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2010 Annual General Report. Available in the German language is a complete version of the BKB Annual General Report. The German edition has been audited by Ernst & Young AG.



**Basler  
Kantonalbank**  
fair banking



# Comments on the Group Annual Accounts

## Key Figures

The BKB Group experienced in 2010 an eventful year with significant inflows of customer deposits totalling 1.3 billion CHF. Consequently, consolidated total assets increased compared to the previous year by a record amount of 2.5 billion CHF or +7.7%. In contrast, the adjusted gross profit for the BKB Group, at 342.5 million CHF, was -13.8% weaker than 2009. The latter is true also of the Group profits, which at 254.3 million CHF were -12.1% below the previous year's record result, in which exceptional items led to a jump in profits of +47.7%. At the same time, however, Group profits of 674.7 million CHF exceeded the 2008 value significantly; namely by almost +30%. An -8.3% lower operating income of 674.7 million CHF for 2010 was offset by a slightly lower adjusted operating expense of 332.2 million CHF (-1.9%). As a result, the cost income ratio I increased to 49.2% for 2010 (previous year: 46.0%).

In addition, last year's result allowed another substantial increase in equity, which exceeded the 3 billion CHF mark for the first time at the end of 2010, with a growth of 4.7% (December 31, 2010: 3.03 billion CHF). The equity within the BKB Group remains at a comfortable level, which is also reflected in the equity coverage ratio of 167.5% and in the Tier 1 ratio as the ratio of eligible core capital to the risk-weighted assets of 13.4% for 2010.

## Balance Sheet

Consolidated total assets grew significantly by 2.5 billion CHF to 35.4 billion CHF as of December 31, 2010. Contributing to this were on the one hand customer loans with a change of 1.3 billion CHF and on the other hand, the positive or negative replacement values of derivative financial instruments in the amount of 0.9 billion CHF. This strong increase was formed by the sequence of large-scale hedging transactions by the customers due to the considerable instability of interest and exchange rates, which are vetted against analogous offsetting transactions within the BKB Group owing to risk considerations.

Customer loans of 24.2 billion CHF as of December 31, 2010 (previous year: 22.9 billion CHF) consisted of commercial loans to corporate customers and public entities of 3.6 billion CHF (previous year: 3.2 billion CHF or +13.9%) and mortgages of 20.6 billion CHF (previous year: 19.7 billion CHF or

+4.2%). The change in mortgages of +837 million CHF compared to the previous year is made up of +659 million CHF at Bank Coop (inventory on December 31, 2010: 11.7 billion CHF) and +178 million CHF at the parent Basler Kantonalbank (inventory on December 31, 2010: 8.9 billion CHF). The more moderate increase in customer loans by +5.6% represents one consequence of the stringent lending requirements that have been applied for many years with consistently conservative affordability and lending guidelines, and allowed both banks belonging to the BKB Group simultaneously to moderately expand their position as important financiers of domestic residential and commercial properties.

The inflow of funds in the BKB Group presented especially positively on the liabilities and equity side of the balance sheet. For example, savings increased by more than 1 billion CHF and represented, at +9.1%, the largest change on the refinancing side. With inventories of 12.6 billion CHF, the liabilities due to customers in savings and investments constitute 54.7% or the most significant portion of customer monies. The uncertain economic situation led to a greater propensity to save among the population, from which the BKB Group institutions benefited inordinately owing to the attractive range of savings products and safe investment options. While the parent Basler Kantonalbank recorded an increase of +6.7% over the previous year (+374 million CHF), savings deposits at Bank Coop grew by as much as +11.2% (+670 million CHF).

Another increase was reported for other liabilities due to customers, which grew by +7.4% to 9.9 billion CHF on December 31, 2010. At the same time, fixed deposits decreased to less attractive interest rates, while demand deposits encompassed in part substantial balances, particularly at year-end. Last but not least, medium-term notes should be mentioned, which were the only item within the customer deposits sector to decrease, with -406 million CHF. Low interest rates in turn led the customers to invest to a large extent the due deposits in account form.

Since the persistent low interest rate phase in Switzerland favoured borrowing at advantageous terms, the parent Basler Kantonalbank issued in the reporting period in lieu of due securities with a scope of 500 million CHF a total of 3 bonds with a nominal amount of 450 million CHF. Together with the

mortgage bonds in the amount of 138.5 million CHF, at the end of the year, BKB Group held bonds and mortgage bonds totalling 4.4 billion CHF (+2.1%). Given the significant inflows of customer deposits of +6.1% in comparison to the previous year, the growth in bonds of +5.6% could be financed without problem, so that the refinancing degree as the relationship of customer loans to customer deposits improved further and was 95.1% at the end of the reporting period (previous year: 94.7%).

### Customer Deposits

The customer deposits entrusted to the BKB Group totalled almost 50 billion CHF at the end of 2010, or +2.5% more than a year ago. This means a growth of +1.2 billion CHF in the past year. Thus the growth in 2010 originated almost exclusively from borrowings, whereas a weak performance of deposited stocks and bonds and the lower price quotations for foreign currency custody accounts and decreasing fiduciary investments reduced customer deposits. Added to this were outflows from former customers of AAM Privatbank AG in liquidation, resulting in total inflows of new funds over the past year of 892 million CHF. Of the total customer deposits of 49.2 billion CHF, 33.0 billion CHF or 67.1% (previous year: 66.5%) were from the parent bank Basler Kantonalbank with Bank Coop contributing the remaining 16.2 billion CHF, or 32.9% (previous year: 33.5%).

### Income Statement

With an adjusted gross profit of 342.5 million CHF, the result in the BKB Group in the past year, in line with expectations, was –13.8% weaker than 2009, in that special factors such as one-off price profits from the bond portfolio within the trading inventory of the parent bank Basler Kantonalbank significantly affected the result. At the same time, it can be reported that the gross profit of 2010 is higher than that of 2008, so that the successful path of the Group being taken in recent years could continue to be followed unflinchingly. In addition, in considering this result it should be taken into account that the IT migration to Avaloq at Bank Coop absorbed extensive personnel resources at the Group level, as this large-scale bank-internal project involved various positions both in the subsidiary bank and in the parent bank Basler Kantonalbank, whose staff shared as a matter of course its know-how acquired in the successful migration in the autumn of 2009. A detailed analysis of the change in consolidated gross profit for 2010 by

–54.7 million CHF shows that the lower operating expenses, which were reduced by –6.5 million CH, could not offset the decrease in operating income caused by the reductions in trading revenues (–48.1 million CHF compared to the previous year) and interest income (–12.6 million CHF compared to the previous year).

Interest income for 2010 was 367.6 million CHF or a decrease of –3.3% compared to the previous year. In this regard, the BKB Group was impacted by the persistent pressure on the interest margin, the effects of which could be compensated only in part by the strong growth in the mortgage sector. Furthermore, the BKB Group continued to pursue its cautious interest hedging strategy based on marked customer preferences with fixed mortgages that are offset in the short time by funds deposited in private and investment accounts for refinancing. The associated costs were knowingly accepted as an advance with respect to a possible interest upturn in the future. A positive increase was again reported for interest and dividend income from financial investments. With 66.5 million CHF or +7.9% compared to the previous year, this sector developed according to strategy, in that the BKB Group invested in the phase when interest rates were low, unneeded funds in high-yield stocks of industrial and commercial businesses with a sustainable dividend policy.

In view of the unsettled year for investments, the BKB Group can be satisfied with revenues at the level of the previous year from brokerage and services business of 193.5 million CHF (–0.8%). In the securities and investment sector, targeted expansion of the Private Banking Advisor in the parent bank Basler Kantonalbank achieved higher transaction-based revenues in the form of brokerage fees and commissions from funds. In addition, the BKB Group reported slightly increased custody account fees and lower revenues from the asset management business, as in this case the respectable growth in volume was reflected in disproportionately lower income due to weak performance.

Trading revenues at 95.6 million CHF decreased in line with expectations below the previous year's value of 143.7 million CHF, which was influenced by special factors such as one-off price gains in the bond portfolio within the trading inventory of the parent bank Basler Kantonalbank, representing a

decrease of -33.5%. The BKB Group earned significantly more, at 59.1 million CHF, from foreign exchange trading with customers and proprietary foreign exchange trading than in the previous year (54.5 million CHF), while currency trading, at 3.4 million CHF (previous year: 7.8 million CHF) suffered under the drop in the value of the Euro in that inventory held at the bank counters and in the automated teller machines had to be written down. The remaining 33.1 million CHF (previous year: 79.5 million CHF) was attributed to securities trading (including hedging), where in the previous year primarily the parent bank Basler Kantonalbank and BKB Finance Ltd., Guernsey, profited substantially from price gains for proprietary securities inventory due to the credit spreads. Despite the decrease in trading revenues of -33.5% versus 2009, the BKB Group can be very satisfied with the result of almost 100 million CHF from this segment. This is attributable not least to the fact that our banking group was again able in the past reporting period to expand its market presence in the trading sector.

The other ordinary income of 18.1 million CHF (previous year: 17 million CHF) includes realized profits on disposal of financial investments of 5.5 million CHF (previous year: 2.2 million CHF), investment income of 6.7 million CHF (previous year: 5.1 million CHF) and other ordinary income; that is expenses from group-internal pricing transfers.

The BKB Group continues to have the cost situation in good control despite the growth achieved in 2010. Thus the adjusted operating expenses decreased in comparison to the previous year by -1.9%. Decreases in personnel expenses of -1.6 million CHF, as well as in material expenses of -4.9 million CHF contributed to the lower operating expenses of 332.2 million CHF (previous year: 338.7 million CHF). The significant cost savings in adjusted material expenses (2010: 119.5 million CHF, 2009: 124.4 million CHF or -4.0%) were primarily a consequence of the lower expenses for information technology, as the operation and maintenance of Avaloq compared to the IT system from Real Time Center (RTC) still used in 2009 in the parent bank Basler Kantonalbank was significantly less expensive. On the other hand, additional investments in the branch network at Bank Coop and in the new construction at Basel's South Park (Südpark) for the parent bank Basler Kantonalbank and more intensive promotional activities led also to additional costs within the operating expenses.

Depreciation on assets in 2010 within the BKB Group were 52 million CHF or slightly below that of the previous year. In addition to higher ordinary depreciation on the other fixed assets of 22.6 million CHF (previous year: 12.4 million CHF) as a consequence of the investments in software and hardware (including capitalization of the licensing costs for Avaloq), there resulted for intangible assets, despite the complete elimination of goodwill from the acquisition of AAM Privatbank AG in liquidation and the depreciation of a further tranche of Bank Coop investment, lower depreciation of 20.7 million CHF (previous year: 36.1 million CHF). The BKB Group continued its policy applied for many years with respect to write-downs and risk provisioning, whereby these items after a further improvement in the portfolio with the omission of major default events could be reduced by -10.8 million CHF to 17.1 million CHF for 2010.

Also of note is the extraordinary income of 22.4 million CHF (previous year: 31.3 million CHF). This includes revenues from the sale of investments of 12.5 million CHF (previous year: 27.6 million CHF), specifically from the sale of a further tranche in Aduno Holding AG by Bank Coop, as well as the appreciation of shares of Nationale Suisse, in which the parent bank Basler Kantonalbank holds an unchanged interest of 8.5%, of 3.5 million CHF (previous year: 0.7 million CHF). The remaining 6.3 million CHF includes collection of written-off receivables, dissolving of no longer needed provisions resulting from a further improvement in the quality of the loan portfolio and other extraordinary income, the amounts of which are insignificant.

Based on an adjusted gross profit in the BKB Group of 342.5 million CHF and significantly lower depreciation on assets of 52 million CHF (previous year: 57.3 million CHF), as well as corrections, provisions, and losses of 17.1 million CHF (previous year: 27.9 million CHF), this resulted - after consideration of the guarantor settlement to Basel-City canton fixed at 31.1 million CHF (previous year: 37.5 million CHF), tax expenditures of 16.1 million CHF, and extraordinary income of 22.2 million CHF - a group profit for 2010 of 254.3 million CHF. Minority shareholders participated in this with 21.4 million CHF (previous year: 16.2 million CHF).

# BKB Group – at a glance

<b>Balance Sheet</b>		<b>31.12.2010</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
Balance-sheet total	in 1000 CHF	35 360 696	32 837 426	31 249 338
• Change	in %	7.68	5.08	12.13
Loans to customers	in 1000 CHF	24 194 829	22 917 770	21 485 280
• of which mortgage debts	in 1000 CHF	20 588 804	19 751 721	18 464 981
Customer money	in 1000 CHF	23 018 596	21 700 593	19 540 233
Public money	in 1000 CHF	27 371 806	25 965 238	24 455 008
Declared equity (including minority interests in profits)	in 1000 CHF	3 026 751	2 890 183	2 699 265
• of which minority interest	in 1000 CHF	378 108	375 617	364 520

<b>Customer Assets</b>		<b>31.12.2010</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
Total customer assets	in 1000 CHF	49 172 685	47 957 359	40 633 378
• Change	in %	2.53	18.02	-9.24
• of which counted double	in 1000 CHF	8 273	7 844	6 211

<b>Profit Statement</b>		<b>2010</b>	<b>2009</b>	<b>2008</b>
Net profit from interest-rate transaction	in 1000 CHF	367 589	380 155	411 019
Net profit from commissions and services	in 1000 CHF	193 466	195 054	180 288
Net profit from commercial transactions	in 1000 CHF	95 590	143 707	67 401
Other ordinary profit	in 1000 CHF	18 056	17 027	7 157
Earnings from sales	in 1000 CHF	674 701	735 943	665 865
Operating expenses, adjusted (excluding IT migration)	in 1000 CHF	332 195	338 740	325 127
Gross profit, adjusted (excluding IT migration)	in 1000 CHF	342 506	397 203	340 738
• Change	in %	-13.77	16.57	-18.61
Depreciations, corrections, provisions and losses	in 1000 CHF	63 234	85 204	94 462
Operating income, adjusted (excluding IT migration)	in 1000 CHF	279 272	311 999	246 276
• Change	in %	-10.49	26.69	-30.16
Group profit, adjusted (excluding IT migration)	in 1000 CHF	254 340	289 429	196 015
• Change	in %	-12.12	47.66	-30.07
• of which minority shares	in 1000 CHF	21 438	16 202	27 180

<b>Key Figures</b>		<b>2010</b>	<b>2009</b>	<b>2008</b>
Equity ratio (incl. minority interests)	in %	8.56	8.80	8.64
Operating return on equity (RoE)	in %	9.59	11.33	9.38
Total return on assets (RoA)	in %	0.72	0.88	0.63
Equity coverage (less cantonal bank deduction)	in %	167.50	168.43	169.32
Tier 1 ratio (attributable core capital/risk-weighted items)	in %	13.40	13.47	13.55
Degree of refinancing I (customer assets/customer loans)	in %	95.14	94.69	90.95
Degree of refinancing II (public assets/customer loans)	in %	113.13	113.30	113.82
Cost-income ratio I	in %	49.24	46.03	48.83
Cost-income ratio II	in %	56.07	53.81	57.35

<b>Values/Resources</b>		<b>2010</b>	<b>2009</b>	<b>2008</b>
Number of customers		477 886	480 562	474 590
Number of employees		1 374	1 464	1 452
Number of business locations		51	56	52

# Parent Basler Kantonalbank – at a glance

<b>Balance Sheet</b>		<b>31.12.2010</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
Balance-sheet total	in 1000 CHF	22 374 294	20 205 689	19 381 116
• Change	in %	10.73	4.25	16.30
Loans to customers	in 1000 CHF	12 015 639	11 375 077	10 439 935
• of which mortgage debts	in 1000 CHF	8 902 393	8 724 194	7 962 542
Customer money	in 1000 CHF	13 037 762	12 153 024	10 841 799
Public money	in 1000 CHF	14 762 762	13 928 024	13 137 799
Declared equity	in 1000 CHF	2 521 615	2 385 504	2 249 795

<b>Customer Assets</b>		<b>31.12.2010</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
Total customer assets	in 1000 CHF	32 993 393	28 913 410	25 662 803
• Change	in %	14.11	12.67	-8.59
• of which counted double	in 1000 CHF	-	-	-

<b>Profit Statement</b>		<b>2010</b>	<b>2009</b>	<b>2008</b>
Net profit from interest-rate transaction	in 1000 CHF	219 007	230 289	233 636
Net profit from commissions and services	in 1000 CHF	125 018	120 669	112 256
Net profit from commercial transactions	in 1000 CHF	89 194	122 380	60 485
Other ordinary profit	in 1000 CHF	46 281	50 594	26 767
Earnings from sales	in 1000 CHF	479 500	523 932	433 144
Operating expenses, adjusted (excluding IT migration)	in 1000 CHF	196 208	195 726	181 424
Gross profit, adjusted (excluding IT migration)	in 1000 CHF	283 292	328 206	251 720
• Change	in %	-13.68	30.39	-17.03
Depreciations, corrections, provisions and losses	in 1000 CHF	51 530	66 590	65 503
Operating income, adjusted (excluding IT migration)	in 1000 CHF	231 762	261 616	186 217
• Change	in %	-11.41	40.49	-29.85
Net profit for the year	in 1000 CHF	88 296	97 427	77 869
• Change	in %	-9.37	25.12	-8.93

<b>Key Figures</b>		<b>2010</b>	<b>2009</b>	<b>2008</b>
Equity ratio	in %	11.27	11.81	11.61
Operating return on equity (RoE)	in %	9.60	11.46	8.51
Total return on assets (RoA)	in %	0.39	0.48	0.40
Equity coverage (less cantonal bank deduction)	in %	165.29	160.98	158.69
Tier 1 ratio (attributable core capital/risk-weighted items)	in %	13.22	12.88	12.69
Degree of refinancing I (customer assets/customer loans)	in %	108.51	106.84	103.85
Degree of refinancing II (public assets/customer loans)	in %	122.86	122.44	125.84
Cost-income ratio I	in %	40.92	37.36	41.89
Cost-income ratio II	in %	49.34	46.28	52.67

<b>Values/Resources</b>		<b>2010</b>	<b>2009</b>	<b>2008</b>
Number of customers		202 548	204 442	200 605
Number of employees		774	754	725
Number of business locations		18	19	19

# Consolidated Balance Sheet

	31.12.2010 1000 CHF	31.12.2009 1000 CHF	Change in absolute terms	Change in %
<b>Assets</b>				
Cash	839 173	407 849	431 324	105.8
Money-market instruments	2 205	4 014	-1 809	-45.1
Due from banks	1 726 668	2 151 754	-425 086	-19.8
Due from customers	3 606 025	3 166 049	439 976	13.9
Mortgages	20 588 804	19 751 721	837 083	4.2
Trading inventories in securities and precious metals	2 713 624	1 973 119	740 505	37.5
Financial assets	2 450 861	2 687 399	-236 538	-8.8
Investments in non-consolidated affiliated companies	105 521	98 486	7 035	7.1
Tangible fixed assets	195 328	216 672	-21 344	-9.9
Intangible assets	7 845	30 099	-22 254	-73.9
Accrued income and prepaid expenses	132 650	151 758	-19 108	-12.6
Other assets	435 120	516 023	-80 903	-15.7
Positive replacement values	2 556 872	1 682 483	874 389	52.0
<b>Total assets</b>	<b>35 360 696</b>	<b>32 837 426</b>	<b>2 523 270</b>	<b>7.7</b>
Total subordinated assets	7 914	8 489	-575	-6.8
Total due from non-consolidated companies and qualified investors	108 813	93 425	15 388	16.5
<b>Liabilities</b>				
Money-market instruments	667	3 112	-2 445	-78.6
Due to banks	1 622 499	1 519 834	102 665	6.8
Due to customers on savings and investments	12 584 197	11 539 547	1 044 650	9.1
Other amounts due to customers	9 875 878	9 196 194	679 684	7.4
Issues of medium-term notes	558 521	964 852	-406 331	-42.1
Bonds and loans from central mortgage institutions	4 353 210	4 264 645	88 565	2.1
Accrued expenses and deferred income	148 007	167 566	-19 559	-11.7
Other liabilities	75 501	93 792	-18 291	-19.5
Negative replacement values	2 591 672	1 673 870	917 802	54.8
Value adjustments and provisions	523 793	523 831	-38	-0.0
Endowment/participation certificate capital	254 150	254 150	-	-
Capital reserves	178 681	173 553	5 128	3.0
Own equities	-47 298	-60 985	13 687	-22.4
Profit reserves	2 068 227	1 925 165	143 062	7.4
Minority interests in equity capital	356 670	359 415	-2 745	-0.8
Group profit	216 321	238 885	-22 564	-9.4
• of which minority interests in group profit	21 438	16 202	5 236	32.3
<b>Total liabilities</b>	<b>35 360 696</b>	<b>32 837 426</b>	<b>2 523 270</b>	<b>7.7</b>
Total subordinated liabilities	1 977	3 983	-2 006	-50.4
Total due to non-consolidated companies and qualified investors	324 265	154 037	170 228	110.5
<b>Off-balance-sheet Transactions</b>				
Contingent liabilities	404 853	979 279	-574 426	-58.7
Irrevocable commitments	276 177	264 772	11 405	4.3
Liabilities for calls on shares and other equities	45 674	46 224	-550	-1.2
Committed credit facilities	-	-	-	-
Derivative instruments				
• Contract volume	122 986 752	94 419 752	28 567 000	30.3
• Positive replacement values	2 556 872	1 682 483	874 389	52.0
• Negative replacement values	2 591 672	1 673 870	917 802	54.8
Fiduciary transactions	256 578	589 695	-333 117	-56.5

# Consolidated Profit Statement

## Income and Expenses from Ordinary Bank Transactions

	2010 1000 CHF	2009 1000 CHF	Change in absolute terms	Change in %
<b>Profit from Interest-rate Transactions</b>				
Interest discount income	598 606	635 377	-36 771	-5.8
Interest and dividend income from financial assets	66 486	61 640	4 846	7.9
Interest expense	-297 503	-316 862	19 359	-6.1
<b>Net profit from Interest transactions</b>	<b>367 589</b>	<b>380 155</b>	<b>-12 566</b>	<b>-3.3</b>
<b>Profit from Commissions and Fees</b>				
Credit-related fees and commissions	11 745	8 936	2 809	31.4
Fee and commission income from securities and investment business	173 178	176 101	-2 923	-1.7
Other fee and commission income	33 668	33 379	289	0.9
Fee and commission expense	-25 125	-23 362	-1 763	7.5
<b>Net profit from fees and commissions</b>	<b>193 466</b>	<b>195 054</b>	<b>-1 588</b>	<b>-0.8</b>
<b>Other fee and commission income</b>	<b>95 590</b>	<b>143 707</b>	<b>-48 117</b>	<b>-33.5</b>
<b>Other Ordinary Profit</b>				
Net income from disposals of financial assets	5 512	2 225	3 287	147.7
Income from affiliated companies total	6 722	5 121	1 601	31.3
• of which from interests valued using the equity method	166	213	-47	-22.1
• of which from other non-consolidated interests	6 556	4 908	1 648	33.6
Net income from real estate	2 696	2 876	-180	-6.3
Other ordinary income	7 364	6 832	532	7.8
Other ordinary expense	-4 238	-27	-4 211	-
<b>Net other ordinary profit</b>	<b>18 056</b>	<b>17 027</b>	<b>1 029</b>	<b>6.0</b>
<b>Operating profit</b>	<b>674 701</b>	<b>735 943</b>	<b>-61 242</b>	<b>-8.3</b>
<b>Operating Expenses</b>				
Personnel expense	-212 745	-214 337	1 592	-0.7
General administrative expense	-151 563	-174 947	23 384	-13.4
<b>Subtotal operating expenses, adjusted (excluding IT migration)</b>	<b>-332 195</b>	<b>-338 740</b>	<b>6 545</b>	<b>-1.9</b>
<b>Net operating expense</b>	<b>-364 308</b>	<b>-389 284</b>	<b>24 976</b>	<b>-6.4</b>
<b>Gross profit, adjusted (excluding IT migration)</b>	<b>342 506</b>	<b>397 203</b>	<b>-54 697</b>	<b>-13.8</b>
<b>Gross profit</b>	<b>310 393</b>	<b>346 659</b>	<b>-36 266</b>	<b>-10.5</b>
<b>Group Profit</b>				
Gross Profit, adjusted (excluding IT Migration)	342 506	397 203	-54 697	-13.8
Gross profit	310 393	346 659	-36 266	-10.5
Depreciation, write-offs of fixed assets	-52 000	-57 293	5 293	-9.2
Value adjustments, provisions and losses	-17 140	-27 911	10 771	-38.6
<b>Operating Income, adjusted (excluding IT migration)</b>	<b>279 272</b>	<b>311 999</b>	<b>-32 727</b>	<b>-10.5</b>
<b>Operating results</b>	<b>241 253</b>	<b>261 455</b>	<b>-20 202</b>	<b>-7.7</b>
Guarantor settlement	-31 091	-37 510	6 419	-17.1
<b>Interim result, adjusted (excluding IT migration)</b>	<b>248 181</b>	<b>274 489</b>	<b>-26 308</b>	<b>-9.6</b>
<b>Interim result</b>	<b>210 162</b>	<b>223 945</b>	<b>-13 783</b>	<b>-6.2</b>
Extraordinary income	22 388	31 287	-8 899	-28.4
Extraordinary expense	-133	-2 619	2 486	-94.9
Taxes	-16 096	-13 728	-2 368	17.2
<b>Group profit, adjusted (excluding IT migration)</b>	<b>254 340</b>	<b>289 429</b>	<b>-35 089</b>	<b>-12.1</b>
<b>Group profit</b>	<b>216 321</b>	<b>238 885</b>	<b>-22 564</b>	<b>-9.4</b>
• of which minority interests in the half-year profit	21 438	16 202	5 236	32.3

# Balance Sheet – before appropriation of profit

## Parent Basler Kantonalbank

	31.12.2010 1000 CHF	31.12.2009 1000 CHF	Change in absolute terms	Change in %
<b>Assets</b>				
Cash	82 081	289 721	-207 640	-71.7
Money-market instruments	2 205	3 165	-960	-30.3
Due from banks	2 069 623	1 817 092	252 531	13.9
Due from customers	3 113 246	2 650 883	462 363	17.4
Mortgages	8 902 393	8 724 194	178 199	2.0
Trading inventories in securities and precious metals	2 577 607	1 756 356	821 251	46.8
Financial assets	1 838 063	1 984 245	-146 182	-7.4
Investments	458 041	509 263	-51 222	-10.1
Tangible fixed assets	83 958	103 368	-19 410	-18.8
Accrued income and prepaid expenses	98 553	103 386	-4 833	-4.7
Other assets	447 935	503 998	-56 063	-11.1
Positive replacement values	2 700 589	1 760 018	940 571	53.4
<b>Total assets</b>	<b>22 374 294</b>	<b>20 205 689</b>	<b>2 168 605</b>	<b>10.7</b>
Total subordinated assets	7 914	8 489	-575	-6.8
Total due from Group companies	833 370	709 586	123 784	17.4
Total due from Basel-City Canton	83 791	78 425	5 366	6.8
<b>Liabilities</b>				
Money-market instruments	233	2 356	-2 123	-90.1
Due to banks	1 891 111	1 670 108	221 003	13.2
Due to customers on savings and investments	5 937 162	5 562 972	374 190	6.7
Other amounts due to customers	6 891 981	6 217 798	674 183	10.8
Issues of medium term notes	208 619	372 254	-163 635	-44.0
Bonds and loans from central mortgage institutions	1 725 000	1 775 000	-50 000	-2.8
Accrued expenses and deferred income	95 637	106 563	-10 926	-10.3
Other liabilities	88 701	64 803	23 898	36.9
Negative replacement values	2 681 872	1 693 687	988 185	58.3
Value adjustments and provisions	332 363	354 644	-22 281	-6.3
Reserves for general banking risks	1 755 125	1 633 400	121 725	7.5
Endowment/participation certificate capital	254 150	254 150	-	-
General statutory reserves	417 259	399 534	17 725	4.4
Reserve for treasury shares	4 275	-	4 275	-
Profit carried over	2 510	993	1 517	152.8
Net profit for the year	88 296	97 427	-9 131	-9.4
<b>Total liabilities</b>	<b>22 374 294</b>	<b>20 205 689</b>	<b>2 168 605</b>	<b>10.7</b>
Total subordinated liabilities	1 977	3 983	-2 006	-50.4
Total due to Group companies	446 936	570 228	-123 292	-21.6
Total due to Basel-City Canton	310 156	129 619	180 537	139.3
<b>Off-balance-sheet Transactions</b>				
Contingent liabilities	807 144	798 393	8 751	1.1
Irrevocable commitments	136 813	106 692	30 121	28.2
Liabilities for calls on shares and other equities	34 200	34 750	-550	-1.6
Committed credit facilities	-	-	-	-
Derivative instruments				
• Contract volume	127 692 349	96 979 994	30 712 355	31.7
• Positive replacement values	2 700 589	1 760 018	940 571	53.4
• Negative replacement values	2 681 872	1 693 687	988 185	58.3
Fiduciary transactions	242 841	204 319	38 522	18.9

# Profit Statement

## Parent Basler Kantonalbank

### Income and Expenses from Ordinary Bank Transactions

	2010 1000 CHF	2009 1000 CHF	Change in absolute terms	Change in %
<b>Profit from interest-rate Transactions</b>				
Interest discount income	297 796	319 577	-21 781	-6.8
Interest and dividend income from financial assets	51 155	47 681	3 474	7.3
Interest expense	-129 944	-136 969	7 025	-5.1
<b>Net profit from Interest transactions</b>	<b>219 007</b>	<b>230 289</b>	<b>-11 282</b>	<b>-4.9</b>
<b>Profit from Commissions and Fees</b>				
Credit-related fees and commissions	8 671	6 005	2 666	44.4
Fee and commission income from securities and investment business	117 887	114 325	3 562	3.1
Other fee and commission income	17 570	15 802	1 768	11.2
Fee and commission expense	-19 110	-15 463	-3 647	23.6
<b>Net profit from fees and commissions</b>	<b>125 018</b>	<b>120 669</b>	<b>4 349</b>	<b>3.6</b>
<b>Profit from trading operations</b>	<b>89 194</b>	<b>122 380</b>	<b>-33 186</b>	<b>-27.1</b>
<b>Other Ordinary Profit</b>				
Net income from disposals of financial assets	5 477	3 191	2 286	71.6
Income from affiliated companies	22 919	21 685	1 234	5.7
Net income from real estate	1 542	1 733	-191	-11.0
Other ordinary income	20 281	23 985	-3 704	-15.4
Other ordinary expense	-3 938	-	-3 938	-
<b>Net other ordinary income</b>	<b>46 281</b>	<b>50 594</b>	<b>-4 313</b>	<b>-8.5</b>
<b>Operating income</b>	<b>479 500</b>	<b>523 932</b>	<b>-44 432</b>	<b>-8.5</b>
<b>Operating Expense</b>				
Personnel expense	-128 145	-122 687	-5 458	4.4
General administrative expense	-82 992	-98 808	15 816	-16.0
<b>Subtotal operating expenses, adjusted (excluding IT migration)</b>	<b>-196 208</b>	<b>-195 726</b>	<b>-482</b>	<b>0.2</b>
<b>Net operating expense</b>	<b>-211 137</b>	<b>-221 495</b>	<b>10 358</b>	<b>-4.7</b>
<b>Gross profit, adjusted (excluding IT migration)</b>	<b>283 292</b>	<b>328 206</b>	<b>-44 914</b>	<b>-13.7</b>
<b>Gross profit</b>	<b>268 363</b>	<b>302 437</b>	<b>-34 074</b>	<b>-11.3</b>
<b>Profit</b>				
Gross profit, adjusted (excluding IT migration)	283 292	328 206	-44 914	-13.7
Operating profit	268 363	302 437	-34 074	-11.3
Depreciation, write-offs of fixed assets	-46 282	-46 770	488	-1.0
Value adjustments, provisions and losses	-11 154	-19 820	8 666	-43.7
<b>Operating income, adjusted (excluding IT migration)</b>	<b>231 762</b>	<b>261 616</b>	<b>-29 854</b>	<b>-11.4</b>
<b>Operating income</b>	<b>210 927</b>	<b>235 847</b>	<b>-24 920</b>	<b>-10.6</b>
Guarantor settlement	-31 091	-37 510	6 419	-17.1
<b>Interim result, adjusted (excluding IT migration)</b>	<b>200 671</b>	<b>224 106</b>	<b>-23 435</b>	<b>-10.5</b>
<b>Interim result</b>	<b>179 836</b>	<b>198 337</b>	<b>-18 501</b>	<b>-9.3</b>
Extraordinary income	36 237	41 320	-5 083	-12.3
Extraordinary expense	-126 058	-140 965	14 907	-10.6
Taxes	-1 719	-1 265	-454	35.9
<b>Net profit for the year</b>	<b>88 296</b>	<b>97 427</b>	<b>-9 131</b>	<b>-9.4</b>

# Appropriation of Profit

	2010 1000 CHF	2009 1000 CHF	Change in absolute termst	Change in %
<b>Appropriation of Profit</b>				
Annual profit	88 296	97 427	-9 131	-9.4
Profit brought forward	2 510	993	1 517	152.8
<b>Balance-sheet profit</b>	<b>90 806</b>	<b>98 420</b>	<b>-7 614</b>	<b>-7.7</b>
Allocation to the general legal reserves	16 250	17 725	-1 475	-8.3
Dividends on the participation certificate capital	19 470	19 470	-	-
Interest on endowment funds	5 159	5 540	-381	-6.9
Ordinary payment to Basel-City canton	48 750	53 175	-4 425	-8.3
<b>Profit carried forward to new account</b>	<b>1 177</b>	<b>2 510</b>	<b>-1 333</b>	<b>-53.1</b>

	2010 CHF	2009 CHF
<b>Dividends</b>		
Per participation certificate of CHF 8.50 nominal		
• Dividends gross	3.30	3.30
• less Swiss federal withholding tax 35%	1.15	1.15
• Dividends net	2.15	2.15
Redemption on	20.4.2011	5.5.2010

# Participation Certificate of Basler Kantonalbank – at a glance

<b>Capital Structure</b>		<b>2010</b>	<b>2009</b>	<b>2008</b>
Number of participation certificates	in items	5 900 000	5 900 000	5 900 000
Nominal value per certificate	in CHF	8.50	8.50	8.50
Share capital	in 1000 CHF	254 150	254 150	254 150
• Endowment capital	in 1000 CHF	204 000	204 000	204 000
• Participation certificate capital	in 1000 CHF	50 150	50 150	50 150

<b>Price Development</b>				
Market price, at year-end	in CHF	142.50	119.60	115.10
• Change	in %	19.15	3.91	0.17
Highest price	in CHF	145.50	120.20	117.00
Lowest price	in CHF	119.50	112.80	114.20
Market capitalization at year-end <sup>1)</sup>	in Mio. CHF	4 260.75	3 576.04	3 441.49
• as a % of gross profit	in %	1 504.01	1 089.57	1 367.19
• as a % of equity capital	in %	174.03	154.99	157.96

## Key Figures per Participation Certificate

Gross profit adjusted (without IT migration) <sup>1)</sup>	in CHF	9.47	10.98	8.42
Operating income adjusted (without IT migration) <sup>1)</sup>	in CHF	7.75	8.75	6.23
Net profit for the year (earnings per share <sup>1)</sup> )	in CHF	2.95	3.26	2.60
Book value <sup>1)</sup>	in CHF	81.88	77.17	72.87
Return on dividends	in %	2.32	2.76	2.61
Pay-out ratio	in %	22.05	19.98	20.80
Price-earnings ratio		19.88	17.29	27.56
Price-book ratio		1.74	1.55	1.58

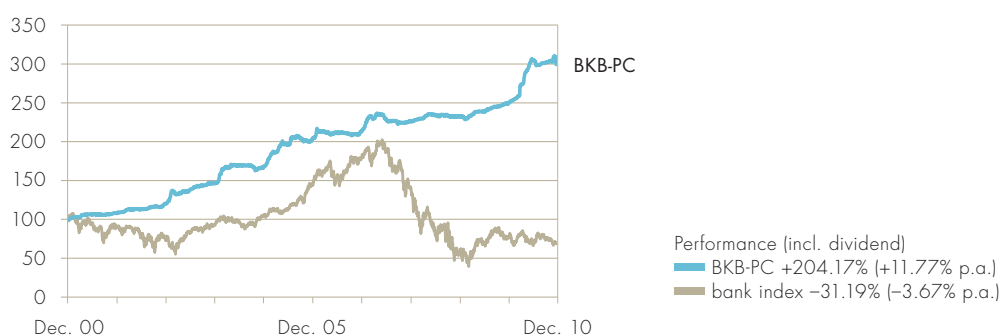
## Dividends

Per participation certificate of CHF 8.50 nominal				
• Dividends gross	in CHF	3.30	3.30	3.00
• less Swiss Federal Withholding Tax 35%	in CHF	1.15	1.15	1.05
• Dividends net	in CHF	2.15	2.15	1.95
Redemption on		20.4.2011	5.5.2010	24.4.2009
Participation certificate validation number: 923646 (ISIN: CH0009236461)				

<sup>1)</sup> The endowment capital is also taken into account

## Performance of BKB Participation Certificate (incl. dividend)

indexed



# Basler Kantonalbank Locations

## Head office

Spiegelgasse 2	Telephone	+41 (0)61 266 33 33
P.O. Box	Fax	+41 (0)61 266 25 96
4002 Basel	BKB-Lady-Consult	+41 (0)61 266 30 00
welcome@bkb.ch, www.bkb.ch	BKB-Senior citizen advisory team	+41 (0)61 266 33 66

## Locations, heads of location in Basel and Riehen

BKB-Aeschen, Thomas Gisler	Aeschenvorstadt 41	+41 (0)61 266 27 66
BKB-Bahnhof SBB, Daniel Bovet	Centralbahnstrasse 16	+41 (0)61 266 30 18
BKB-Brausebad, Stephan Finkbeiner	Spalenring 150	+41 (0)61 266 26 11
BKB-Breite, Angelo Gagliardo	Zürcherstrasse 131	+41 (0)61 266 26 22
BKB-Burgfelderplatz, Yvonne Ruder	Missionsstrasse 86	+41 (0)61 266 26 55
BKB-Claraspital, Corinne Schäfer	Kleinriehenstrasse 30	+41 (0)61 266 27 30
BKB-Gundeldingen, Oliver Herzog	Güterstrasse 265	+41 (0)61 266 26 33
BKB-Güterstrasse, Urs Hugo	Güterstrasse 116	+41 (0)61 266 33 88
BKB-Kasse Muttentz, Clemens Nassal	Rothausstrasse 61/Bau 905	+41 (0)61 266 34 20
BKB-Kleinhüningen, Christian Stoehr	Wiesenplatz/Färberstrasse 1	+41 (0)61 266 27 77
BKB-Klybeck, Nadja Da Rozze	Klybeckstrasse 70	+41 (0)61 266 26 44
BKB-Kongresszentrum, Martin Güttinger	Messeplatz 21	+41 (0)61 266 26 66
BKB-Neubad, Peter Tschümperlin	Neuweilerplatz 1	+41 (0)61 266 26 77
BKB-Riehen Dorf, Urs Flückiger	Schmiedgasse 15	+41 (0)61 266 27 33
BKB-Riehen Rauracher, Roland Born	In den Neumatten 63	+41 (0)61 266 27 22
BKB-Rosental, Leo Meienhofer	Schwarzwaldallee 215	+41 (0)61 266 34 40
BKB-Spiegelgasse, Peter Steiner	Spiegelgasse 2	+41 (0)61 266 25 55
BKB-Voltacenter, Brigitte Scheer	Vogesenplatz 10	+41 (0)61 266 28 22

## Locations, heads of location BKB-Private Banking

Basel, Dominik Galliker	Brunngässlein 3, P.O. Box, 4002 Basel	+41 (0)61 266 33 55
Bern, Franz C. Brunner	Schauplatzgasse 21, P.O. Box 5026, 3001 Bern	+41 (0)31 326 90 00
Riehen, Simon Ganther	Im Singeisenhof 9, P.O. Box 412, 4125 Riehen 1	+41 (0)61 266 30 81
Zurich, Stockerhof, Hans Ringger	Stockerstrasse 23, P.O. Box 1595, 8027 Zurich	+41 (0)44 283 41 48

## Other automatic teller machines in Basel

Badischer Bahnhof (German Railway Station), Schwarzwaldallee 200  
 Bahnhof SBB, Rail City, Güterstrasse 115  
 Barfüsserplatz, Tramhaltestelle  
 Bethesda-Spital, Gellerstrasse 144  
 Coop City, Gerbergasse 4  
 Coop City Pfauen, Freie Strasse 75  
 Dosenbach, Greifengasse 23  
 Felix-Platter-Spital, Burgfelderstrasse 101

Grand Casino Basel, Flughafenstrasse 225  
 Merian-Iselin-Spital, Föhrenstrasse 2  
 Messe Basel, Messeplatz 2  
 Steinen, Steinvorstadt 34  
 Stückli Shopping Basel, Hochbergerstrasse 70  
 Uni-Bibliothek (University Library), Schönbeinstrasse 18/20  
 Universitätsspital (University Hospital), Petersgraben  
 UPK, Ökonomiegebäude (University Psychiatric Clinic, Central Administration), Friedrich-Miescher-Strasse



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