Financial services of Basler Kantonalbank and the use of its own and third-party financial instruments

Basler Kantonalbank (BKB) offers its clients various financial services. It thus provides assistance to its clients in achieving their goals. To this end, BKB develops customised concepts and offers comprehensive asset management and investment advisory services for all groups of clients. These include retail private clients, business clients and Private Banking clients. The range of services also includes the straightforward execution of client orders (execution-only).

As part of the financial services offered, financial instruments from third parties (third-party financial instruments) are used and recommended alongside BKB's own financial instruments. BKB's own financial instruments are those that are issued, created or managed by BKB or a BKB Group entity or set up and managed by third parties on behalf of BKB, especially also the BKB investment funds (in-house financial instruments); clients can generally identify BKB's own financial instruments in that they include "BKB" in their name. The offer, recommendation or use of BKB's own financial instruments can lead to a conflict of interests for BKB (see the "Information sheet on handling conflicts of interest").

1. Asset management

BKB offers asset management mandates for investments above CHF 100,000. In asset management, clients engage BKB to invest their assets according to a jointly agreed investment strategy. Clients' financial circumstances, knowledge and experience, as well their investment objectives, form the starting point for this service (known as a "suitability review"). Working together with clients, BKB defines the most suitable investment strategy in each case. BKB then takes investment decisions in line with the defined strategy exclusively in the client's interest.
Asset management uses a broad spectrum of financial instruments, which, as well as third-party financial instruments, also includes BKB's own financial instruments (BKB range); BKB configures this using a structured process. BKB selects the financial instruments that appear most suitable for various investment objectives and monitors them continuously. Financial instruments are assessed using quantitative criteria such as risk-return ratios, terms and conditions and tradeability, as well as a qualitative analysis of the management and the associated processes. Where the attributes of BKB's own financial instruments and third-party financial instruments are comparable, BKB's own financial instruments are given preference in client portfolios.

2. Investment advice

BKB offers its clients various investment advisory services which can also be used in combination with each other. As part of this service, personal recommendations are provided by BKB relating to transactions in financial instruments. Clients' financial circumstances, knowledge and experience, as well as their investment objectives, form the starting point for this service (known as a "suitability review"). Working together with clients, BKB defines the most suitable investment strategy in each case. In contrast to asset management, BKB's investment advisory services mean that clients make each investment decision themselves.

BKB offers two types of investment advice:

2.1 Investment advice limited to the selection of sub-funds of the BKB Investment Solution

The BKB Investment Solution is BKB's own strategy fund (BKB's in-house financial instrument). It consists of numerous sub-funds which reflect different investment strategies, i.e. at least one sub-fund per investment strategy. The sub-funds are managed by BKB as the fund asset manager on behalf of the fund management company.

This investment advice is limited to selecting the right investment strategy for the client and, accordingly, selecting the appropriate sub-fund in the BKB Investment Solution. What makes the service "Investment advice limited to the selection of sub-funds of the BKB Investment Solution" special is that no other financial instruments of any nature, neither BKB's own nor those from third parties, are taken into consideration in the advice provided.

For investments of up to CHF 100,000 or if clients with more substantial investments want to implement their investment strategy using a single financial instrument, BKB offers the service "Investment advice limited to the selection of sub-funds of the BKB Investment Solution"

501 0086 P73 6.26

as standard. If this is not what clients want, they must explicitly choose investment advice that takes BKB's own and third-party financial instruments into account as explained in Section 2.2.

As each sub-fund already reflects an entire investment strategy, the BKB Investment Solution is not used as part of asset management (Section 1. above) and investment advice involving BKB's own and third-party financial instruments (Section 2.2 below).

2.2 Investment advice that takes BKB's own and third-party financial instruments into account
For investments above CHF 100,000 or if clients investing up to CHF 100,000 expressly select this option (cf. Section 2.1), BKB offers investment advice involving BKB's own and third-party financial instruments.

In line with the client's investment strategy, BKB provides investment recommendations at its own initiative or at the client's request and undertakes various services to monitor the client portfolio as defined in its contractual agreement.

Investment advice is provided in relation to a broad spectrum of financial instruments which contain both third-party and BKB's own financial instruments (the BKB range); BKB configures this using a structured process. BKB selects the financial instruments that appear most suitable for various investment objectives. The same quantitative and qualitative criteria are applied as for asset management. The configuration of the BKB range is also organisationally separate from the sales units that recommend such financial instruments to clients. Where the attributes of BKB's own financial instruments and third-party financial instruments are comparable, BKB's own financial instruments are given preference in recommendations to clients. The terms and conditions of the financial instrument are shown on the relevant basic information sheet and, if applicable, in the specific product documentation. These also indicate whether the financial instrument is BKB's own. The clients decide for themselves whether they follow the investment recommendations and can thus determine the proportion of BKB's own financial instruments in their portfolio.

3. Acceptance and handling of client orders (execution-only transactions)

In the case of execution-only transactions, BKB merely carries out the orders to buy or sell investment instruments placed by its clients without providing any prior recommendation. The assessment of the financial instruments and the risks associated with them thus remains the sole responsibility of the clients. BKB does not assess whether the financial instrument is appropriate in view of the knowledge and experience of the clients (known as an "appropriateness review") and it also does not conduct any suitability review (i.e. assessment of suitability in relation to financial circumstances, knowledge, experience and investment objectives). This applies both with regard to orders placed by clients in connection with an advisory custody account without a prior recommendation (whether in person or, e.g. by telephone or e-mail, or via E-Banking), or with regard to those orders placed by clients with BKB within the scope of specific execution-only service offerings. BKB wishes to emphasise that it is sufficient for BKB to point out just once by the provision of this document that no suitability or appropriateness review is performed.

501 0086 P73 6.26