

Half-year Report 2007



As at June 30, 2007.



**Basler
Kantonalbank**
fair banking

BKB Group – at a glance

		30.6.2007	31.12.2006
Balance Sheet			
Balance-sheet total	CHF 1000	27 330 021	25 668 488
• Change	in %	6,47	4,11
Loans to customers	CHF 1000	19 757 370	19 150 974
• of which mortgage debts	CHF 1000	17 401 994	17 060 880
Customer money	CHF 1000	15 956 935	15 640 725
Public money	CHF 1000	21 470 645	20 903 940
declared equity (including minority interests in profits)	CHF 1000	2 559 638	2 498 227
• of which minority interest	CHF 1000	351 791	366 996

		30.6.2007	31.12.2006
Customer Assets			
Total customer assets	CHF 1000	44 332 525	41 998 535
• Change	in %	5,56	6,81
• of which counted double	CHF 1000	66 937	55 376

		First half-year 2007	First half-year 2006
Profit Statement			
Net profit from interest-rate transaction	CHF 1000	206 927	190 286
Net profit from commissions and services	CHF 1000	113 163	98 501
Net profit from commercial transactions	CHF 1000	50 666	42 783
Other ordinary profit	CHF 1000	22 218	21 468
Earnings from sales	CHF 1000	392 974	353 038
Operating expenses	CHF 1000	159 610	147 663
Gross profit	CHF 1000	233 364	205 375
• Change	in %	13,63	4,29
Depreciations, corrections, provisions and losses	CHF 1000	34 877	28 189
Operating results	CHF 1000	198 487	177 186
• Change	in %	12,02	10,98
Group half-year profit	CHF 1000	165 808	145 475
• Change	in %	13,98	– ¹⁾
• of which minority shares	CHF 1000	17 445	15 920

		2007	2006
Key Figures			
Equity ratio (incl. minority interests)	in %	9,37	9,73
Degree of refinancing I (customer assets/customer loans)	in %	80,76	81,67
Degree of refinancing II (public assets/customer loans)	in %	108,67	109,15
Cost-income ratio I	in %	40,62	41,95
Cost-income ratio II	in %	43,88	45,56

¹⁾ With the introduction of the Guarantor Settlement, the half-year profit cannot be compared with the year-back figure.

Parent Basler Kantonalbank – at a glance

		30.6.2007	31.12.2006 ¹⁾
Balance Sheet			
Balance-sheet total	CHF 1000	16 252 436	15 259 937
• Change	in %	6,50	8,02
Loans to customers	CHF 1000	9 516 386	9 321 674
• of which mortgage debts	CHF 1000	7 694 359	7 721 558
Customer money	CHF 1000	8 258 687	8 288 476
Public money	CHF 1000	11 253 687	11 063 476
Declared equity	CHF 1000	2 146 665	2 083 554
Customer Assets			
Total customer assets ²⁾	CHF 1000	27 398 478	26 038 582
• Change	in %	5,22	8,66
• of which counted double	CHF 1000	42 233	46 635
Profit Statement			
		First half-year 2007	First half-year 2006
Net profit from interest-rate transactions	CHF 1000	113 507	103 106
Net profit from commissions and services	CHF 1000	74 293	63 165
Net profit from commercial transactions	CHF 1000	44 850	35 343
Other ordinary profit	CHF 1000	32 586	30 288
Earnings from sales	CHF 1000	265 236	231 902
Operating expenses	CHF 1000	88 462	77 375
Gross profit	CHF 1000	176 774	154 527
• Change	in %	14,40	-0,61
Write-offs, corrections, provisions and losses	CHF 1000	18 717	16 971
Company earnings	CHF 1000	158 057	137 556
• Change	in %	14,90	4,20
Half-year profit	CHF 1000	39 552	36 468
• Change	in %	8,46	- ³⁾
Key Figures			
		2007	2006
Equity ratio	in %	13,21	13,65
Degree of refinancing I (customer assets/customer loans)	in %	86,78	88,92
Degree of refinancing II (public assets/customer loans)	in %	118,26	118,69
Cost-income ratio I	in %	33,35	34,31
Cost-income ratio II	in %	37,17	38,70

¹⁾ Balance sheet before appropriation of profit.

²⁾ Basis for calculation according to the guidelines of the BBK Accounting Regulations.

³⁾ With the introduction of the Guarantor Settlement, the half-year profit cannot be compared with the year-back figure.

BKB Group still on solid expansionary course

Key figures

The BKB Group is still on the road to success, increasing the consolidated gross profit by 13.6% to CHF 233 million, and operating result by 12.0% to CHF 198 million, in the first half of 2007. This very positive result is attributable to high growth rates of gross profit at the parent Basler Kantonalbank, with a plus of 14.4% as compared with the previous year, and at the affiliate Bank Coop with 14.0% more than in the first half-year 2006. Group profit also increased to the same extent, namely by 14.0%, while at the same time the Group's profitability improved further with a cost-income ratio of only marginally above 40% (end of 2006: 42%). The half-year's result is predominantly characterized by additional receipts in securities and investment business at Group level and a clearly greater success with trading as a result of the corporate decision to expand purposefully this line of business at the parent Basler Kantonalbank.

The Group's balance sheet total as at June 30, 2007, rose in comparison with the position at the beginning of the year, by 6.5% to CHF 27.3 billion. Assets being managed increased with gratifying acquisitions made by both Banks and moderate price increases in securities markets in the first half of the current year, by a remarkable CHF 2.3 billion or 5.6%. Of customer assets of CHF 44.3 billion as at June 30, 2007, CHF 27.4 billion or 61.8% are attributable to the parent Basler Kantonalbank; CHF 16.9 billion or 38.2%, to Bank Coop.

Half-year's result at parent Basler Kantonalbank

The gross profit at the parent Basler Kantonalbank reached a new high in the first half of 2007 at CHF 177 million (first half year 2006: CHF 155 million) with a positive growth of 14.4% as against the previous year being shown. The cost-income ratio dropped to an impressively low 33.4% (end of 2006: 34.3%), given that commission and fee income at CHF 33 million increased more strongly than business expenditure at CHF 11 million.

On the income side, performance with interest-related operations increased by 10.1%, commission receipts by 17.6% and trading profits by as much as 26.9%. The parent Basler Kantonalbank benefited in this connection in its main area of business, namely receipt of low-interest bearing long-term money, in view of the flat yield curve in Switzerland. The proportion of interest performance in overall operating income at 42.8% is, however, comparatively low. The parent Basler Kantonalbank operated extremely successfully in commission and services business, with a half-year's result of CHF 74 million. Without exception, growth rates in double figures resulted in this context as against year-back rates for all relevant income components in securities business, as with brokerage income, portfolio fees, commissions on fund sales and income from asset management. Trading also boasted an extremely proud result in the first six months of the current reporting period of CHF 45 million, with a higher performance in less than a year of CHF

10 million or 26.9%. Share and share derivative trading also profited from the excellent foreign market conditions with an outcome of CHF 27 million, apart from considerable success in currency dealings of CHF 17 million, where, as is known, the main currencies have moved strongly up and down over the past few months.

Operating expenditure increased by reason of higher staff and equipment costs as against the year-back period, by CHF 11 million or 14.3% to CHF 88 million. An increase in personnel expenditure of 10.5% can be put down in this connection to additional staff units as a result of establishing the Competence Center. The staff is attached to the parent Basler Kantonalbank but also carries out work assignments for Bank Coop with payments being shown under "Other Ordinary Profit". The Basler Kantonalbank regards the increase in operating expenditure of 21.2% as an investment in the future. Thus, a number of expansion projects at Head Office and at Private Banking Basel located at Aeschenvorstadt/Brunngässlein were also commenced in the first six months of the current year. The business community in Basel Canton benefits from this expansion. Furthermore, additional costs also resulted from the modernization of the IT infrastructure at the Real Time Center (RTC) in Berne and for the "Fair Banking" campaign at the beginning of 2007, as well as non-recurring expenditure due to the set-up and expansion of derivative trading.

The parent Basler Kantonalbank's balance sheet total, as at June 30, 2007, exceeded the 16-billion mark for the first time with CHF 16.25 billion. The sharp rise by about CHF 1 billion or by 6.5% since the beginning of the year, is primarily a result of additional dealing inventories in securities of CHF 450 million as against the level at December 31, 2006. These, with price performance potential, are of service to favourable borrowing with domestic debentures and mortgage bonds by debtors having a perfect credit rating and with shares, as underlying security for the structured products issued by the parent Basler Kantonalbank itself. In addition, money from the investing public showed on the customer side a positive growth at CHF 11.3 billion with CHF 190 million or 1.7% higher volumes. Fixed-term deposits with short and medium lifespans (+CHF 171 million) and medium-term notes bearing attractive interest (+CHF 51 million) in particular met with keen demand among our customers during the period under review, alongside heavy demand of our own bonds. Commitments towards customers in the form of savings and investments declined since the beginning of the year, by CHF 252 million, in line with the general trend in the sector. Customer loans at the parent Basler Kantonalbank altered slightly more, namely by CHF 194 million or by 2.1%. At the same time commercial loans in the first half-year increased by a gratifying CHF 222 million, while our major corporate customers used their own extremely good liquidity situation to make large repayments of mortgage-backed loans (-CHF 27 million).

BKB Group half-year's result

The gross profit of CHF 233 generated by the BKB Group in the first half of the year is characterized by noteworthy contributions by all earnings sectors. Even if interest-earning operations continue to represent the largest earnings pillar with a result of CHF 207 million, the extremely good diversification within the parent Basler Kantonalbank, and together with the geared-to-sale Bank Coop, again proved to be a great advantage in the first months of the current year. Brokerage business at 14.9% and trading business at 18.4% thereby recorded greater growth as compared with the previous year than interest profit at 8.7%.

The BKB Group was successful in expanding services with existing customers within securities and investment business, with a brokerage performance of CHF 113 million for the first 2007 half-year (+CHF 15 million or 14.9%), and fill numerous new customers with enthusiasm for the attractive and innovative offers, for example, in structured products from the Bank's own share derivative team. On the other hand, the markedly higher trading performance of CHF 51 million (+CHF 8 million or 18.4%) arose primarily from proprietary trading, where the specialists at the parent Basler Kantonalbank understood, first and foremost, with the expertise at their fingertips how to exploit to an optimum degree the considerable volatility in the currency and share markets.

The operating expenditure of CHF 160 million (+CHF 12 million or 8.1%), which was higher in comparison with the previous year, is a consequence of the additional staff in the BKB Group, principally in the sales units, as well as significant investments in extending infrastructure. Included in this on the one hand, are conversion, expansion and reconstruction projects for the Bank Coop branch network throughout Switzerland, and on the other hand, modernization of the parent Basler Kantonalbank information technology.

The consolidated balance sheet total changed in the first half of the current report year by 6.5% to CHF 27.3 billion. This increase is substantially imprinted with the increase in customer loans of CHF 606 million, or by 3.2%, to CHF 19.8 billion as at June 30, 2007, whereby the main requirement of Bank Coop personal banking customers was for mortgage debts; that of commercial customers of the parent Basler Kantonalbank, for short-term loans. The known pattern of switching savings and investment monies to time deposit investments appeared in the Group in relation to customer funds of CHF 16.0 billion at the date of the balance sheet, but also a trend of transferring traditional investment forms, such as different savings accounts and medium-term notes, to shares and debentures.

Outlook

Given the same positive market conditions, the BKB Group can expect a new peak result for 2007.

Consolidated Balance Sheet as at June 30, 2007

	30.6.2007 ¹⁾ CHF 1000	31.12.2006 CHF 1000	Change absolute	Change in %
Assets				
Cash	261 240	194 329	66 911	34,4
Money-market instruments	4 851	5 141	-290	-5,6
Due from banks	2 548 531	2 348 821	199 710	8,5
Due from customers	2 355 376	2 090 094	265 282	12,7
Mortgages	17 401 994	17 060 880	341 114	2,0
Trading inventories in securities and precious metals	1 789 409	1 294 816	494 593	38,2
Financial assets	1 192 319	1 306 703	-114 384	-8,8
Investments in non-consolidated affiliated companies	108 710	95 494	13 216	13,8
Tangible fixed assets	198 974	201 169	-2 195	-1,1
Intangible assets	46 175	39 578	6 597	16,7
Accrued income and prepaid expenses	133 477	130 740	2 737	2,1
Other assets	480 689	444 982	35 707	8,0
Positive replacement values	808 276	455 741	352 535	77,4
Total assets	27 330 021	25 668 488	1 661 533	6,5
Total subordinated assets	8 083	8 117	-34	-0,4
Liabilities				
Money-market instruments	1 249	1 102	147	13,3
Due to banks	1 684 918	1 047 047	637 871	60,9
Due to customers on savings and investments	8 855 247	9 253 225	-397 978	-4,3
Other amounts due to customers	6 148 025	5 614 676	533 349	9,5
Issues of medium-term notes	953 663	772 824	180 839	23,4
Bonds and loans from central mortgage institutions	5 513 710	5 263 215	250 495	4,8
Accrued expenses and deferred income	219 691	165 594	54 097	32,7
Other liabilities	117 718	160 946	-43 228	-26,9
Negative replacement values	764 562	393 904	370 658	94,1
Value adjustments and provisions	511 600	497 728	13 872	2,8
Endowment/participation certificate capital	254 150	269 100	-14 950	-5,6
Capital reserves	164 395	160 605	3 790	2,4
Own equities	-34 969	-44 283	9 314	-21,0
Profit reserves	1 675 908	1 493 194	182 714	12,2
Minority interests in equity capital	334 346	334 717	-371	-0,1
Half-year profit/Annual profit	165 808	284 894	-	-
• of which minority interests in group profit	17 445	32 279	-	-
Total liabilities	27 330 021	25 668 488	1 661 533	6,5
Total subordinated liabilities	0	0	0	-
Off-balance-sheet Transactions				
Contingent liabilities	341 114	334 155	6 959	2,1
Irrevocable commitments	208 338	298 579	-90 241	-30,2
Liabilities for calls on shares and other equities	40 323	40 323	0	-
Committed credit facilities	0	0	0	-
Derivative instruments				
• Contract volume	74 886 301	64 641 491	10 244 810	15,8
• Positive replacement values	808 276	455 741	352 535	77,4
• Negative replacement values	764 562	393 904	370 658	94,1
Fiduciary transactions	1 428 317	1 172 398	255 919	21,8

¹⁾ unaudited.

Consolidated Profit Statement First Half-year 2007

Income and Expenses from Ordinary Bank Transactions	First half-year ¹⁾ 2007 CHF 1000	First half-year ¹⁾ 2006 CHF 1000	Change absolute	Change in %
Profit from Interest-rate Transactions				
Interest discount income	369 111	312 517	56 594	18,1
Interest and dividend income from financial assets	18 821	21 491	-2 670	-12,4
Interest expense	-181 005	-143 722	-37 283	25,9
Net profit from Interest transactions	206 927	190 286	16 641	8,7
Profit from Commissions and Fees				
Credit-related fees and commissions	1 452	1 794	-342	-19,1
Fee and commission income from securities and investment business	110 273	95 331	14 942	15,7
Other fee and commission income	13 650	12 652	998	7,9
Fee and commission expense	-12 212	-11 276	-936	8,3
Net profit from fees and commissions	113 163	98 501	14 662	14,9
Other fee and commission income	50 666	42 783	7 883	18,4
Other Ordinary Profit				
Net income from disposals of financial assets	46	9 779	-9 733	-99,5
Income from affiliated companies total	15 475	5 073	10 402	205,1
• of which from interests valued using the equity method	75	72	3	4,2
• of which from other non-consolidated interests	15 400	5 001	10 399	207,9
Net income from real-estate	2 080	2 229	-149	-6,7
Other ordinary income	5 022	4 421	601	13,6
Other ordinary expense	-405	-34	-371	-
Net other ordinary profit	22 218	21 468	750	3,5
Operating profit	392 974	353 038	39 936	11,3
Operating Expenses				
Personnel expense	-99 723	-92 954	-6 769	7,3
General administrative expense	-59 887	-54 709	-5 178	9,5
Net operating expense	-159 610	-147 663	-11 947	8,1
Gross profit	233 364	205 375	27 989	13,6
Group Profit				
Gross profit	233 364	205 375	27 989	13,6
Depreciation, write-offs of fixed assets	-12 811	-10 696	-2 115	19,8
Value adjustments, provisions and losses	-22 066	-17 493	-4 573	26,1
Operating results	198 487	177 186	21 301	12,0
Guarantor settlement	-19 927	-16 881	-3 046	18,0
Profit, pre-tax	178 560	160 305	18 255	11,4
Extraordinary income	2 061	759	1 302	171,5
Extraordinary expense	-14	-5 465	5 451	-99,7
Taxes	-14 799	-10 124	-4 675	46,2
Half-year profit	165 808	145 475	20 333	14,0
• of which minority interests in the half-year profit	17 445	15 920	1 525	9,6

¹⁾ unaudited.

Balance Sheet as at June 30, 2007

Parent Basler Kantonalbank

	30.6.2007 ¹⁾ CHF 1000	31.12.2006 ²⁾ CHF 1000	Change absolute	Change in %
Assets				
Cash	102 229	110 676	-8 447	-7,6
Money-market instruments	4 195	4 176	19	0,5
Due from banks	1 953 300	2 047 485	-94 185	-4,6
Due from customers	1 822 027	1 600 116	221 911	13,9
Mortgages	7 694 359	7 721 558	-27 199	-0,4
Trading inventories in securities and precious metals	1 833 071	1 383 211	449 860	32,5
Financial assets	842 703	850 771	-8 068	-0,9
Investments	501 799	465 372	36 427	7,8
Tangible fixed assets	86 035	88 148	-2 113	-2,4
Accrued income and prepaid expenses	99 213	94 518	4 695	5,0
Other assets	474 606	437 975	36 631	8,4
Positive replacement values	838 899	455 931	382 968	84,0
Total assets	16 252 436	15 259 937	992 499	6,5
Total subordinated assets	8 083	8 117	-34	-0,4
Liabilities				
Money-market instruments	457	215	242	112,6
Due to banks	1 526 115	1 205 800	320 315	26,6
Due to customers on savings and investments	4 194 086	4 446 337	-252 251	-5,7
Other amounts due to customers	3 769 782	3 598 422	171 360	4,8
Issues of medium term notes	294 819	243 717	51 102	21,0
Bonds and loans from central mortgage institutions	2 995 000	2 775 000	220 000	7,9
Accrued expenses and deferred income	128 831	106 530	22 301	20,9
Other liabilities	103 635	92 417	11 218	12,1
Negative replacement values	781 145	398 869	382 276	95,8
Value adjustments and provisions	311 901	309 076	2 825	0,9
Reserves for general banking risks	1 471 850	1 363 552	108 298	7,9
Endowment/participation certificate capital	254 150	269 100	-14 950	-5,6
General statutory reserves	367 318	354 918	12 400	3,5
Retained earnings	0	10 998	-10 998	-100,0
Profit carried over	13 795	12 535	1 260	10,1
Half-year profit/Annual profit	39 552	72 451	-	-
Total liabilities	16 252 436	15 259 937	992 499	6,5
Total subordinated liabilities	0	0	0	-
Off-balance-sheet Transactions				
Contingent liabilities	275 987	273 601	2 386	0,9
Irrevocable commitments	84 336	127 188	-42 852	-33,7
Liabilities for calls on shares and other equities	34 200	34 200	-	-
Committed credit facilities	0	0	0	-
Derivative instruments				
• Contract volume	75 119 825	65 071 541	10 048 284	15,4
• Positive replacement values	838 899	455 931	382 968	84,0
• Negative replacement values	781 145	398 869	382 276	95,8
Fiduciary transactions	1 150 458	926 873	223 585	24,1

¹⁾ unaudited.

²⁾ Balance sheet before appropriation of profit.

Profit Statement First Half-year 2007

Parent Basler Kantonalbank

Income and Expenses from Ordinary Bank Transactions	First half-year 2007 ¹⁾ CHF 1000	First half-year 2006 ¹⁾ CHF 1000	Change absolute	Change in %
Profit from interest-rate transactions				
Interest discount income	203 821	168 170	35 651	21,2
Interest and dividend income from financial assets	12 594	13 274	-680	-5,1
Interest expense	-102 908	-78 338	-24 570	31,4
Net profit from Interest transactions	113 507	103 106	10 401	10,1
Profit from Commissions and Fees				
Credit-related fees and commissions	996	1 322	-326	-24,7
Fee and commission income from securities and investment business	74 372	62 313	12 059	19,4
Other fee and commission income	7 263	6 432	831	12,9
Fee and commission expense	-8 338	-6 902	-1 436	20,8
Net profit from fees and commissions	74 293	63 165	11 128	17,6
Profit from trading operations	44 850	35 343	9 507	26,9
Other Ordinary Profit				
Net income from disposals of financial assets	719	9 779	-9 060	-92,6
Income from affiliated companies	23 395	12 171	11 224	92,2
Net income from real-estate	1 205	1 134	71	6,3
Other ordinary income	7 672	7 217	455	6,3
Other ordinary expense	-405	-13	-392	-
Net other ordinary income	32 586	30 288	2 298	7,6
Operating income	265 236	231 902	33 334	14,4
Operating Expense				
Personnel expense	-54 824	-49 613	-5 211	10,5
General administrative expense	-33 638	-27 762	-5 876	21,2
Net operating expense	-88 462	-77 375	-11 087	14,3
Gross profit	176 774	154 527	22 247	14,4
Half-year Profit				
Gross profit	176 774	154 527	22 247	14,4
Depreciation, write-offs of fixed assets	-10 138	-8 413	-1 725	20,5
Value adjustments, provisions and losses	-8 579	-8 558	-21	0,2
Operating profit	158 057	137 556	20 501	14,9
Guarantor settlement	-19 927	-16 881	-3 046	18,0
Profit, pre-tax	138 130	120 675	17 455	14,5
Extraordinary income	760	36 839	-36 079	-97,9
Extraordinary expense	-97 300	-120 838	23 538	-19,5
Taxes	-2 038	-208	-1 830	879,8
Half-year profit	39 552	36 468	3 084	8,5

¹⁾ unaudited.

Participation Certificate of Basler Kantonalbank – at a glance

		30.6.2007	31.12.2006	31.12.2005
Capital Structure				
Number of participation certificates	in items	5 900 000	5 900 000	5 900 000
Nominal value per certificate	in CHF	8,50	9,00	9,00
Share capital	CHF 1000	254 150	269 100	269 100
• Endowment capital	CHF 1000	204 000	216 000	216 000
• Participation certificate capital	CHF 1000	50 150	53 100	53 100

Stock-market quotation

Market price, as at June 30, 2007	in CHF	116,50	110,50	107,50
• Change	in %	5,43	2,79	19,11
Highest price	in CHF	121,30	115,00	111,00
Lowest price	in CHF	107,40	107,40	90,70
Market capitalization at year-end ¹⁾	in millions	3 483	3 304	3 214

Key Figures per Participation Certificate

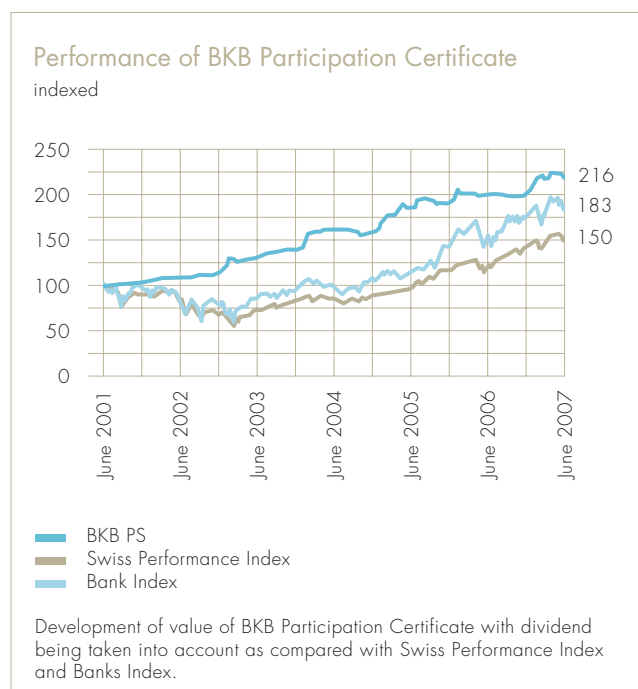
Price-earnings-ratio		12,73	12,35	14,58
Price-book-ratio		1,62	1,63	1,77

Dividends

	31.12.2006	31.12.2005	31.12.2004
Per participation certificate of CHF 9,00 nominal ²⁾			
Dividends gross	2,35	2,25	2,15
less Swiss Federal Withholding Tax 35%	0,80	0,80	0,75
Dividends net	1,55	1,45	1,40
Participation certificate validation number: 923646 (ISIN: CH0009236461)			

¹⁾ the endowment capital is also taken into account.

²⁾ after nominal value reduction of CHF –,50 in 2005.



Basler Kantonalbank, Head office
Spiegelgasse 2
P.O. Box
CH-4002 Basel

Telephone +41 (0)61 266 33 33
Fax +41 (0)61 266 25 96

welcome@bkb.ch
www.bkb.ch