492,338
- Other liabilities	55,685	-	-	107,585
<b>Cash flow from banking business: Short-term business (&lt; 1 year)</b>		<b>517,420</b>	<b>5,502,750</b>	<b>-</b>
<b>Cash flow from interbank business</b>	<b>3,076,709</b>			<b>806,576</b>
- Receivables from banks	485,362	-	-	285,944
- Liabilities to banks	2,591,347	-	-	520,632
<b>Cash flow from client business</b>		<b>3,251,517</b>	<b>6,384,655</b>	<b>-</b>
- Receivables from clients	123,828	-	311,805	-
- Receivables from securities financing transactions	2,238,008	-	921,593	-
- Liabilities from securities financing transactions	-	2,633,044	1,886,334	-
- Liabilities from client deposits	-	2,980,309	4,572,754	1,307,831
<b>Cash flow from trading activities</b>		<b>66,437</b>		<b>407,532</b>
- Trade receivables	-	71,249	-	410,230
- Liabilities from trading activities	4,812	-	2,698	-
<b>Cash flow from other financial instruments measured at fair value</b>		<b>133,273</b>		<b>8,221</b>
- Liabilities from other financial instruments measured at fair value	-	133,273	-	8,221
<b>Cash flow from financial investments</b>		<b>1,771</b>		<b>1,768,655</b>
- Certificates of Deposit and Money Market Book Claims	-	1,771	-	-
<b>Cash flow from replacement values of derivative financial instruments</b>		<b>141,131</b>	<b>340,424</b>	<b>-</b>
- Positive replacement values	-	44,994	206,688	106
- Negative replacement values	-	96,137	133,842	-
<b>Change in fund liquidity</b>		<b>1,133,762</b>	<b>-</b>	<b>1,783,513</b>

# Consolidated 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 <sup>1</sup></b>	<b>354,150</b>	<b>132,341</b>	<b>831,921</b>	<b>2,833,898</b>	<b>-80,611</b>	<b>139,662</b>	<b>4,211,361</b>
Appropriation of profit from 2022							
- Allocation to retained earnings	-	-	48,779	-	-	-48,779	-
- Dividend	-	145	-	-	-	-15,954	-15,809
- Distribution to canton	-	-	-	-	-	-74,929	-74,929
Allocations to reserves for general banking risks	-	-	-	90,850	-	-	90,850
Group net profit	-	-	-	-	-	169,420	169,420
<b>Equity at the end of the reporting period</b>	<b>354,150</b>	<b>132,486</b>	<b>880,700</b>	<b>2,924,748</b>	<b>-80,611</b>	<b>169,420</b>	<b>4,380,893</b>

<sup>1</sup> Adjustment of the accounting and valuation principles, as well as adjustment of the previous year's values (restatement).



# Parent company Basler Kantonalbank – at a glance

<b>Balance sheet</b>		<b>31.12.2023</b>	<b>31.12.2022</b>
Total assets	in CHF 1000	34,411,101	37,732,585
– Change	in %	–8.8	10.2
Client loans	in CHF 1000	19,357,542	18,284,958
– of which Mortgages	in CHF 1000	16,307,088	15,137,736
Client deposits	in CHF 1000	16,307,234	19,243,862
Client funds <sup>1</sup>	in CHF 1000	16,370,034	19,243,862
Reported own funds (including Net profit)	in CHF 1000	3,711,531	3,588,106
Reported own funds (after appropriation of profit)	in CHF 1000	3,612,376	3,497,223

<b>Income statement</b>		<b>2023</b>	<b>2022</b>
Net income from interest activities	in CHF 1000	265,784	211,446
Income from commission and service activities	in CHF 1000	86,525	79,967
Income from trading activities and exercising the fair-value option	in CHF 1000	62,444	56,525
Other ordinary income	in CHF 1000	82,676	80,519
Gross Income <sup>2</sup>	in CHF 1000	496,736	429,601
– Change	in %	15.6	1.5
Operating income	in CHF 1000	497,429	428,457
– Change	in %	16.1	1.3
Operating expenses	in CHF 1000	248,662	232,097
– Change	in %	7.1	0.6
Amortisation, depreciation, write-downs and provisions	in CHF 1000	–34,664	–20,621
Business performance	in CHF 1000	214,103	175,739
– Change	in %	21.8	1.8
Net profit for the year	in CHF 1000	157,413	128,505
– Change	in %	22.5	16.1

<b>Profitability key figures</b>		<b>2023</b>	<b>2022</b>
Return on equity (net profit for the year before reserves/average equity)	in %	5.9	5.0

<b>Balance sheet ratios</b>		<b>31.12.2023</b>	<b>31.12.2022</b>
Client loans as % of total assets	in %	56.3	48.5
Mortgage loans as % of client loans	in %	84.2	82.8
Client deposits as % of total assets	in %	47.4	51.0
Degree of funding I (client funds/client loans) <sup>1</sup>	in %	84.6	105.2
Degree of funding II (general public funds/client loans) <sup>3</sup>	in %	116.1	138.2
Equity ratio	in %	10.8	9.5
Tier 1 capital ratio (CET1 ratio)	in %	20.0	19.8
Core capital ratio (T1 ratio)	in %	20.4	20.2
Total capital ratio	in %	20.7	20.6
Own funds target <sup>4</sup>	in %	12.6	12.6
Leverage ratio	in %	8.7	8.0
Average liquidity coverage ratio (LCR) – Q4	in %	139.0	159.5
Net stable funding ratio (NSFR)	in %	118.7	116.6
Risk-weighted asset efficiency <sup>5</sup>	in %	1.36	1.11

<b>Income statement ratios</b>		<b>2023</b>	<b>2022</b>
Cost income ratio (operating expenses/gross income) <sup>2</sup>	in %	50.1	54.0
Net interest income as % of operating income	in %	53.4	49.4
Income from commission and service activities as % of operating income	in %	17.4	18.7
Net trading income as % of operating income	in %	12.6	13.2
Other ordinary income as % of operating income	in %	16.6	18.7
Personnel expenses as % of operating expenses	in %	61.8	63.0
Non-personnel expenses as % of operating expenses <sup>6</sup>	in %	38.2	37.0

<b>Employees</b>		<b>31.12.2023</b>	<b>31.12.2022</b>
Number of employees (Headcount)		1,041	1,018
Number of apprentices and trainees		35	38
Full-time equivalents (FTEs) <sup>7</sup>		922	901

<sup>1</sup> Client funds (Client 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 (client deposits, medium-term notes, bonds and mortgage-backed bonds).

<sup>4</sup> The own funds 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.

<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	31.12.2023 in CHF 1000	31.12.2022 in CHF 1000	Change in absolute terms	Change in %
Liquid funds	4,836,213	6,303,573	-1,467,360	-23.3
Receivables from banks	829,592	1,265,541	-435,949	-34.4
Receivables from securities financing transactions	3,741,400	5,979,408	-2,238,008	-37.4
Receivables from clients	3,050,454	3,147,222	-96,768	-3.1
Mortgages	16,307,088	15,137,736	1,169,352	7.7
Trading activities	1,150,349	1,074,900	75,449	7.0
Positive replacement values of derivative financial instruments	166,891	116,998	49,893	42.6
Financial assets	3,163,488	3,260,459	-96,971	-3.0
Prepaid expenses	78,223	78,260	-37	-
Investments	745,959	747,099	-1,140	-0.2
Property, plant and equipment	73,986	86,394	-12,408	-14.4
Other assets	267,458	534,995	-267,537	-50.0
<b>Total assets</b>	<b>34,411,101</b>	<b>37,732,585</b>	<b>-3,321,484</b>	<b>-8.8</b>
Total subordinated receivables	9,380	4,718	4,662	98.8
- of which with conversion obligation and/or debt waiver	-	-	-	-
<b>Equity and liabilities</b>				
Liabilities to banks	4,870,613	2,690,021	2,180,592	81.1
Liabilities from securities financing transactions	2,608,810	5,241,854	-2,633,044	-50.2
Liabilities from client deposits	16,307,234	19,243,862	-2,936,628	-15.3
Liabilities from trading activities	9,679	4,867	4,812	98.9
Negative replacement values of derivative financial instruments	203,916	299,705	-95,789	-32.0
Liabilities from other financial instruments measured at fair value	295,178	428,451	-133,273	-31.1
Medium-term notes	62,800	-	62,800	-
Bonds and mortgage-backed bonds	6,095,825	6,019,887	75,938	1.3
Deferred income	122,401	94,129	28,272	30.0
Other liabilities	104,720	102,511	2,209	2.2
Provisions	18,394	19,192	-798	-4.2
Reserves for general banking risks	2,659,996	2,603,246	56,750	2.2
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	324,347	322,802	1,545	0.5
Voluntary retained earnings	146,100	109,800	36,300	33.1
Treasury shares (short position)	-80,611	-80,611	-	-
- against reserves from capital contributions	-67,839	-67,839	-	-
- other	-12,772	-12,772	-	-
Profit carried forward	2,386	2,464	-78	-3.2
Net profit for the year	157,413	128,505	28,908	22.5
<b>Total equity and liabilities</b>	<b>34,411,101</b>	<b>37,732,585</b>	<b>-3,321,484</b>	<b>-8.8</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	237,069	90,691	146,378	-
Irrevocable commitments	3,139,303	2,835,040	304,263	10.7
Liabilities for calls on shares and other equity	92,251	92,251	-	-

# Income statement

	2023 in CHF 1000	2022 in CHF 1000	Change in absolute terms	Change in %
<b>Income from interest activities</b>				
Interest and discount income	920,159	357,105	563,054	-
Interest and dividend income from financial assets	16,728	4,554	12,174	-
Interest expenses	-671,796	-149,069	-522,727	-
<b>Gross income from interest activities</b>	<b>265,091</b>	<b>212,590</b>	<b>52,501</b>	<b>24.7</b>
Changes in write-downs relating to the risk of default and losses from interest activities	693	-1,144	1,837	-
<b>Net income from interest activities</b>	<b>265,784</b>	<b>211,446</b>	<b>54,338</b>	<b>25.7</b>
<b>Income from commission and service activities</b>				
Commission income from securities and investment activities	67,383	65,550	1,833	2.8
Commission income from lending activities	9,885	6,658	3,227	48.5
Commission income from other service activities	22,787	22,742	45	0.2
Commission expenses	-13,530	-14,983	1,453	-9.7
<b>Income from commission and service activities</b>	<b>86,525</b>	<b>79,967</b>	<b>6,558</b>	<b>8.2</b>
<b>Income from trading activities and exercising the fair-value option</b>	<b>62,444</b>	<b>56,525</b>	<b>5,919</b>	<b>10.5</b>
<b>Other ordinary income</b>				
Income from the disposal of financial assets	83	103	-20	-19.4
Income from investments	33,803	33,384	419	1.3
Real estate income	1,544	1,174	370	31.5
Other ordinary income	47,246	45,858	1,388	3.0
Other ordinary expenses	-	-	-	-
<b>Other ordinary income</b>	<b>82,676</b>	<b>80,519</b>	<b>2,157</b>	<b>2.7</b>
<b>Operating income</b>	<b>497,429</b>	<b>428,457</b>	<b>68,972</b>	<b>16.1</b>
<b>Operating expenses</b>				
Payroll costs	-153,713	-146,217	-7,496	5.1
General and administrative expenses	-84,749	-75,680	-9,069	12.0
Compensation for the state guarantee / guarantor	-10,200	-10,200	-	-
<b>Operating expenses</b>	<b>-248,662</b>	<b>-232,097</b>	<b>-16,565</b>	<b>7.1</b>
Write-downs on investments and depreciation of property, plant and equipment, and amortisation of intangible assets	-17,013	-17,311	298	-1.7
Changes to provisions and other value adjustments, and losses	-17,651	-3,310	-14,341	-
<b>Business performance</b>	<b>214,103</b>	<b>175,739</b>	<b>38,364</b>	<b>21.8</b>
Extraordinary income	60	-	60	-
Extraordinary expenses	-	-	-	-
Change in reserves for general banking risks	-56,750	-47,150	-9,600	20.4
Taxes	-	-84	84	-100.0
<b>Net profit for the year</b>	<b>157,413</b>	<b>128,505</b>	<b>28,908</b>	<b>22.5</b>

## Appropriation of profit

Appropriation of profit	2023 in CHF 1000	2022 in CHF 1000	Change in absolute terms	Change in %
Net profit for the year	157,413	128,505	28,908	22.5
Profit carried forward from previous year	2,386	2,464	-78	-3.2
<b>Balance sheet profit</b>	<b>159,799</b>	<b>130,969</b>	<b>28,830</b>	<b>22.0</b>
Allocation to statutory retained earnings	1,400	1,400	-	-
Allocation to voluntary retained earnings	57,000	36,300	20,700	57.0
Dividend on participation certificate capital	16,726	15,954	772	4.8
Compensation for endowment capital	1,429	1,429	-	-
Ordinary handover to the Canton of Basel-Stadt	81,000	73,500	7,500	10.2
<b>Profit carried forward to new account</b>	<b>2,244</b>	<b>2,386</b>	<b>-142</b>	<b>-6.0</b>

Dividend	2023 in CHF	2022 in CHF
Per participation certificate of CHF 8.50 nominal		
- Gross dividend	3.25	3.10
- less federal withholding tax 35 %	1.14	1.10
- Net dividend	2.11	2.00
Credit on participation certificate dividend on	27.3.2024	4.4.2023

## Balance sheet – after appropriation of profit

Assets	31.12.2023 in CHF 1000	31.12.2022 in CHF 1000	Change absolute	Change in %
Liquid funds	4,836,213	6,303,573	-1,467,360	-23.3
Receivables from banks	829,592	1,265,541	-435,949	-34.4
Receivables from securities financing transactions	3,741,400	5,979,408	-2,238,008	-37.4
Receivables from clients	3,050,454	3,147,222	-96,768	-3.1
Mortgages	16,307,088	15,137,736	1,169,352	7.7
Trading activities	1,150,349	1,074,900	75,449	7.0
Positive replacement values of derivative financial instruments	166,891	116,998	49,893	42.6
Financial assets	3,163,488	3,260,459	-96,971	-3.0
Prepaid expenses	78,223	78,260	-37	-
Investments	745,959	747,099	-1,140	-0.2
Property, plant and equipment	73,986	86,394	-12,408	-14.4
Other assets	267,458	534,995	-267,537	-50.0
<b>Total assets</b>	<b>34,411,101</b>	<b>37,732,585</b>	<b>-3,321,484</b>	<b>-8.8</b>
Total subordinated receivables	9,380	4,718	4,662	98.8
- of which with conversion obligation and/or debt waiver	-	-	-	-
<b>Equity and liabilities</b>				
Liabilities to banks	4,870,613	2,690,021	2,180,592	81.1
Liabilities from securities financing transactions	2,608,810	5,241,854	-2,633,044	-50.2
Liabilities from client deposits	16,389,663	19,318,791	-2,929,128	-15.2
Liabilities from trading activities	9,679	4,867	4,812	98.9
Negative replacement values of derivative financial instruments	203,916	299,705	-95,789	-32.0
Liabilities from other financial instruments measured at fair value	295,178	428,451	-133,273	-31.1
Medium-term notes	62,800	-	62,800	-
Bonds and mortgage-backed bonds	6,095,825	6,019,887	75,938	1.3
Deferred income	122,401	94,129	28,272	30.0
Other liabilities	121,446	118,465	2,981	2.5
Provisions	18,394	19,192	-798	-4.2
Reserves for general banking risks	2,659,996	2,603,246	56,750	2.2
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	325,747	324,202	1,545	0.5
Voluntary retained earnings	203,100	146,100	57,000	39.0
Treasury shares (short position)	-80,611	-80,611	-	-
- against reserves from capital contributions	-67,839	-67,839	-	-
- other	-12,772	-12,772	-	-
Profit carried forward	2,244	2,386	-142	-6.0
<b>Total equity and liabilities</b>	<b>34,411,101</b>	<b>37,732,585</b>	<b>-3,321,484</b>	<b>-8.8</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	237,069	90,691	146,378	-
Irrevocable commitments	3,139,303	2,835,040	304,263	10.7
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	Voluntary retained earnings and profit carried forward	Treasury shares (short position)	Net profit for the year	Total equity
	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000	in CHF 1000
<b>Equity at the beginning of the reporting period</b>	<b>354,150</b>	<b>147,750</b>	<b>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>
Appropriation of profit 2022								
- Allocation to statutory retained earnings	-	-	1,400	-	-	-	-1,400	-
- Allocation to voluntary retained earnings	-	-	-	-	36,300	-	-36,300	-
- Dividend	-	-	145	-	-	-	-15,954	-15,809
- Distribution to canton	-	-	-	-	-	-	-74,929	-74,929
- Net change in profit carried forward	-	-	-	-	-78	-	78	-
Allocations to the reserves for general banking risks	-	-	-	56,750	-	-	-	56,750
Net profit for the year	-	-	-	-	-	-	157,413	157,413
<b>Equity at the end of the reporting period</b>	<b>354,150</b>	<b>147,750</b>	<b>324,347</b>	<b>2,659,996</b>	<b>148,486</b>	<b>-80,611</b>	<b>157,413</b>	<b>3,711,531</b>

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