



**Basler
Kantonalbank**

Annual Report 2020 – Abridged Version



Preface

Basel, 1 April 2021

Dear Clients

Not without reason does «From Basel. For Basel.» represent where the vision of Basler Kantonalbank begins. Ever since our foundation in 1899, we have felt a strong connection with the people and the economy of the Basel region. And this proximity was of particular importance in the crisis year 2020. We cannot remember any other recent event that changed our lives as suddenly and as radically as the global corona pandemic.

The pandemic has also had a strong impact on our banking operations and the financial markets, and reduced our business results, especially in the first half of 2020. Thanks to a strong recovery in the second half of the year, we were nonetheless able to achieve a consolidated profit of CHF 108.3 million, only slightly below the previous year's result. The increase in Bank Cler's profit and the increased use of the joint group infrastructure also contributed significantly to this encouraging result.

We would like to thank you, esteemed clients, for your loyalty and trust. And to thank our employees for their tireless commitment and their agility. Both were crucial for the seamless functioning of the Bank and the close support of our clients through the crisis, given the fact that within a matter of days around 70% of our employees switched to the home office. Thus our branches were open without interruption throughout the year, in compliance with protection concepts and the hygiene regulations of the Swiss Confederation. Because the protection of our employees and our clients has top priority, most meetings took place over the phone or by video. With these, as well as with regular situation appraisals by our Head of Asset Management, we offered investors orientation on the stock and financial markets during the turbulent weeks.

In 2020, we were not only able to provide close support to our private clients, but were also able to send a clear signal of our solidarity with corporate clients. Group BKB provided rapid and uncomplicated assistance to larger companies, SMEs, tradespeople and self-employed persons in various ways to avert impending liquidity bottlenecks. Throughout the Group, more than 1,500 limits amounting to around CHF 160 million were granted for bridging loans to SMEs under federal and cantonal COVID-19 programmes. Since December 2020, there has also been a guarantee programme for technology start-ups run by the Canton of Basel-Stadt, with Basler Kantonalbank acting as lender. We also have positive memories of the Support Your Locals campaign, which we supported with a large competition in the summer. And last but not least, as a 'consolation prize' for the cancellation of the PS Assembly 2021, we will support Basel's gastronomy with around CHF 750,000.

Despite all the challenges in 2020, we have vigorously developed our banking business in line with our strategic priorities. With the continuous expansion of digital services, Bank Cler in particular gained access to new client groups with the Zak smartphone app – there are now around 40,000 users. The Group was also able to grow with existing clients. The Group's own investment solutions are in great demand. The volume rose in 2020 by a further 25% and is now over CHF 2 billion. Last year, 75% of newly invested funds flowed into the sustainable variants, showing that sustainability continues to gain importance for our clients.


Our business model is built on security and stability. This approach proved itself in 2020 and was a central prerequisite both for supporting our clients and for implementing our growth strategy. Thanks to its capital strength, high liquidity and strong market position, Basler Kantonalbank is one of the strongest banks in Switzerland. This was also confirmed by Standard & Poor's in December 2020 with the renewal of the AA+ rating – the second-best rating in existence. We are also delighted to be able to continue to provide strong support to the Canton of Basel-Stadt in the crisis year of 2021, with an unchanged high total contribution of CHF 77.0 million. The dividend of CHF 3.10 (gross) per BKB participation certificate also remains stable.

In 2021, we aim to further improve the way we interact with you, our valued clients. We will advise you even more consistently based on your goals. At the same time, we aim to become more efficient and faster in our core processes, such as mortgage origination, by using modern technologies. And we will focus even more on sustainability in our operations and offerings, as well as on the further development of our employees.

We now invite you to study our Annual Report 2020. You will find all the important information about the past business year. Of course, we are always open to your suggestions, praise and criticism.

We wish you much confidence and a speedy return to the normality we all long for. Above all, we wish you and your loved ones good health.

Kind regards
Basler Kantonalbank



Adrian Bult
Chair of the Bank Council



Basil Heeb
CEO

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Management report

Group structure

Group BKB consists of the parent company Basler Kantonalbank, Bank Cler Ltd and Keen Innovation AG. Furthermore, Basler Kantonalbank holds a strategic participation of 33.3% in RSN Risk Solution Network AG, Zurich, and 33.3% in Pick-e-Bike AG, Oberwil.

The scope of consolidation of Group BKB consists of the parent company BKB and the subsidiaries Bank Cler Ltd and Keen Innovation AG. Information on the registered office and security number of these companies is provided in the chapter 'Notes on the Group'. The chapter 'Significant direct and indirect participations of the Group' also contains information on the registered office, share capital and participation quotas of listed and unlisted companies in the scope of consolidation of Basler Kantonalbank.

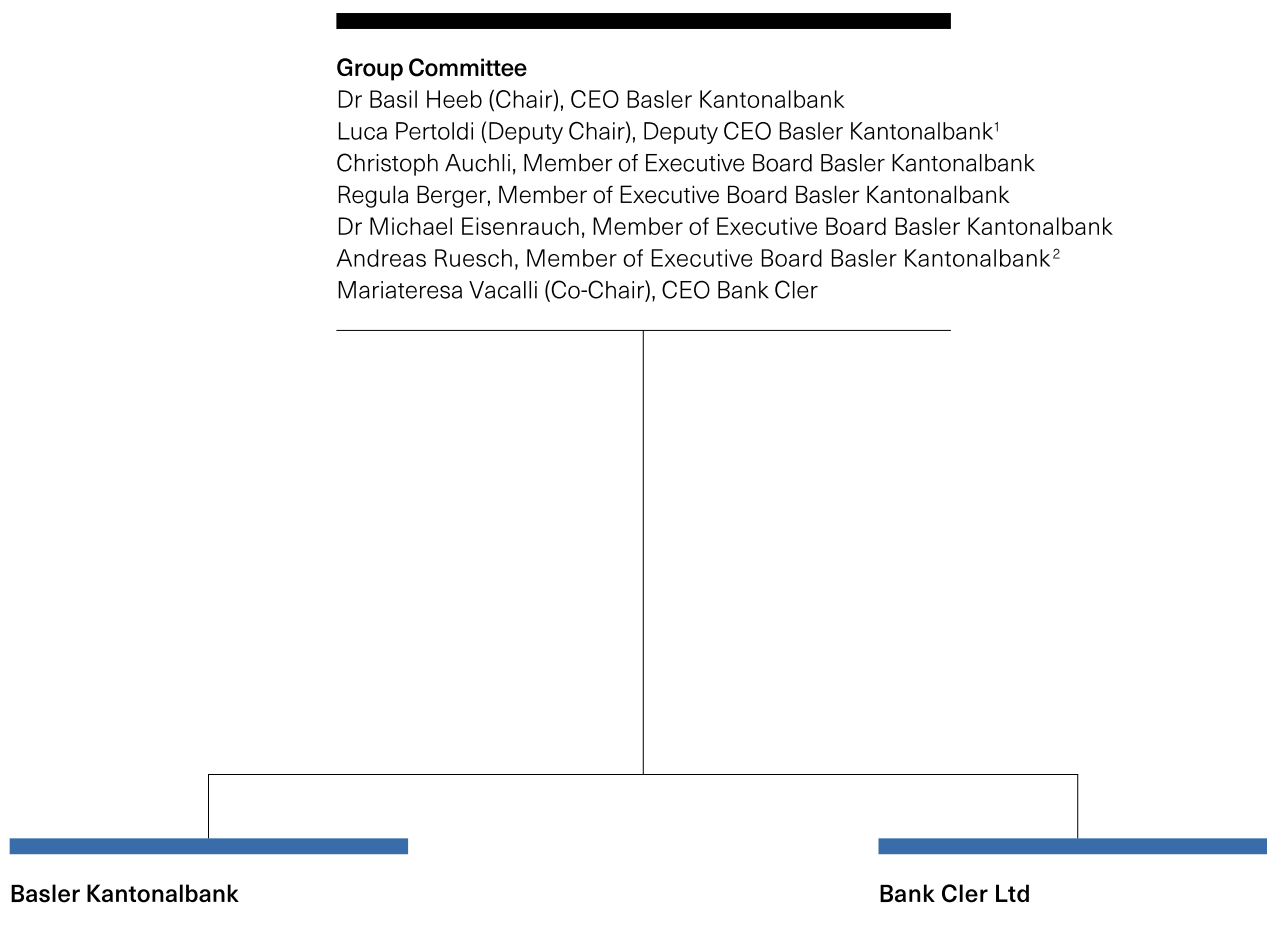
Basler Kantonalbank has held a majority stake in Bank Cler Ltd since 14 February 2000. The participation quota has been 100.0% of the capital and votes since April 2019. In October 2018, Basler Kantonalbank completed the acquisition of the Bank Cler shares tendered in the public purchase offer. The full acquisition was completed with the cancellation of the bearer shares of Bank Cler Ltd still in circulation and the delisting from the SIX Swiss Exchange as of 1 April 2019.

On 11 October 2018, Basler Kantonalbank founded Keen Innovation AG, an independent subsidiary in which it holds a 100% stake. The new subsidiary was endowed with founding capital of CHF 0.1 million. Keen Innovation AG is not listed. RSN Risk Solution Network AG, Zurich, is one-third owned by Basler Kantonalbank. In addition, the cantonal banks of St. Gallen and Lucerne each hold one-third of the share capital of CHF 4.5 million. RSN Risk Solution Network AG is not listed.

Basler Kantonalbank likewise has a one-third holding in Pick-e-Bike AG, Oberwil. Other shareholders in the share capital of CHF 0.6 million, also with a one-third holding, are BLT Baselland Transport AG and EBM Energie AG (since 26 March 2019: Primeo Energie). Pick-e-Bike AG is not listed.

Organisation charts

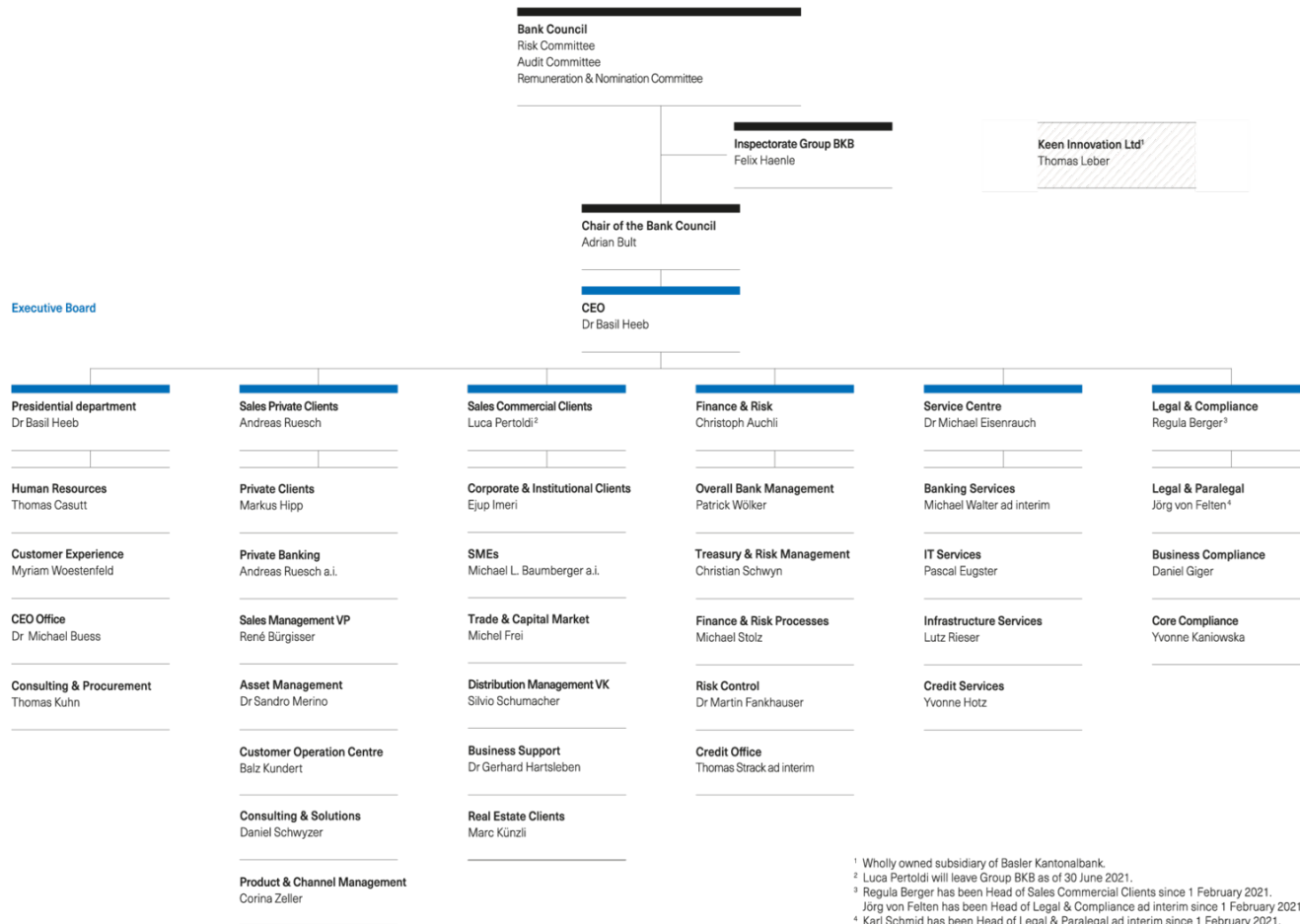
Group management
as at 1.1.2021



¹ Luca Pertoldi will leave Group BKB as of 30 June 2021.

² Andreas Ruesch has held the position of Deputy CEO and Deputy Chair of the Group Committee of Basler Kantonalbank since 1 February 2021.

Parent company
Basler Kantonalbank
as at 1.1.2021



Bank Council



Adrian Bult

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

Lic. oec. HSG: Economist, professional board member

Swiss citizen, born 19 January 1959



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

Swiss citizen, born 28 April 1951



Dr Christine Hehli Hidber

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

Dr iur.; Advocate

Swiss citizen, born 18 July 1968



Dr Jacqueline Henn Overbeck

Member of the Bank Council since 1 April 2017

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

Dual citizen Switzerland/Germany, born 12 August 1969



Priscilla M. Leimgruber

Member of the Bank Council since 1 April 2017

Executive MBA; Advocate

Swiss citizen, born 10 April 1970



Domenico Scala

Member of the Bank Council since 1 April 2017

Economist, professional board member

Dual citizen Switzerland/Italy, born 3 May 1965



Dr Ralph Lewin

Member of the Bank Council since 1 April 2009*

Dr rer. pol

Swiss citizen, born 21 May 1953

* Dr Ralph Lewin left the Group BKB on 31 March 2021.



Dr Andreas Sturm

Member of the Bank Council since 1 April 2009*

Dr rer. pol., lic. cec. HSG; entrepreneur

Swiss citizen, born 30 January 1964

* Dr Andreas Sturm left the Group BKB on 31 March 2021.



Karoline Sutter Okomba

Member of the Bank Council since 1 April 2013

Lic. phil. I: Management Consultant Public Administration
NPO

Swiss citizen, born 14 October 1973

Executive Board



Dr Basil Heeb

CEO, Member and Head of Presidential department since 1 April 2019

Dr sc. techn. ETH

Swiss citizen, born 14 September 1964



Christoph Auchli

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

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

Swiss citizen, born 2 January 1971



Luca Pertoldi

Deputy CEO, Member and Head of Sales Commercial Clients department*

Lic. rer. pol; Executive MBA HSG; Swiss Certified Financial Analyst and Asset Manager (AZEK)

Dual citizen Switzerland/Italy, born 4 June 1971

* Luca Pertoldi will leave the Group BKB as of 30 June 2021.



Dr Michael Eisenrauch

Member, Head of Service Center department since 20 June 2016

Doctorate in Economics: MBA General Management at Danube University Krems

Austrian citizen, born 26 May 1976



Regula Berger

Member, Head of Legal & Compliance department since 1 October 2018*

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

Swiss citizen, born 28 August 1982

* Regula Berger has been Head of Sales Commercial Clients since 1 February 2021.



Andreas Ruesch

Member, Head of Sales Private Clients department since 1 April 2018*

Swiss Federal Diploma Banking expert

Swiss citizen, born 13 March 1967

* Andreas Ruesch has held the position of Deputy CEO and Deputy Chair of the Group Committee of Basler Kantonalbank since 1 February 2021.

Positioning and brand

Since its foundation in 1899, Basler Kantonalbank has been heavily rooted in the Basel region and now operates as a full-service bank in Northwestern Switzerland. It serves its clients through a dense network of modern branches as well as through digital channels. All essential banking transactions can be carried out via E-Banking or user-friendly apps, regardless of location and time. Basler Kantonalbank covers the financing needs of corporate clients with a wide range of products and services. The specialists in the SME Center look after small to medium-sized companies throughout their entire life cycle. Similarly, a comprehensive portfolio of services for high-net-worth individuals, large corporate clients and institutional investors and other banks can be found at BKB, all from a single source.

BKB has a state guarantee and an AA+ rating from Standard & Poor's. In addition to the parent company Basler Kantonalbank, the Group also includes Bank Cler, which ideally complements BKB in the Swiss market as a digital bank with a physical presence in urban areas. Keen Innovation AG has also been part of the Group since 2019. This wholly owned subsidiary of BKB develops and tests products, solutions and business models. In terms of total assets, Group BKB is one of the ten largest Swiss banking groups.

The brand identity ensures a consistent brand experience across all points of contact with the Bank. The black and white colour scheme emphasises BKB's regional roots.

Corona solidarity and close client care

BKB's marketing started 2020 with a detailed annual plan. However, due to the outbreak of the COVID-19 pandemic, the situation had to be completely reassessed and activities prioritised differently. Physical events such as client events could not be carried out as planned. Major events at which BKB is present as a sponsor did not take place at all in 2020. This meant that an important building block for the external perception of the BKB brand was completely omitted. BKB nonetheless fulfilled its contracts. In doing so, the Bank made a decisive contribution to maintaining the social, cultural and sporting diversity of the Basel region for the future.

In the first half of the year, the focus was on corona solidarity. During the first lockdown in spring, Swiss banks fulfilled an important function for the professional handling of various support programmes. Together with the Department of Economic, Social and Environmental Affairs of the Canton of Basel-Stadt, BKB launched the first and fastest support programme in Switzerland. BKB also participated in the national COVID-19 credit programme of the Federal Council. The rapid, uncomplicated processing of loan applications made a decisive contribution to averting liquidity bottlenecks in the industrial sector.

Proximity to the population and the economy of the Canton of Basel-Stadt is a core value for BKB. The Bank therefore made great efforts in 2020 to support local businesses. Together with the Pro Innerstadt association, the Support Your Locals campaign was launched in June. The aim of the campaign was to support local businesses in the best possible way by giving away vouchers, making early reservations or using online shops. In this context, BKB held a large competition. Gift vouchers from Pro Innerstadt Basel worth a total of CHF 145,000 were raffled off among more than 20,000 participants. The campaign also included a print magazine distributed to 220,000 households in Basel.

BKB also supported the trade foundation's «Basel schafft(s) zämme» initiative. Selected companies received non-repayable emergency aid of CHF 4,000 from the solidarity fund for small businesses in Basel. The Bank's employees also donated CHF 21,700 by voluntarily waiving individual meal allowances.

Continuous focus on sustainability

The promotion of sustainability is one of BKB's five strategic thrusts. However, the Bank not only offers a sustainable product portfolio but also promotes sustainability as part of its social commitment. BKB is therefore acting as the main sponsor of a special exhibition on at the Natural History Museum in Basel from 20 November 2020 to 3 July 2022. «EARTH AT THE LIMIT» impressively shows the serious impact that human activity is having on the natural processes and habitats of our planet. Parallel to the exhibition in the Natural History Museum, BKB is holding an accompanying exhibition in its Spiegelgasse branch. There, the focus is on the question of how financial institutions can contribute to an intact environment – for example, by anchoring sustainability principles in the investment and lending business.






Strategy

The banking industry is undergoing profound change. For example, digitalisation is radically changing client behaviour. Today's clients are not just more demanding and better informed. They also wish to use all the important banking services independently of time and place on digital channels – with the same ease and user-friendly manner they are used to in other areas of life. Sustainability is also a megatrend to which financial institutions must find an answer. However, it is not only about creating sustainable value for the company through a long-term perspective. Rather, a financial institution must anchor sustainability in the investment or lending business, for example. In addition, the banking market is undergoing a consolidation trend and price pressure is increasing, while new regulations are increasing complexity. Finally, the market entry of providers from outside the sector, such as fintechs, is intensifying competition and putting pressure on banks to differentiate themselves effectively.

Group BKB also faces the challenge of further developing its business model in this dynamic environment and adapting it to the future. With the Group Strategy 2018–2021, defined by the Bank Council together with the executive boards of both banks, the Group is responding to constantly changing client needs. At the same time, it is setting itself ambitious growth targets in the traditional earnings pillars of interest business, commission and service business and trading business. However, the development of innovative new business models is also central. Keen Innovation AG plays an important role in this. This wholly owned subsidiary of BKB has the task of testing and developing new products, solutions and business models.

The Group Strategy 2018–2021 contains five strategic thrusts: 'Exciting our clients', 'Unlocking new client groups', 'Strengthening our ability to innovate', 'Increasing efficiency' and 'Supporting sustainability'. Strategic objectives and concrete implementation measures have been defined for each of the strategic objectives. Progress is reviewed on a quarterly basis through comprehensive reporting.

2020 marked the third year of strategy implementation. The COVID-19 pandemic has not noticeably hindered project work. Implementation of the 50 or so current subprojects continued according to plan. The various work packages were reprioritised last year. In 2021, financial and human resources will be concentrated on projects that can be completed by the end of the strategy period. In mid-2020, the Executive Boards of both banks, the Bank Council and the project team also began developing the Group Strategy for the strategy period 2022–2025.

Strategic thrust	 Exciting our clients	 Unlocking new client groups	 Strengthening our ability to innovate	 Increasing efficiency	 Supporting sustainability
Approach	BKB supports its clients closely, in all life situations and across all points of contact. BKB increases client satisfaction and the recommendation rate.	BKB offers comprehensive and understandable banking products at attractive prices. It maintains social networks and existing data. BKB expands its client base, gains additional business and market share.	BKB keeps its eyes and ears open and develops new ideas for its offering internally or with partners. Clients perceive BKB as a bank that is always at the forefront.	BKB simplifies and automates its processes and takes advantage of acquisition opportunities as they arise. It is one of the cost leaders and increases its value creation in the long term.	All BKB employees act in a committed and entrepreneurial manner and always have ethical quality and environmental compatibility in mind. BKB offers a sustainable portfolio and effectively adds value to the bank and the region.
Objective	BKB continues to develop its client base and expand its Share of Wallet.	BKB noticeably increases the number of its clients, through both physical and digital channels.	BKB acts with foresight and offers its clients innovative solutions.	BKB creates the capacity for future profitable growth and simplifies processes for its clients as well.	BKB fulfils its social responsibility towards its clients, employees and the Canton of Basel-Stadt and its inhabitants.

The five main thrusts and strategic objectives of the Strategy 2018–2021

Group BKB reacts to the COVID-19 pandemic

Basler Kantonalbank and Bank Cler continued to provide close support to their clients during the COVID-19 crisis. Branches always remained open during the first lockdown in March 2020. However, telephone conferences and video consultations were also used to be close to clients. As part of cantonal and national COVID-19 support programmes, more than 1,500 credit limits amounting to some CHF 160 million were granted. Thanks to the unbureaucratic and quick examination of the applications, BKB and Bank Cler were able to prevent liquidity bottlenecks for the industrial sector. Since December 2020, BKB has been participating in a programme run by the Canton of Basel-Stadt to provide targeted support for technology start-ups. Another focus was the Support Your Locals campaign, which BKB supported with a magazine and a large competition. More than 20,000 participants took part in the draw for gift vouchers from Pro Innerstadt worth a total of CHF 145,000.

Structured development dialogue introduced

Basler Kantonalbank and Bank Cler aim to be attractive employers. The promotion of employees is therefore also a focus of the HR strategy. A structured development dialogue was introduced in 2020. As part of this dialogue, managers regularly discuss with each employee the situation in their current job as well as the employee's ideas for their further development path. Special skills, possible areas of development and professional goals are also included in this discussion. In an open exchange between managers and employees, the cornerstones for further development are defined and measures such as training or further education are derived from this. In 2020, managers were trained for the development dialogue and the necessary framework conditions were defined. These efforts were rewarded in the 2020 employee survey: In areas such as personal prospects and development dialogue, employees attest that the Bank has made 'significant progress'.

Zak now with online onboarding

Bank Cler launched Zak in 2018. Today, the user-friendly app is one of the leading neobanks in Switzerland with over 40,000 users. The range of services offered by the app was further expanded in 2020. A new onboarding process makes it possible to open an account around the clock and in just a matter of minutes. The identification of the new client is fully automated through a comparison of the scanned ID and a selfie. Previously, a video call was necessary for successful identification. Online onboarding is even easier, faster and more client-friendly. This means that a Zak account can now also be opened spontaneously outside the Bank's own service hours.

Sustainable investments exceeded the billion mark in 2020

Basler Kantonalbank consistently focuses on sustainability in its asset management. The Sustainable investment solution was introduced in 2017, and since 2019 BKB has offered its clients the sustainable variant as standard in asset management. In 2020, the sustainable asset management mandates and investment solutions exceeded the billion mark for the first time with a volume totalling CHF 1.1 billion. This corresponds to growth of 51.2% on the previous year. This development confirms that sustainable investing meets a real need among clients. It is also becoming increasingly important for investors to have transparency about their portfolios. They want to know whether there are possible sustainability risks hidden in them and what their impact is. To advise private clients and institutional investors, BKB therefore introduced a new ESG/CO₂ reporting tool in 2020. Climate risks can also be made visible by showing the carbon footprint.

BKB and Bank Cler introduce SARON mortgage

In July 2020, BKB and Bank Cler launched the SARON mortgage. It is based on the new reference interest rate SARON and replaces the previous LIBOR mortgage. While LIBOR is based almost exclusively on expert estimates, SARON is based on actual transactions and prices in the money market. SARON is also an overnight rate, whereas LIBOR is calculated for a longer period. For those who want to keep their finger on the pulse of the money market and also benefit from lower interest rates, the SARON mortgage offers flexible financing for real estate. To avoid a daily interest calculation, the compound SARON for an interest period of three months is formed from the individual SARON interest rates at the end of each quarter.

New SEM strategy defined

More than 99% of Swiss companies are considered small to medium-sized enterprises according to the figures from the Federal Statistical Office for 2020. As many SMEs as there are, their needs are just as varied. This makes it all the more important to have a reliable contact person. Many SME clients in Northwestern Switzerland already count on BKB. In 2020, BKB established a separate department for SME clients, based on a new SME strategy. The strategy is derived from BKB's performance mandate and defines a clear profile in the SME business. Client needs are placed even more strongly at the center of the advisory services. SME clients benefit from the high level of expertise of the advisory team and the Bank's local network of contacts. Client loyalty is intensified with other BKB competencies, such as trading or transactional consulting. This means that SME clients have a reliable partner at their side throughout the entire life cycle.

Keen Innovation AG: Innovative projects launched

Testing and developing new business models: That is the task of Keen Innovation AG, a wholly owned subsidiary of Basler Kantonalbank. The agile innovation accelerator headed by Thomas Leber started operations in 2019. In 2020, a number of projects were successfully launched.

During the lockdown in spring, many SMEs were affected by the closures, some of which did not yet have an online offering. To accelerate the digitalisation of these companies, Keen Innovation AG developed and implemented the Hamsterli.ch platform in record time. On this platform, SMEs can open an online shop easily, quickly and free of charge and, for example, sell vouchers after just a few clicks. Since April 2020, over 800 SMEs have taken their first e-commerce steps on Hamsterli.ch.

Keen focuses on the needs of new target groups for the Group. Those moving to Switzerland from abroad often face major challenges with the complexity of banking and financial issues. To make it easier for newcomers to get started in our country, two innovative new platforms have been developed and tested. Taxjungle.ch offers a complete and graphically prepared overview of the tax burden in all Swiss municipalities after entering a few pieces of information. Hyppo.ch calculates the maximum cost of a condominium or a single-family house on the basis of household income. Both platforms are already used by several hundred visitors a day.

Comments on the Group annual result

Development of the Group BKB result

The defining event in 2020 was the onset of the corona pandemic with its effects on society and the economy. The challenges for Group BKB were particularly evident in securing the required liquidity of our business clients. Among other things, more than 1,500 COVID-19 credit limits with a volume of more than CHF 160 million were granted. But we were also a reliable partner for our private clients during the crisis. The cash supply was guaranteed at all times and a cash delivery service was offered for risk groups. The internal business processes and the infrastructure had to be quickly adapted to the protective measures caused by the pandemic in order to protect both our clients and our employees in the best possible way. This gave additional impetus to the digital transformation already initiated in the Group in previous years. Cooperation with the wholly owned subsidiary Bank Cler was intensified and further business units – especially in the back office – were integrated into the parent company Basler Kantonalbank. The newly established Customer Operation Center for both banks developed into an advisory and sales-oriented service organisation for all client segments and ensures telephone and digital availability for our clients. Standard business is handled directly – individual or complex concerns are forwarded to the relevant contact person in a qualified manner, if required. This puts even more focus on the needs-based support of our clients. With new business areas such as securities financing, we were able to expand our product range. This offers clients the opportunity to optimise their portfolio performance. Bank Cler increased its market share in mobile banking with the Zak app. And at both banks, the offering was successfully expanded with their sustainable investment solutions. In the meantime, a good 3 out of 4 Swiss francs flow into our sustainable investment solutions throughout the Group.

The Group closed 2020 with a slightly lower business result of CHF 157.3 million (-2.2%). Due to the increase in business volume and the simultaneous reduction in refinancing costs, the gross profit from the interest business developed positively (+2.3%). Commission income was stabilised (+0.5%). The greatest impact of the pandemic was felt in the trading profit (-20%). The implementation of further synergies in the Group had an effect in the lower operating expenses (-1.7%). Fortunately, provisions that were no longer required were released in the reporting year (CHF 6.1 million). The reserves for general banking risks were strengthened by a total of CHF 36.9 million at both banks. After taking into account a higher tax expense (+27%), the net profit for the past business year was CHF 108.3 million (-3.2%).

Operating income

The persistent negative interest rate environment was also challenging in 2020. Nevertheless, the Group succeeded in counteracting the persistently high pressure on margins by optimising the refinancing structure. With the introduction of the Securities Financing business, new business areas were opened up in 2020. This contributes to securing income in the interest business, which is tending to decline. In addition, the two Group banks were able to satisfy the high demand for credit – especially in the mortgage sector due to the high level of construction activity as well as bridging financing due to the high liquidity needs caused by the pandemic. As a result, it was possible to increase the gross profit in the interest business (+2.3%). In the medium term, however, increased loan defaults must be expected due to the corona crisis. Corresponding risks were taken into account by forming additional value adjustments. Net income from the interest business therefore closed only slightly above the previous year's result. The cautious activities of clients due to the current economic uncertainty and the required measures against the coronavirus were also reflected in the commission and services business. Although the use of cards as cashless means of payment increased, the lack of holiday trips and the lower frequency of ATMs led to a decline in card income. Our investment solutions, which are also characterised by particularly sustainable investments, continue to be in great demand among clients. With the new support and advisory approach, the success from the commission and services business at the parent company Basler Kantonalbank saw an increase of 5.9% in 2020. Bank Cler reorganised its sales structure at the beginning of 2021 and also switched to goal-oriented and needs-based advisory services, thus laying the foundation for a successful future. The other commission business developed stably, as expected. Thus, commission income shows a slight improvement overall (+0.5%). The pandemic and its massive impact on the real economy led to some strong distortions on the financial markets. In particular, the widening of bond spreads as well as dividend defaults – despite good earnings in the derivatives and money market business – left clear traces in the trading profit (-20%). Lower dividend distributions in the participations were also reflected in the other ordinary income, which halved in comparison to the previous year (-2.3%).

Operating expenses

The decrease in operating expenses (–1.7%) also reflects the success of even closer cooperation within the Group. The targeted merging of additional Group units has optimised the handling of client business and other business processes, and synergies have been achieved. In addition, the increased digitalisation and automation has had a positive impact on operational processes. With 1,320 employees, the Group employed more staff at the end of the year than in the previous year, thus strengthening its sales services. As a result, personnel costs increased by 3.2%. The more extensive project portfolio in the previous years – due to the implementation of the strategic initiatives in the current strategy period – which included high expenditures in the renovation of the branch offices at both banks, could be handled with significantly lower costs in the reporting year. Compensation for the state guarantee remained unchanged at CHF 8.8 million.

Assets and financial situation

Total assets

Total assets showed a marked increase of 21.5% to CHF 54.4 billion. Securities Financing contributed a high share to this growth and had gained momentum towards the end of the year. In addition, due to the tense economic situation, many SMEs and other companies had exhausted their credit limits in order to secure their liquidity needs in the face of declining sales. Both Group banks granted additional bridging loans under the federal and cantonal COVID-19 support programmes. On the refinancing side, the two banks successfully issued bonds. Together with the raising of further, low-interest Pfandbrief loans, this source of refinancing increased by CHF 1.2 billion. The inflow of client deposits on private and investment accounts as well as in the form of mostly short-term time deposits demonstrates the high level of trust clients place in the Group. In the interbank business, surplus liquidity from third-party banks was invested with Group BKB. As a result, cash and cash equivalents as at 31 December 2020 were very high at CHF 11.8 billion.

Client loans

The consequences of the pandemic were particularly evident in the need to provide the economy with sufficient liquidity. On the one hand, this was done by exhausting credit limits not yet used by our clients. On the other hand, the COVID-19 loans regulated by the federal government and the cantons were processed quickly and without complications. The demand for residential property financing was also high in 2020 due to the attractive interest rate level. The first SARON mortgages were brokered in the process. SARON (Swiss Average Rate Overnight) replaces the previous key interest rate LIBOR, which will be abolished at the end of 2021. Financing by means of fixed-rate mortgages, with which clients aim to secure the low interest rates for the longer term, continues to be in demand.

General public funds

The Group again recorded a gratifying inflow of client funds in 2020. In the current economic situation, private clients tend to increase their saving rates and make reserves. In addition, institutional clients placed surplus liquidity in the form of short-term time deposits. The Group banks also refinanced themselves in 2020 through additional loans from the two Pfandbrief banking institutions. At the same time, maturing Pfandbrief loans were replaced by lower-interest tranches. Both banks were also active on the capital market. To secure future financing needs, BKB issued a CHF 200.0 million bond. In order to be prepared for the future tightening of capital adequacy requirements under Basel III and to have a comfortable capital base at all times, the Group banks successfully issued two AT1 bonds.

Client assets

At CHF 50.7 billion (+CHF 2.8 billion), client assets under management in the Group exceeded the CHF 50 billion mark for the first time. A significant share of this was accounted for by deposits, which are preferred by clients as a safe investment option in the current tense economic situation.

Equity

As at 31 December 2020, Group BKB had reported equity capital of just under CHF 4.0 billion. This is made up of the following items: Reserves for general banking risks, share capital, capital reserve, retained earnings, own capital shares (minus position) and consolidated profit. The reserves for general banking risks were increased by CHF 36.9 million in 2020. After taking into account the profit distribution from the previous year, the reported equity capital increased by CHF 61.1 million compared to 31 December 2019. The total capital ratio at the end of the year was 17% with a requirement of 12%, which underlines the high stability in the Group. This is also illustrated by the leverage ratio (unweighted equity ratio) of 8.2%, which also significantly exceeded the required value of 3%.

Outlook

Business development in 2021 will depend in part on whether or when the pandemic can be brought under control. However, a strong slump in the real economy must be expected in the first half of 2021. In the second half of the year, a slow but sustained recovery is likely. In addition, the development will also be influenced by the future behaviour of the company based on the experience gained and the financial losses suffered. Thus, the forecast of the business development is subject to a high degree of uncertainty. However, the Group expects an improvement in earnings – especially in the trading business. Moreover, the Securities Financing business offers additional earnings opportunities. On the cost side, additional savings potential will be exploited and digitalisation will be further advanced.

Financial outlook

Group BKB continues to anticipate demanding and challenging conditions in 2021. In particular, a persistently low interest rate environment and a continuing negative interest rate policy by the Swiss National Bank are to be expected. Demand for private residential property will remain high in the new year. Vacancies in rental properties will hardly decrease at all and the trend towards home offices will influence the demand for office space in the medium to long term. Implementation of the growth strategy will enable the Group to further diversify its sources of income. Successful distribution of investment solutions promotes the expansion of the commission business and thus strengthens the income side. Various geopolitical factors are likely to continue to influence 2021. In particular, the unresolved trade dispute between the United States and China and the further escalation of the political situation in the Middle East could have a significant impact on stock market sentiment. In this phase, Group BKB will continue to act prudently and take advantage of opportunities as they arise. As a result of declining interest margins, investments in the development of new revenue streams, the modernisation of existing banking and the focus on clients will be driven forward. Overall, Group BKB expects a solid business performance. Implementation of digitalisation and investment business strategies will not only open up further growth opportunities, but will also have a positive impact on the attractiveness of the product and service offering.

Targets of the parent company Basler Kantonalbank

In the current strategy period 2018–2021, extensive investments have already been made in digitalisation and automation. In addition, the expansion of Securities Financing has been largely implemented and the investment options for our clients have been supplemented with sustainable products. Continuing negative interest rates, consolidations in the financial sector, the current corona crisis, new competitors from the fintech industry and advancing digitalisation remain the key challenges of the financial industry. The future will be correspondingly more agile, faster, more disruptive as well as more digital and thus remains challenging. Thanks to implementation of the vision and the strategy 2018–2021 with its focus on client orientation, innovation, efficiency and sustainability, Basler Kantonalbank is nonetheless optimistic about the future. The Bank contributes to the balanced and ecologically, economically and socially sustainable development of the Canton of Basel-Stadt, taking particular account of the needs of the population, the economy and the public sector.

Value-based management

The parent company Basler Kantonalbank has set itself a growth target of around CHF 340 million for mortgage loans for 2021 through the consistent implementation of value-based management. Basler Kantonalbank's diversified earnings base helps it hold its own in a persistently difficult market environment. The earnings base can be further strengthened with the expansion of Securities Financing and delegation solutions in the investment business. Value-based management promotes a holistic approach within the company, in which earnings are compared with the corresponding risk costs. Consequently, economic added value is at the forefront of value-based management. Basler Kantonalbank has set itself the goal of generating a sustainable positive economic value contribution. For 2021, Basler Kantonalbank expects an economic profit of at least CHF 100 million.

Capital

In view of its growth strategy, Basler Kantonalbank again strengthened its already above-average capital base in 2020 and thus continues to be one of the most strongly capitalised universal banks in Switzerland.

Liquidity

The requirements for liquidity management have steadily increased in recent years. Compared to other countries, the Swiss financial center is already very advanced in implementing the new liquidity standards. Basler Kantonalbank met these high requirements at all times. The liquidity coverage ratio (LCR) averaged 230.4% in the fourth quarter of 2020, significantly above the regulatory expected value of 100%. In addition, Basler Kantonalbank already met the minimum requirements for the Net Stable Funding Ratio (NSFR) as a structural liquidity ratio in 2020 with a value above 100%. In September 2020, the Federal Council approved the definitive introduction of the NSFR to ensure the long-term stable funding of banks as of 1 July 2021.

Distribution of profits

Due to sustainable growth, planning for the next four years envisages a stable annual profit, which will ensure a consistently high delivery to the Canton of Basel-Stadt as well as to the participation certificate holders.

Share capital

Price performance of the BKB participation certificate

The BKB participation certificate recorded a price loss of 19.20% or CHF 14.40 to CHF 60.60 over the course of 2020. Taking the dividend into account, this corresponds to a price loss of 15.7%.

Attractive dividend for participation certificate holders

Holders of BKB participation certificates participate in the solid 2020 business result: On 4 May 2021, they will be paid a constant dividend of CHF 3.10 (gross), equivalent to a dividend yield of 5.1%.

Broadly diversified participation certificate capital

The BKB participation certificate of Basler Kantonalbank is a security similar to shares and represents a non-voting co-ownership in the Bank. It has been listed on the SIX Swiss Exchange since 1986 (security number 923646). Since 2007, the participation certificate capital of CHF 50.2 million has comprised 5.9 million participation certificates with a nominal value of CHF 8.50. Almost 86% of these were held by third parties and 14% by BKB itself at the end of 2020.

Endowment capital

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

High capital strength provides security

The Bank's risk culture changed significantly with the introduction of value-based management in 2015. Since then, earnings and risk have been weighed against each other in every business decision, with the result that earnings did not go hand in hand with higher risk in the 2020 financial year either. At the same time, Basler Kantonalbank strengthened its capital base by 1.1% to CHF 3.4 billion during the reporting year. With a total capital ratio of 19.0% and a common tier 1 capital ratio of 18.6%, Basler Kantonalbank has a capital strength that is well above what is required by regulation (12.0%). The high surplus of regulatory capital has both a confidence-building and a price-supporting effect.

Excellent credit rating

In December 2020, Standard & Poor's (S&P) confirmed BKB's excellent AA+ rating. The short-term rating (A-1+) and the outlook ('stable') were also confirmed. BKB is thus one of the most robust banking institutions in Switzerland. BKB's very high capital strength, resilience and strong market position are mentioned positively. S&P attests to BKB's high level of resilience, despite the recession caused by the COVID-19 pandemic. The following factors were decisive for Basler Kantonalbank's first-class rating: The very strong capital and liquidity base, supported by the stable earnings situation. Furthermore, the high market penetration in the Basel home market and the close relationship with the Canton of Basel-Stadt due to its majority shareholding and the state guarantee contributed to the excellent rating. S&P's outlook for BKB's rating development is stable. In its assessment, the rating agency refers, among other things, to the future-proof and robust positioning of BKB with its subsidiary Bank Cler and to the high equity and liquidity base.

Solid equity capitalisation in the foreground

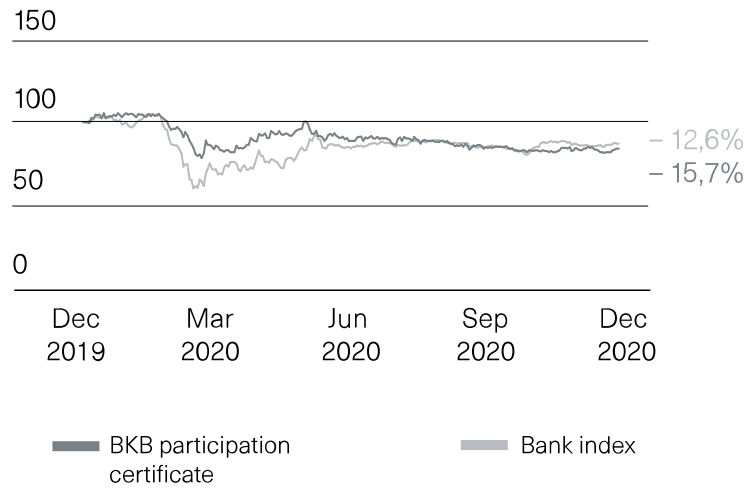
BKB distributes the annual profit remaining after the formation of reserves. The amount of the profit distribution is based on the capital requirements of the Bank. A solid equity base is a priority to enable further value creation, absorb any risks and secure the strategic ability to act. BKB holds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

Canton and participation certificate holders benefit from good result

For 2020, an unchanged dividend of CHF 3.10 (gross) per participation certificate will be distributed. In addition to compensation for the state guarantee, the canton will receive interest on the endowment capital and a profit transfer. For 2020, the canton will receive a total of CHF 77.0 million, the same amount as in the previous year. According to the canton's owner strategy, a delivery of at least CHF 45.0 million per year is expected for the years 2017–2020.

Performance of BKB participation certificate (including dividend)

31 December 2019 to 31 December 2020
(indexed, baseline 100 = 31 December 2019)



Group BKB – Annual financial statements

Group BKB – At a glance

Balance sheet		31.12.2020	31.12.2019
Total assets	in 1000 CHF	54 435 465	44 820 180
– Change	in %	21,5	1,8
Customer loans	in 1000 CHF	32 600 172	31 551 510
– of which mortgages	in 1000 CHF	29 447 918	28 670 065
Customer deposits	in 1000 CHF	29 851 470	26 456 205
Customer funds ¹	in 1000 CHF	29 863 904	26 474 940
Reported own funds (incl. Group net profit)	in 1000 CHF	3 965 678	3 904 584

Income statement		2020	2019
Net income from interest activities	in 1000 CHF	343 233	343 174
Income from commission and service activities	in 1000 CHF	125 862	125 223
Income from trading activities and exercising the fair-value option	in 1000 CHF	55 365	69 170
Other ordinary income	in 1000 CHF	5 116	10 718
Operating income	in 1000 CHF	529 576	548 285
– Change	in %	–3,4	–1,9
Operating expenses	in 1000 CHF	349 243	355 342
– Change	in %	–1,7	2,4
Amortisation, depreciation, write-downs and provisions	in 1000 CHF	23 041	32 178
Business performance	in 1000 CHF	157 292	160 765
– Change	in %	–2,2	–29,3
Group net profit	in 1000 CHF	108 303	111 838
– Change	in %	–3,2	–41,3

Profitability key figures		2020	2019
Return on equity (Group net profit before reserves/average equity)	in %	3,7	4,0

Balance sheet ratios		31.12.2020	31.12.2019
Customer loans as % of total assets	in %	59,9	70,4
Customer deposits as % of total assets	in %	54,8	59,0
Degree of funding I (customer funds/customer loans) ¹	in %	91,6	83,9
Degree of funding II (general public funds/customer loans) ²	in %	124,9	114,4
Hard core capital ratio (CET1 ratio)	in %	16,5	17,1
Core capital ratio (T1 ratio)	in %	17,0	17,4
Total capital ratio	in %	17,0	17,4
Capital adequacy target ³	in %	12,0	12,8
Leverage ratio	in %	8,2	7,9
Average liquidity coverage ratio (LCR) – Q4	in %	230,4	136,6

Income statement ratios		2020	2019
Cost-to-income ratio (operating expenses/gross income) ⁴	in %	64,6	64,5

Assets/resources		31.12.2020	31.12.2019
Number of employees		1 320	1 284
Number of branches		45	46

¹ Customer funds (customer deposits, medium-term notes).

² General public funds (customer deposits, medium-term notes, bonds and mortgage-backed bonds).

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

⁴ Gross income (operating income without any changes in write-downs relating to the risk of default and losses from interest activities).

Group BKB – Balance sheet

Assets	31.12.2020 in 1000 CHF	31.12.2019 in 1000 CHF	Change absolute	Change in %
Liquid funds	11 755 322	6 202 086	5 553 236	89,5
Receivables from banks	2 522 177	2 647 411	-125 234	-4,7
Receivables from securities financing transactions	2 329 318	21 000	2 308 318	-
Receivables from customers	3 152 254	2 881 445	270 809	9,4
Mortgages	29 447 918	28 670 065	777 853	2,7
Trading activities	2 749 711	2 401 533	348 178	14,5
Positive replacement values of derivative financial instruments	513 176	399 495	113 681	28,5
Financial assets	1 573 963	1 237 974	335 989	27,1
Prepaid expenses	92 292	84 082	8 210	9,8
Non-consolidated investments	58 893	51 242	7 651	14,9
Property, plant and equipment	194 894	198 811	-3 917	-2,0
Other assets	45 547	25 036	20 511	81,9
Total assets	54 435 465	44 820 180	9 615 285	21,5
Total subordinated receivables	6 737	12 532	-5 795	-46,2
– of which with conversion obligation and/or debt waiver	-	-	-	-
Equity and liabilities				
Liabilities to banks	7 090 918	3 845 895	3 245 023	84,4
Liabilities from securities financing transactions	1 682 174	14 519	1 667 655	-
Liabilities from customer deposits	29 851 470	26 456 205	3 395 265	12,8
Liabilities from trading activities	151	-	151	-
Negative replacement values of derivative financial instruments	215 253	146 283	68 970	47,1
Liabilities from other financial instruments measured at fair value	256 600	338 373	-81 773	-24,2
Medium-term notes	12 434	18 735	-6 301	-33,6
Bonds and mortgage-backed bonds	10 839 962	9 615 415	1 224 547	12,7
Deferred income	162 931	130 403	32 528	24,9
Other liabilities	335 464	306 421	29 043	9,5
Provisions	22 430	43 347	-20 917	-48,3
Reserves for general banking risks	2 681 110	2 644 240	36 870	1,4
Share capital	354 150	354 150	-	-
Capital reserve	132 051	131 905	146	0,1
Retained earnings	770 691	743 078	27 613	3,7
Treasury shares (short position)	-80 627	-80 627	-	-
Group net profit	108 303	111 838	-3 535	-3,2
Total equity and liabilities	54 435 465	44 820 180	9 615 285	21,5
Total subordinated liabilities	189 938	102 242	87 696	85,8
– of which with conversion obligation and/or debt waiver	189 938	102 242	87 696	85,8
Off-balance sheet transactions				
Contingent liabilities	252 849	240 708	12 141	5,0
Irrevocable commitments	3 403 170	2 855 159	548 011	19,2
Liabilities for calls on shares and other equity	91 416	88 004	3 412	3,9

Group BKB – Income statement

	2020 in 1000 CHF	2019 in 1000 CHF	Change absolute	Change in %
Income from interest activities				
Interest and discount income	452 932	435 287	17 645	4,1
Interest and dividend income from financial assets	3 930	6 317	-2 387	-37,8
Interest expenses	-102 920	-95 469	-7 451	7,8
Gross income from interest activities	353 942	346 135	7 807	2,3
Changes in write-downs relating to the risk of default and losses from interest activities	-10 709	-2 961	-7 748	-
Net income from interest activities	343 233	343 174	59	-
Income from commission and service activities				
Commission income from securities and investment activities	98 327	97 717	610	0,6
Commission income from lending activities	9 467	8 154	1 313	16,1
Commission income from other service activities	33 058	36 912	-3 854	-10,4
Commission expenses	-14 990	-17 560	2 570	-14,6
Income from commission and service activities	125 862	125 223	639	0,5
Income from trading activities and exercising the fair-value option	55 365	69 170	-13 805	-20,0
Other ordinary income				
Income from the disposal of financial assets	98	254	-156	-61,4
Income from investments	4 569	9 930	-5 361	-54,0
– of which from investments accounted for using the equity method	296	250	46	18,4
– of which from other non-consolidated investments	4 273	9 680	-5 407	-55,9
Real estate income	1 406	1 592	-186	-11,7
Other ordinary income	1 626	1 112	514	46,2
Other ordinary expenses	-2 583	-2 170	-413	19,0
Other ordinary income	5 116	10 718	-5 602	-52,3
Operating income	529 576	548 285	-18 709	-3,4
Operating expenses				
Payroll costs	-204 115	-197 774	-6 341	3,2
General and administrative expenses	-136 328	-148 768	12 440	-8,4
Compensation for the state guarantee	-8 800	-8 800	-	-
Operating expenses	-349 243	-355 342	6 099	-1,7
Write-downs on investments and depreciation of property, plant and equipment, and amortisation of intangible assets	-29 154	-27 803	-1 351	4,9
Changes to provisions and other value adjustments, and losses	6 113	-4 375	10 488	-
Business performance	157 292	160 765	-3 473	-2,2
Extraordinary income	1 176	3 321	-2 145	-64,6
Extraordinary expenses	-	-32	32	-100,0
Change in reserves for general banking risks	-36 870	-41 750	4 880	-11,7
Taxes	-13 295	-10 466	-2 829	27,0
Group net profit	108 303	111 838	-3 535	-3,2

Group BKB – Cash flow statement

	2020 cash inflow in 1000 CHF	2020 cash outflow in 1000 CHF	2019 cash inflow in 1000 CHF	2019 cash outflow in 1000 CHF
Cash flow from operations and capital	71 961		49 502	
Cash flow from operating result (internal financing)	104 811		81 881	
Income for the period	108 303	–	111 838	–
Change in reserves for general banking risks	36 870	–	41 750	–
Write-downs on property, plant and equipment	29 091	–	26 241	–
Write-downs of properties held for sale	1 557	1 623	288	163
Revaluation of financial assets	2 142	1 584	1 717	12 743
Revaluation of investments	99	–	–	1 564
Changes in write-downs relating to risk of default and losses	11 727	1 018	3 993	1 031
Other write-downs	–	2 009	2 894	7
Other provisions	1 007	19 915	3 213	9 228
Prepaid expenses	–	8 210	–	1 781
Deferred income	32 528	–	619	–
Dividend for previous year	–	84 154	–	84 154
Cash flow from equity transactions	75		128	
Capital reserve	146	–	146	–
Change in own equity instruments	–	–	12	30
Retained earnings	–	71	–	–
Cash flow from operations in property, plant and equipment		32 925		32 507
Investments	–	7 751	301	8 264
Bank buildings	358	12 380	–	4 561
Other properties	–	332	–	607
Other property, plant and equipment	71	8 544	59	9 951
Software	–	4 347	–	9 484
Cash flow from banking business: Medium and long-term business (> 1 year)	68 509			1 190 377
Cash flow from interbank business	70 000			110 000
– Receivables from banks	10 000	–	–	50 000
– Liabilities to banks	60 000	–	–	60 000
Cash flow from customer business		898 089		1 787 359
– Receivables from customers	–	183 439	–	106 807
– Mortgages	885	788 475	927	1 426 086
– Liabilities from customer deposits	154 240	75 000	–	243 280
– Medium-term notes	54	6 354	369	12 482
Cash flow from financial investments		336 481		426 056
– Bonds	30 368	363 045	82 600	513 500
– Equity instruments/precious metals	–	–	4 797	–
– Properties	2 823	6 627	995	948
Cash flow from capital market business	1 224 547		1 151 899	
– Bonds	566 440	112 293	711 890	56 934
– Mortgage-backed bonds	1 080 000	309 600	782 565	285 622
Cash flow from other balance sheet items	8 532			18 861
– Other assets	–	20 511	60 619	–
– Other liabilities	29 045	2	–	79 480

	2020 cash inflow in 1000 CHF	2020 cash outflow in 1000 CHF	2019 cash inflow in 1000 CHF	2019 cash outflow in 1000 CHF
Cash flow from banking business: Short-term business (< 1 year)	5 412 767		198 566	-
Cash flow from interbank business	3 300 257		-	1 544 195
- Receivables from banks	115 234	-	-	28 097
- Liabilities to banks	3 185 023	-	-	1 516 098
Cash flow from customer business	2 587 018		1 878 665	-
- Receivables from customers	28 783	117 127	274 547	1 890
- Receivables from securities financing transactions	-	2 308 318	-	-
- Liabilities from securities financing transactions	1 667 655	-	-	158 649
- Liabilities from customer deposits	3 316 025	-	1 764 656	-
Cash flow from trading activities		348 026	-	58 903
- Trade receivables	-	348 177	-	53 569
- Liabilities from trading activities	151	-	-	5 334
Cash flow from other financial instruments measured at fair value		81 772	-	8 382
- Liabilities from other financial instruments measured at fair value	-	81 772	-	8 382
Cash flow from replacement values of derivative financial instruments		44 710	-	68 619
- Positive replacement values	-	113 680	31 554	-
- Negative replacement values	68 970	-	-	100 173
Change in fund liquidity	5 553 236		-	942 309

Group BKB – Statement of changes in equity

	Share capital	Capital reserve	Retained earnings	Reserves for general banking risks	Treasury shares (short position)	Minority interests	Group net profit	Total equity
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Equity at the beginning of the reporting period	354 150	131 905	743 078	2 644 240	-80 627	-	111 838	3 904 584
Dividends and other distributions	-	146	27 613	-	-	-	-111 838	-84 079
Other allocations to (withdrawals from) the reserves for general banking risks	-	-	-	36 870	-	-	-	36 870
Group net profit	-	-	-	-	-	-	108 303	108 303
Equity at the end of the reporting period	354 150	132 051	770 691	2 681 110	-80 627	-	108 303	3 965 678

Parent company BKB – Annual financial statements

Parent company BKB – At a glance

Balance sheet		31.12.2020	31.12.2019
Total assets	in 1000 CHF	35 790 197	27 304 637
– Change	in %	31,1	0,7
Customer loans	in 1000 CHF	16 449 106	15 567 643
– of which mortgages	in 1000 CHF	13 454 723	12 863 522
Customer deposits	in 1000 CHF	16 776 764	14 039 294
Customer funds ¹	in 1000 CHF	16 779 143	14 043 914
Reported own funds (including Net profit)	in 1000 CHF	3 407 807	3 372 253
Reported own funds (after appropriation of profit)	in 1000 CHF	3 323 653	3 288 099

Income statement		2020	2019
Net income from interest activities	in 1000 CHF	164 227	173 857
Income from commission and service activities	in 1000 CHF	73 969	69 822
Income from trading activities and exercising the fair-value option	in 1000 CHF	46 209	59 136
Other ordinary income	in 1000 CHF	80 272	72 765
Operating income	in 1000 CHF	364 677	375 580
– Change	in %	–2,9	1,5
Operating expenses	in 1000 CHF	227 176	216 148
– Change	in %	5,1	4,7
Amortisation, depreciation, write-downs and provisions	in 1000 CHF	–18 743	–21 153
Business performance	in 1000 CHF	118 758	138 279
– Change	in %	–14,1	–27,3
Net profit	in 1000 CHF	98 561	100 757
– Change	in %	–2,2	–2,3

Profitability key figures		2020	2019
Return on equity (net profit for the year before reserves/average equity)	in %	3,6	4,2

Balance sheet ratios		31.12.2020	31.12.2019
Customer loans as % of total assets	in %	46,0	57,0
Customer deposits as % of total assets	in %	46,9	51,4
Degree of funding I (customer funds/customer loans) ¹	in %	102,0	90,2
Degree of funding II (general public funds/customer loans) ²	in %	142,1	125,4
Hard core capital ratio (CET1 ratio)	in %	18,6	19,6
Core capital ratio (T1 ratio)	in %	19,0	20,0
Total capital ratio	in %	19,0	20,0
Capital adequacy target ³	in %	12,0	12,4
Leverage ratio	in %	10,2	10,8
Average liquidity coverage ratio (LCR) – Q4	in %	229,3	150,5

Income statement ratios		2020	2019
Cost-to-income ratio (operating expenses/gross income) ⁴	in %	60,8	57,6

Assets/resources		31.12.2020	31.12.2019
Number of employees		937	842
Number of branches		14	15

¹ Customer funds (customer deposits, medium-term notes).

² General public funds (customer deposits, medium-term notes, bonds and mortgage-backed bonds).

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

⁴ Gross income (operating income without any changes in write-downs relating to the risk of default and losses from interest activities).

Balance sheet – before appropriation of profit

Assets	31.12.2020 in 1000 CHF	31.12.2019 in 1000 CHF	Change absolute	Change in %
Liquid funds	8 580 168	3 894 235	4 685 933	–
Receivables from banks	2 795 840	3 021 290	–225 450	–7,5
Receivables from securities financing transactions	2 329 318	21 000	2 308 318	–
Receivables from customers	2 994 383	2 704 121	290 262	10,7
Mortgages	13 454 723	12 863 522	591 201	4,6
Trading activities	2 750 267	2 401 113	349 154	14,5
Positive replacement values of derivative financial instruments	513 141	399 330	113 811	28,5
Financial assets	1 383 378	1 070 428	312 950	29,2
Prepaid expenses	71 340	63 947	7 393	11,6
Investments	740 762	742 655	–1 893	–0,3
Property, plant and equipment	94 773	100 497	–5 724	–5,7
Other assets	82 104	22 499	59 605	–
Total assets	35 790 197	27 304 637	8 485 560	31,1
Total subordinated receivables	8 934	12 532	–3 598	–28,7
– of which with conversion obligation and/or debt waiver	–	–	–	–
Equity and liabilities				
Liabilities to banks	6 435 756	3 529 538	2 906 218	82,3
Liabilities from securities financing transactions	1 682 174	14 519	1 667 655	–
Liabilities from customer deposits	16 776 764	14 039 294	2 737 470	19,5
Liabilities from trading activities	11	–	11	–
Negative replacement values of derivative financial instruments	215 054	146 812	68 242	46,5
Liabilities from other financial instruments measured at fair value	256 600	338 373	–81 773	–24,2
Medium-term notes	2 379	4 620	–2 241	–48,5
Bonds and mortgage-backed bonds	6 587 208	5 481 498	1 105 710	20,2
Deferred income	90 169	60 260	29 909	49,6
Other liabilities	319 878	285 429	34 449	12,1
Provisions	16 397	32 041	–15 644	–48,8
Reserves for general banking risks	2 494 096	2 473 096	21 000	0,8
Share capital	354 150	354 150	–	–
Statutory capital reserve	147 750	147 750	–	–
– of which reserves from capital contributions	90 152	90 152	–	–
– of which other reserves	57 598	57 598	–	–
Statutory retained earnings	319 712	318 165	1 547	0,5
Voluntary retained earnings	71 800	56 300	15 500	27,5
Treasury shares (short position)	–80 627	–80 627	–	–
– against reserves from capital contributions	–67 839	–67 839	–	–
– other	–12 788	–12 788	–	–
Profit carried forward	2 365	2 662	–297	–11,2
Net profit	98 561	100 757	–2 196	–2,2
Total equity and liabilities	35 790 197	27 304 637	8 485 560	31,1
Total subordinated liabilities	100 536	102 242	–1 706	–1,7
– of which with conversion obligation and/or debt waiver	100 536	102 242	–1 706	–1,7
Off-balance sheet transactions				
Contingent liabilities	218 312	215 038	3 274	1,5
Irrevocable commitments	3 060 347	2 409 164	651 183	27,0
Liabilities for calls on shares and other equity	67 379	67 379	–	–

Income statement

	2020 in 1000 CHF	2019 in 1000 CHF	Change absolute	Change in %
Income from interest activities				
Interest and discount income	234 873	215 670	19 203	8,9
Interest and dividend income from financial assets	3 370	5 389	-2 019	-37,5
Interest expenses	-64 778	-47 483	-17 295	36,4
Gross income from interest activities	173 465	173 576	-111	-0,1
Changes in write-downs relating to the risk of default and losses from interest activities	-9 238	281	-9 519	-
Net income from interest activities	164 227	173 857	-9 630	-5,5
Income from commission and service activities				
Commission income from securities and investment activities	57 011	54 008	3 003	5,6
Commission income from lending activities	7 382	5 660	1 722	30,4
Commission income from other service activities	18 669	19 495	-826	-4,2
Commission expenses	-9 093	-9 341	248	-2,7
Income from commission and service activities	73 969	69 822	4 147	5,9
Income from trading activities and exercising the fair-value option	46 209	59 136	-12 927	-21,9
Other ordinary income				
Income from the disposal of financial assets	30	95	-65	-68,4
Income from investments	33 440	38 665	-5 225	-13,5
Real estate income	1 277	1 312	-35	-2,7
Other ordinary income	47 666	34 781	12 885	37,0
Other ordinary expenses	-2 141	-2 088	-53	2,5
Other ordinary income	80 272	72 765	7 507	10,3
Operating income	364 677	375 580	-10 903	-2,9
Operating expenses				
Payroll costs	-142 835	-128 292	-14 543	11,3
General and administrative expenses	-75 541	-79 056	3 515	-4,4
Compensation for the state guarantee	-8 800	-8 800	-	-
Operating expenses	-227 176	-216 148	-11 028	5,1
Write-downs on investments and depreciation of property, plant and equipment, and amortisation of intangible assets	-21 238	-19 018	-2 220	11,7
Changes to provisions and other value adjustments, and losses	2 495	-2 135	4 630	-
Business performance	118 758	138 279	-19 521	-14,1
Extraordinary income	874	278	596	-
Extraordinary expenses	-	-	-	-
Change in reserves for general banking risks	-21 000	-37 800	16 800	-44,4
Taxes	-71	-	-71	-
Net profit	98 561	100 757	-2 196	-2,2

Appropriation of profit

Appropriation of profit	2020 in 1000 CHF	2019 in 1000 CHF	Change absolute	Change in %
Net profit	98 561	100 757	-2 196	-2,2
Profit carried forward from previous year	2 365	2 662	-297	-11,2
Balance sheet profit	100 926	103 419	-2 493	-2,4
Allocation to statutory retained earnings	1 400	1 400	-	-
Allocation to voluntary retained earnings	13 000	15 500	-2 500	-16,1
Dividend on participation certificate capital	15 954	15 954	-	-
Compensation for endowment capital	213	1 581	-1 368	-86,5
Ordinary handover to the Canton of Basel-Stadt	67 987	66 619	1 368	2,1
Profit carried forward to new account	2 372	2 365	7	0,3

Dividend	2020 in CHF	2019 in CHF
Per participation certificate of CHF 8.50 nominal		
- Gross dividend	3.10	3.10
- less federal withholding tax 35%	1.10	1.10
- Net dividend	2.00	2.00
Credit on participation certificate dividend on	4.5.2021	3.6.2020

Balance sheet – after appropriation of profit

Assets	31.12.2020 in 1000 CHF	31.12.2019 in 1000 CHF	Change absolute	Change in %
Liquid funds	8 580 168	3 894 235	4 685 933	–
Receivables from banks	2 795 840	3 021 290	–225 450	–7,5
Receivables from securities financing transactions	2 329 318	21 000	2 308 318	–
Receivables from customers	2 994 383	2 704 121	290 262	10,7
Mortgages	13 454 723	12 863 522	591 201	4,6
Trading activities	2 750 267	2 401 113	349 154	14,5
Positive replacement values of derivative financial instruments	513 141	399 330	113 811	28,5
Financial assets	1 383 378	1 070 428	312 950	29,2
Prepaid expenses	71 340	63 947	7 393	11,6
Investments	740 762	742 655	–1 893	–0,3
Property, plant and equipment	94 773	100 497	–5 724	–5,7
Other assets	82 104	22 499	59 605	–
Total assets	35 790 197	27 304 637	8 485 560	31,1
Total subordinated receivables	8 934	12 532	–3 598	–28,7
– of which with conversion obligation and/or debt waiver	–	–	–	–
Equity and liabilities				
Liabilities to banks	6 435 756	3 529 538	2 906 218	82,3
Liabilities from securities financing transactions	1 682 174	14 519	1 667 655	–
Liabilities from customer deposits	16 844 964	14 107 494	2 737 470	19,4
Liabilities from trading activities	11	–	11	–
Negative replacement values of derivative financial instruments	215 054	146 812	68 242	46,5
Liabilities from other financial instruments measured at fair value	256 600	338 373	–81 773	–24,2
Medium-term notes	2 379	4 620	–2 241	–48,5
Bonds and mortgage-backed bonds	6 587 208	5 481 498	1 105 710	20,2
Deferred income	90 169	60 260	29 909	49,6
Other liabilities	335 832	301 383	34 449	11,4
Provisions	16 397	32 041	–15 644	–48,8
Reserves for general banking risks	2 494 096	2 473 096	21 000	0,8
Share capital	354 150	354 150	–	–
Statutory capital reserve	147 750	147 750	–	–
– of which reserves from capital contributions	90 152	90 152	–	–
– of which other reserves	57 598	57 598	–	–
Statutory retained earnings	321 112	319 565	1 547	0,5
Voluntary retained earnings	84 800	71 800	13 000	18,1
Treasury shares (short position)	–80 627	–80 627	–	–
– against reserves from capital contributions	–67 839	–67 839	–	–
– other	–12 788	–12 788	–	–
Profit carried forward	2 372	2 365	7	0,3
Total equity and liabilities	35 790 197	27 304 637	8 485 560	31,1
Total subordinated liabilities	100 536	102 242	–1 706	–1,7
– of which with conversion obligation and/or debt waiver	100 536	102 242	–1 706	–1,7
Off-balance sheet transactions				
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Liabilities for calls on shares and other equity	67 379	67 379	–	–

Statement of changes in equity

	Share capital	Statutory capital reserve	Statutory retained earnings	Reserves for general banking risks	Voluntary retained earnings and profit or loss carried forward	Treasury shares (short position)	Net profit	Total equity
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Equity at the beginning of the reporting period	354 150	147 750	318 165	2 473 096	58 962	-80 627	100 757	3 372 253
Appropriation of profit 2019								
- Allocation to statutory retained earnings	-	-	1 400	-	-	-	-1 400	-
- Allocation to voluntary retained earnings	-	-	-	-	15 500	-	-15 500	-
- Dividend	-	-	147	-	-	-	-15 954	-15 807
- Distribution to canton	-	-	-	-	-	-	-68 200	-68 200
- Net change in profit carried forward	-	-	-	-	-297	-	297	-
Other allocations to (withdrawals from) the reserves for general banking risks	-	-	-	21 000	-	-	-	21 000
Net profit	-	-	-	-	-	-	98 561	98 561
Equity at the end of the reporting period	354 150	147 750	319 712	2 494 096	74 165	-80 627	98 561	3 407 807

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