

Annual report 2021

**The future
needs us all.**



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At a glance

	2021 CHF m	2020 CHF m	2019 CHF m	2018 CHF m	2017 CHF m
Balance sheet					
Balance sheet total	32,866.9	29,769.7	27,280.0	25,340.8	24,212.2
Mortgage loans	21,666.0	20,531.6	19,600.6	18,718.4	18,165.6
Due to customers in savings and deposits	20,738.2	18,794.0	17,486.8	16,717.7	16,689.7
Income statement					
Operating income	385.8	355.7	362.2	358.5	366.9
Operating profit	176.1	162.0	171.1	165.2	172.1
Annual net profit	140.8	138.1	136.8	134.5	133.3
Dividends on certificate capital	20.0	20.0	20.0	20.0	20.0
Profit distribution to the Canton ¹	60.2	60.1	60.1	60.0	60.0
Additional information					
Employees (FTE average)	756	710	687	685	673
Number of branches (includes Mobile Bank)	25	24	23	23	23
Assets under management	25,133	22,497	21,530	19,633	19,782
Average interest margin	1.051%	1.126%	1.174%	1.245%	1.322%
Return on equity	6.95%	6.60%	7.21%	8.08%	8.99%
Core capital ratio (CET 1)	18.71%	20.16%	20.39%	20.35%	20.02%
Cost/income-Ratio I	48.09%	49.99%	47.42%	46.95%	48.10%
Cost/income-Ratio II	54.35%	54.46%	52.75%	53.93%	53.10%
Kantonalbank certificate					
Year-end closing price (in CHF)	910.00	940.00	920.00	908.00	904.50
Nominal value (in CHF)	100.00	100.00	100.00	100.00	100.00
Dividend per certificate (in CHF)	35.00	35.00	35.00	35.00	35.00
Market capitalisation ²	1,974.7	2,039.8	1,996.4	1,970.4	1,962.8

¹ Includes compensation for the state guarantee and interest on the endowment capital up to 2017

² Certificate and endowment capital

This was 2021

Sustainability pays off This is confirmed by the gratifying operating profit of CHF 176.1 million and the increased annual net profit of CHF 140.8 million. The high level of new customer assets shows that customers trust BLKB.


Competency hub We are maximising our competency in sustainable investments. We are strengthening our expertise in sustainable asset management through our partnership with the Geneva-based private bank Lombard Odier. Together we are creating a unique offering for our customers.

Profit for the region Each year, we distribute part of our profit to the Canton of Basel-Landschaft. In the reporting period this amounted to CHF 60 million again. In this way we make an important contribution to public service in the region.

A vibrant region We stepped up our commitment to culture in the reporting period. Since 2021 we have been a sponsor of Fondation Beyeler and are committed to the broad-based promotion of culture. For more future.

Climate protection now By joining the Net-Zero Banking Alliance we are committed to tangible climate measures in our investment and loan portfolio. We started offsetting our CO₂ emissions in the region in the reporting period.

Innovation for the region We are driving innovation in the region with inQbator. The programme catapults innovative start-ups to the next level in setting up a company. For a strong economic region with a future.

A light gray map of the Basel region in Switzerland is the background. Five red callout boxes, resembling speech bubbles, are placed at various locations on the map. Each callout box points to a specific text block.

There where our customers are A large number of our customers live or work in the cantons of Aargau, Solothurn and Basel. As of this reporting period we have also had a presence in the Fricktal.

A strong community We support the Pro Senectute beider Basel foundation and are committed to the well-being of older people. Thanks to a donation by BLKB employees, the Caritas beider Basel organisation can offer advice at two BLKB branches to people affected by poverty. For a cohesive region.

Digitally sustainable radicant ag is both digital and sustainable. BLKB's strategic investment will commence in 2022 as a Switzerland-wide digital financial services provider. For digitally savvy people who want to combine their financial transactions with a contribution to achieving the United Nations' 17 sustainable development goals.

On a solid and stable track BLKB is one of the most solidly financed regional banks in Switzerland and Europe. This is borne out by our good core capital ratio and outstanding "AA positive outlook" rating from Standard & Poor's.

Wholehearted dynamism The preparations for the Swiss Wrestling and Alpine Festival 2022 are well under way. BLKB supports the biggest sporting event in Switzerland as the main partner. The BLKB "Schwingerkönig" tram is already travelling around the triborder region as a harbinger of the event.

Clearly future-oriented Sustainability is our business model – and our conviction. We demonstrate this resolve in our sustainable mission statement and in our concrete sustainability figures for 2030. We are thus clearly on course for a sustainable future.

“We want to actively contribute to this transformation”

Chairman of the Board of Directors Thomas Schneider and CEO John Häfelfinger in an interview about the 2021 financial year, climate risks and competitive advantages in the financial sector.

In 2021, BLKB achieved the best annual results in its current strategy period, although the past year was challenging in business terms. How do you rate this encouraging result?

Thomas Schneider: We can indeed look back on a challenging year with its all but simple operating conditions. For the second consecutive year, the pandemic shaped both our private and professional lives and impacted on the global economic environment. Under these conditions it was key that we were close to our customers. The BLKB employees assisted them with their financial life decisions and provided unbureaucratic and needs-based solutions. The fact that we had built up a strong position in recent years helped us here. We worked on our competences and our agility in particular. In the reporting period we also made great strides in streamlining our organisation and automating our business processes. Thanks to these success factors we generated a strong financial performance that confirms our strategy.

John Häfelfinger: The figures show that our sustainable business model pays off in challenging times too. The bank's annual net profit rose by 1.9 per cent to CHF 140.8 million. We improved our cost/income ratio, and our core capital ratio is solid. The high inflow of net new assets shows that BLKB enjoys a very good reputation and that people trust us. It is for good reason that we are one of the most stable regional banks in Switzerland and Europe. We are growing our core business and want to secure a long-term competitive advantage with innovative approaches and strategic alliances. However, security remains the foundation

for BLKB. We are growing while remaining aware of risks and exercising cost management. Our sustainable business model helps us in this.

To what extent does BLKB's sustainable business strategy contribute to the bank's risk-conscious growth?

Thomas Schneider: It makes a big contribution. We even believe that sustainability is vital to our business. Companies with a sustainable business model are usually more stable and more resilient. They think in a long-term and forward-looking manner and have strong corporate governance. They communicate transparently and allow themselves to be analysed and measured by third parties. A future-oriented business model such as that of BLKB guarantees that new income streams can be developed. It brings BLKB competitive advantages and better growth opportunities.

John Häfelfinger: The sustainable business model assures BLKB of long-term success and guarantees consistency. Ultimately, our customers, the region and our owners benefit from this future-oriented approach. As a regional bank we are very close to our customers and know their needs as well as the challenges they face. The latter is essential, in particular in our role as a lender. We therefore offer consistently comprehensive and forward-looking advice. We aim to guide both our private and corporate customers safely into the future.

Sustainability and impact are often mentioned in the same context in the financial sector. What does this mean in terms of BLKB?

Thomas Schneider: At the strategic level this means that we gene-

rate added value for the region beyond our core business. Since being established over 150 years ago, BLKB has had a clear public service mandate from the Canton of Basel-Landschaft. BLKB aims to promote economic development, live up to its responsibility to society and safeguard the region's financial services. In the reporting period we deployed our resources for the benefit of our employees, customers, the region and its population. This also means that BLKB is a secure employer for many people and that the owners of BLKB can expect a stable share of profits in the long term.

John Häfelfinger: In the reporting period, over CHF 220 million in the form of orders, income distribution, sponsorship commitments and salaries flowed into the region. The distribution of CHF 60 million to the Canton of Basel-Landschaft is an important and regular contribution that benefits the regional economy and population via the public service mandate. From an operational point of view, we generate impact if we practise our public service mandate and our future-oriented business model in our daily banking routine.

What does this mean exactly?

John Häfelfinger: We offer our customers sustainable products, services and advice. For example, we enable them to invest their money responsibly in areas that are important to them, such as our award-winning investment product „BLKB Climate Basket“. In the climate segment, specifically, we offer a number of products. The „Energy Mortgage“ is one example, as is the „Future Account“, which is currently being used to plant climate-resistant trees. But we are also investing in sustainable real estate advice and thus aim to contribute to a resource-efficient real estate landscape in the Basel region.

The consequences of climate change can entail financial risks for banks, and at the same time the banks themselves have to shoulder considerable responsibility. Which measures are impacting on BLKB in this context?

John Häfelfinger: Climate change and the associated risks are very acute and a topic that we have been dealing with for some time. We take account of climate-related topics for risk-related reasons in all our business activities and identify climate-related risks systematically in our core business. However, the major part of our exposure to climate risks is not caused directly by banking business but indirectly by the loan and investment business. For several years we have been working actively to reduce the financed greenhouse gas emissions in our loan and investment portfolio.

Thomas Schneider: In addition to its regional affiliation as a cantonal bank, BLKB, as a financial institution, also bears responsibility in cross-regional challenges. We are committed to

climate protection and are taking concrete, measurable steps in this area. BLKB is the first regional bank in Switzerland to join the international, UN-convened Net-Zero Banking Alliance. BLKB has thus committed to reducing its core-business emissions to net zero by 2050 at the latest. This is not a completely straightforward project, as banks are always a mirror of the real economy. But we are convinced that this is the right way forward and we definitely want to be part of the solution. This corresponds to BLKB's orientation as a forward-looking bank.

In addition to the tangible consequences of climate change, 2021 was primarily shaped by the pandemic. What lessons can you take away from this period for BLKB?

Thomas Schneider: The pandemic clearly showed that change is a constant. The world is changing rapidly. Of course, our business model – which is geared towards agility – benefited us in the last few months. We reacted quickly to changes and continued to provide our usual high-quality services. The professional and private restrictions of the past two years have accelerated the pace of digitalisation, and demand for digital products has increased sharply. We expect this to intensify further. With our digitalisation strategy we are focusing on technology and automation. We are thus increasing our efficiency and can adapt our services in a targeted manner to our customers' needs. We are a reliable, long-term financial partner for them.

BLKB announced a number of surprises in recent months in terms of alliances and participations. To what extent do these benefit the bank's customers?

Thomas Schneider: It is a fact that banking business has changed dramatically in recent years owing to technological progress. Digitalisation is opening up new access to customers and hence is transforming market areas. The financial world is in transition. Existing catchment areas are being redefined, classic banking products are being redesigned and offered via different channels. We want to actively contribute to this transformation with innovative solutions and to seize growth opportunities. Our focus is always on our customers and on our obligation in respect of the owners of BLKB.

John Häfelfinger: There is good reason why connectivity is one of the major topics of the 21st century. Even if this trend is driven by digitalisation, the topic cannot be viewed merely from a technological perspective. Networking shapes our lives and the way we live, and delivers huge opportunities for new business models. By collaborating with selected partners we can increase added value for our customers. Through our partnership with Lombard Odier, for example, we can create a unique offering for high-net-worth private customers, and our involvement in swisspeers provides SMEs with simple and rapid access to financing solutions. We rely systematically on networking with partners with whom we can reinforce our core competencies.

Let's take a brief look at the immediate future. What are the focal points in the last year of the strategy period?

John Häfelfinger: The focus in the 2022 financial year will definitely be on implementation. We want to implement the current projects and initiatives properly and generally focus on quality. We will continue to hone our excellent advisory services and strengthen and deploy our employees' competencies in a targeted manner. We want to impress our customers. The focus will remain on sustainability, of course. We want to expand our lead in this area. And finally, we will prepare the new strategy period in the course of 2022. To ensure our success in the future.



A stylized, handwritten signature in black ink, consisting of a large 'T' and 'S'.

Thomas Schneider
Chairman of the Board of Directors



A stylized, handwritten signature in black ink, featuring a large, flowing 'H' and 'F'.

John Häfelfinger
CEO

Management report

The pleasing annual result shows that sustainability as a business model pays off in challenging times too. We take responsibility for people, society and the environment.

BLKB achieved a good result in 2021 with a net profit of CHF 140.8 m. Competence in advice, sustainability and the development of a future-oriented business model are the key points of the current strategy period. The distribution of CHF 60 m to the Canton of Basel-Landschaft is unchanged compared with the previous year.

Business performance

BLKB slightly increased the gross profit from interest-related business (CHF 279.7 m; +1.5%). Trading income was in line with the previous year's level (CHF 17.9 m; -0.6%). Other ordinary income declined (CHF 6.3 m; -17.2%). True Wealth, the digital asset manager in which BLKB holds a 40.7 per cent stake, doubled its assets in the reporting period. In its role as a strategic investor in the direct lending platform swisspeers AG, BLKB creates alternative financing platforms for SMEs. Thanks to its partnership with Lombard Odier, high-net-worth customers of BLKB can be offered an even better service in future. Furthermore, BLKB joined the Net-Zero Banking Alliance, established the digital financial services provider radicant ag, and is a founding partner of the regional Swiss Triple Impact (STI) platform.

Customer confidence remains high

Lending business was 86.4 per cent refinanced by customer deposits. Mortgage lending grew by CHF 1,134 m to CHF 21.7 bn (+5.5%). Assets under management with BLKB now amount to CHF 25.1 bn, CHF (+11.7%), of which CHF 4.5 bn are managed on the basis of mandates (+20.2%). Assets managed within the bank's in-house investment funds rose markedly, as in the previous year, to CHF 2.4 bn (+39.2%). With net growth (in mandates and proprietary products) of over CHF 620 m, asset management was able to retain the high past level of growth and increase assets under management – on a performance-adjusted basis – by around 10 per cent to over CHF 6.5 bn. The systematic risk-based approach to asset management and the consistent integration of ESG criteria also resulted in an improved risk/return ratio for the bank's customers in the reporting period. Amounts due to customers in savings and deposits grew to a total of CHF 20.7 bn (+10.3%). The capital base was increased by a further CHF 91 m in the reporting period. BLKB therefore remains one of the most solidly financed regional banks in Switzerland.

High level of security and solidity

Security remains the cornerstone of BLKB's business. This is reflected in the bank's strong capitalisation and low lending rate for mortgages (53.9% in the reporting period vs. 54.2% in 2020). BLKB is gradually expanding its core business. Comprehensive advisory services for customers play a central role here. BLKB invested in its employees' competencies and expanded its workforce. The rise in income from off-balance-sheet business confirms

Abb. 1 Operating income

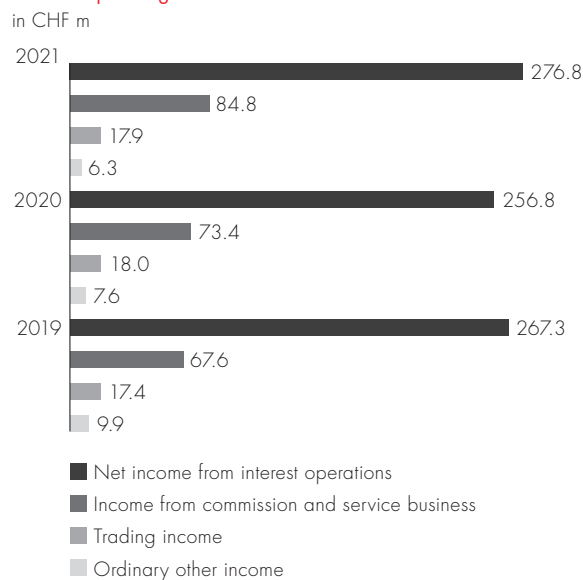


Abb. 2 Operating expenses

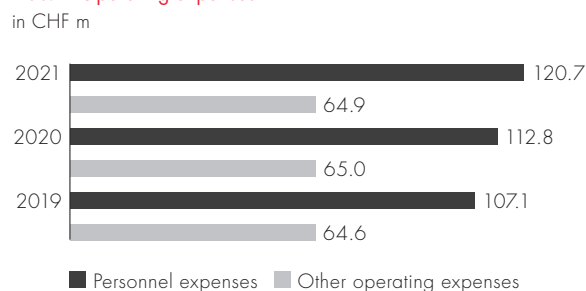
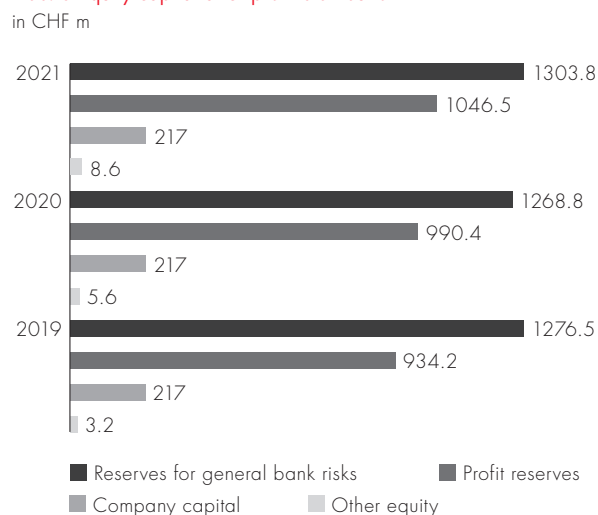


Abb. 3 Equity capital after profit distribution



the bank's chosen course. To enable it to develop faster and more efficiently, BLKB is entering into partnerships and participating in innovative companies.

Workforce and competency expansion despite the pandemic

Operating expenses amounted to CHF 185.5 m in the reporting period (+4.3%). The average number of full-time equivalents rose by 46 year-on-year to 756 (+6.5%). In order to implement its strategy for the long term – and despite the pandemic – BLKB hired more employees and invested in their competencies, which explains the increase in personnel expenses (+70%). For example, BLKB regularly offers its employees the opportunity to train as financial planners or encourages them to earn a certificate of advanced studies (CAS FH) in future banking. Other operating expenses were more or less in line with the previous year at CHF 64.9 m (-0.2%).

Outlook

The economic recovery in Switzerland continued in the reporting period, but the outlook is still unclear. At the same time, a more restrictive central bank monetary policy is to be expected. In Switzerland too, this would point to a moderate rise in interest rates. Against this backdrop, BLKB expects a good result in 2022 on a par with the previous year despite the subdued trend.

Abb. 4 Equity capital and core capital ratio

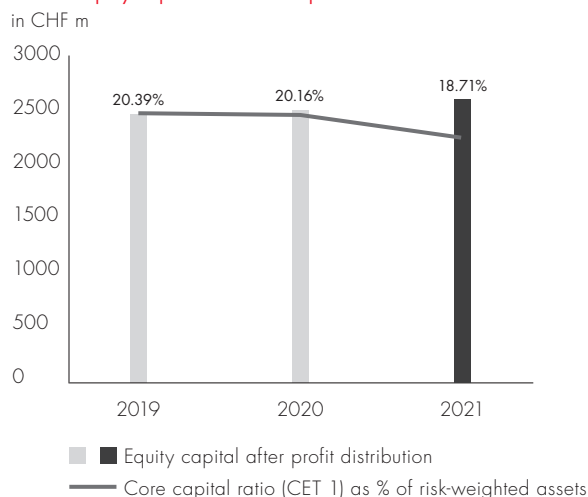


Abb. 5 Due to customers in savings and deposits

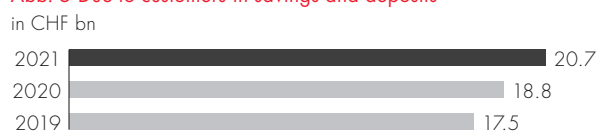
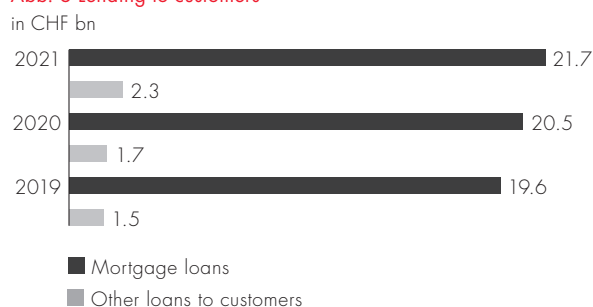


Abb. 6 Lending to customers



Organisation

BLKB continued to streamline its organisation and make its processes more efficient in the reporting period. In doing so, it built on the organisational adjustments made in the 2020 financial year. There were therefore no major new organisational restructurings in the reporting period.

Strengthening the customer value chain is an over-arching goal in organisational development at BLKB. The Sales Mid-Office department set up in the 2020 financial year commenced operations in the reporting period. The department has been managed by the Chief Operation Officer (COO), a newly created post, since 1 January 2021. This specialised unit aims to increase the quality and intensity of the bank's advice thanks to efficient handling of standardised processing and by taking over some administrative tasks from customer advisers. In the reporting period, BLKB successfully tested new processes in its Liestal and Gelterkinden branches and then rolled these out in other branches.

In addition, in the reporting period we set the course for building up an in-house competency centre for real estate as an investment class and to strengthen our real estate-related advisory services. We want to enable our customers to participate in the global sustainable real estate trend and aim to provide them with professional advice throughout the entire real estate life cycle. The department will be set up in the middle of the 2022 financial year.

Board of Directors and Executive Board

There were no staff-related or organisational changes on the BLKB Board of Directors in 2021. The Executive Board did, however, see some staff-related changes in the reporting period. Herbert Kumbartzki, Deputy CEO and head of Financial & Risk Management, retired and left BLKB on 31 July 2021. Luca Pertoldi succeeded him as Chief Financial Officer (CFO) and head of Financial & Risk Management on 1 August 2021. Beat Röhliberger, head of Corporate Banking Advisory, took up his post as Deputy CEO on 1 August 2021.

Participations

In April 2021, BLKB established the digital financial services provider radican ag, based in Zurich. The company is an operationally independent strategic investment of BLKB and will offer personalised financial advice and sustainable financial solutions. The company's CEO is Anders Bally. The digital financial services provider is set to commence operations during the 2022 financial year. Servicehub AG, a subsidiary of BLKB that focuses on providing insurance services, changed its orientation in the reporting period and scaled back its operating activities.

Public service mandate

Since its establishment in 1864, BLKB has had a public service mandate conferred upon it by its owner, the Canton of Basel-Landschaft, and gears its entrepreneurial activities accordingly. This public service mandate became even more important in the reporting period, which was dominated by the pandemic. Once again it became clear how important a future-oriented approach is and what a key role BLKB plays in the region. In accordance with the owner strategy of the Canton of Basel-Landschaft, BLKB's purpose is to "contribute to the balanced economic and social development of the Canton and of the Northwest Switzerland region". The owner strategy also stipulates that "the focus of the activities of BLKB shall be on benefiting the economy and people of the Canton. Its entrepreneurial mindset and day-to-day actions will be based on sustainable and ethical principles". The bank thus aims to promote economic development, live up to its responsibility to society and safeguard the region's financial services (see chart „Public service mandate“, page 14). At the same time, the public service mandate enshrines sustainability in BLKB's identity. We are committed to the region where we are based. This has been the case for over 150 years. BLKB was established to meet the financial needs of the population and the local economy. Today, we want to go even further and work on behalf of the region's future. We are therefore actively working to ensure the sustainable development of people, society and the environment (see the "Mission statement" chart, page 14). We confirmed this resolve in the reporting period with goals that we intend to meet by 2030 (see "Management report", page 16).

Economic development

BLKB is a responsible and forward-looking partner for entrepreneurs in the region and is committed to ensuring a flourishing economy in Northwest Switzerland. With our commitment we contribute to a stable corporate landscape and also to the latter's continuous development. Fostering innovation is particularly important to us.

One key pillar for local companies and public institutions is the granting of loans. In the reporting period, BLKB's volume of loans to companies and public bodies amounted to CHF 5.8 bn. Financing for small companies and SMEs is a particular concern of BLKB. In the reporting period, bridging credits to regional businesses during the Covid-19 pandemic remained an important topic. To further ease the burden on these companies, BLKB extended the deadline for repayment of the bridging credits by two years to 2023. The loans totalling CHF 129.3 m declined by CHF 35.9 m in the reporting period to CHF 93.4 m, corresponding to a decline of 27.8 per cent. Many companies were able to repay their loans in full. The number of loans in the reporting period declined from 1,150 to 940, and the average loan amount was just under CHF 100,000 at the end of the year under review, compared with CHF 112,400 in 2020.

As a future-oriented bank we are acting as an innovation driver in the region and specifically promoting innovative start-ups and

SMEs in Northwest Switzerland. In the reporting period, BLKB and Launchpad – a company specialising in innovation promotion – launched a comprehensive range of advisory and mentoring solutions in inQbator. Young entrepreneurs with an innovative business idea receive support and assistance from experienced specialists when setting up their company. inQbator is an extension of the 100 fürs Baselbiet initiative, launched in 2019, which has developed into a key innovation pillar in the region. Together with the University of Applied Sciences and Arts Northwestern Switzerland, BLKB intends to enable 100 innovative SMEs and start-ups with current or future added value in the region to finance their next development stage. Since the initiative was set up, BLKB has granted a total of CHF 8 m, and 26 companies have taken part. Eight more joined the scheme in 2021. In connection with the Covid-19 pandemic, BLKB also provided guaranteed loans amounting to just under CHF 800,000 via the initiative to start-up companies in the reporting period. Financial support for crowdfunding projects provided via wemakeit.ch, commitments to Business Parc Reinach and the Swiss Innovation Challenge (in cooperation with the University of Applied Sciences and Arts Northwestern Switzerland), CAS „Entrepreneurship“ and CreaLab are further examples of how BLKB promotes and supports innovation in the region.

BLKB is one of the most important employers in the Canton of Basel-Landschaft. Most of its 756 employees (FTE basis) come from the region. The annual distribution of profit to the Canton is another important contribution that benefits the regional economy and population via the public service mandate. This totalled another CHF 60 m in the year under review.

Responsibility to society

BLKB is the bank for the people of the Canton of Basel-Landschaft. We are committed to exerting our influence beyond the bank itself to ensure an attractive living space and a strong society, because this is important to us and we are part of it.

With our sponsorship commitments we support institutions, events and associations in the fields of sport, culture and society aimed at the general public. We attach great importance to a consistently sustainable approach. In the reporting period, BLKB invested over CHF 2.3 m in social and cultural life in the region. We are committed to a healthy region and support popular running events and Swiss wrestling, a traditional form of sport. We are underscoring this commitment by acting as the main partner for the 2022 Federal Swiss Wrestling and Alpine Festival in Pratteln. In the cultural arena, BLKB supports music, ballet and art and focuses on selected cultural centres in the region. In the reporting period, BLKB expanded its cultural commitment as a sponsor of Fondation Beyeler. Together with the well-known museum of modern and contemporary art in Riehen, we want to encourage access to art for all generations and in particular inspire young people to take an interest in it.

The Northwest Switzerland region should be an attractive place to live for all people. In our daily work we deal with questions from an ageing society on almost a daily basis. We support and advise our customers to provide for life after retirement or when they need to find a succession solution for the family business. Since the year under review we have supported the Pro Senectute beider Basel foundation and are reinforcing our commitment to the well-being of older people. BLKB employees sent out a strong signal for a region that stands together at the beginning of the reporting period. With its fund-raising campaign „Wenn Geben die beste Rendite ist“ (When giving is the best return), the bank raised CHF 200,000, enabling the Caritas beider Basel organisation to offer advice to people affected by poverty in the Canton of Basel-Landschaft for the first time. BLKB made two of its branches available for this service.

Via the wemakeit.ch crowdfunding platform, BLKB supports innovative and sustainable projects in an unbureaucratic manner as well as ideas from the general public and the regional start-up scene. Eleven environmental, social and start-up projects were successfully financed in the reporting year. BLKB offers financial support for the projects and advertises them on its digital channels. Promoting young talent and training young people are important to us. With FinanceMission, a joint project of the FinanceMission association, the Canton of Basel-Landschaft and BLKB, we are helping young people to become financially literate. In the reporting period, the BLKB Foundation for Culture and Education provided CHF 320,000 for professional and scientific talent in the MINT (Mathematics, Information technology, Natural sciences and Technology) subjects and also supports cultural events and projects in Northwest Switzerland. The foundation awards the Kantonallbank Prize each year to people or institutions for their achievements in the cultural, social or sporting fields. Since 2019, the foundation has also supported the voluntary work of associations in the canton with the BLKB sponsorship award. The Kantonallbank Prize and the sponsorship award each offer prize money of CHF 10,000.


Basic financial services

BLKB aims to have a presence wherever its customers are located. For us, basic financial services means knowing our customers and offering them comprehensive advice. Regional affiliation and personal proximity are key factors. We want to assist our customers in their individual life situations and advise them on the path that is the best one for them. Many of our customers live or work in the cantons of Aargau, Solothurn and Basel-Stadt. In addition to our dense network of 20 branches in Basel-Landschaft, we have a branch in Breitenbach (Canton Solothurn) and in Basel-Stadt as well as one branch each in Rheinfelden and Frick (Canton Aargau). With our mobile bank (vehicle with trailer) we serve another seven localities in the upper part of Basel-Landschaft. We offer a range of possibilities for digital banking and digital customer advice to facilitate access to our services,


Our focal points

Public service mandate


The Canton of Basel-Landschaft has given us a public service mandate. This constitutes the basis of our business activities.



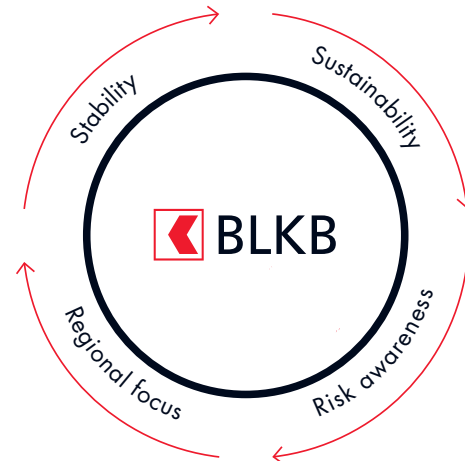
Responsibility to society



Economic development

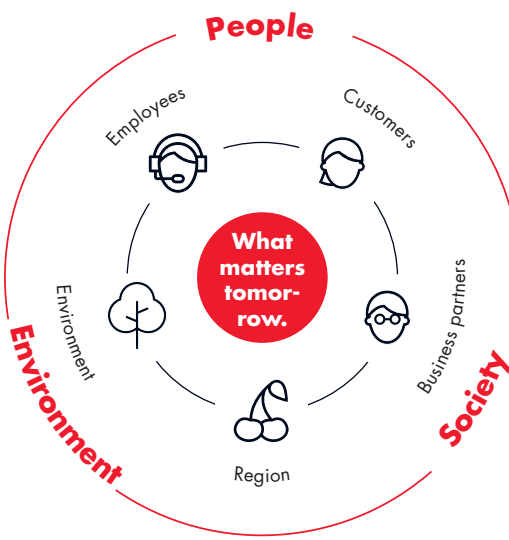


Basic financial services



Mission statement

We are Switzerland's forward-looking bank. We are strongly committed to ensuring sustainable development for all. We act responsibly for the people who put their trust in us, for the society in which we live, and for the environment that makes life possible.



What matters tomorrow

Brand

We are strongly committed to ensuring sustainable development for all. In the region. And beyond.

Strategy 2017–2022	Core business	Innovation and corporate development	Complementary business
Strategic plans	Deepen core business and systematically exploit business potential.	Secure our future livelihood and income through inventiveness and innovation.	Deploy the capabilities of the core business and translate this into additional income.
Segments	<ul style="list-style-type: none"> ▪ Private customers ▪ Corporate customers 	<ul style="list-style-type: none"> ▪ Nascent markets ▪ Digitally savvy clients 	<ul style="list-style-type: none"> ▪ High-net-worth customers ▪ Large corporates ▪ External asset managers
Market positioning and reach	<ul style="list-style-type: none"> ▪ Quality leadership ▪ Northwest Switzerland region 	<ul style="list-style-type: none"> ▪ Innovative, simple solutions ▪ Whole of Switzerland 	<ul style="list-style-type: none"> ▪ Core business offering ▪ Cross-regional business activities

regardless of time or location. By granting loans to regional companies and public institutions as well as mortgages, BLKB ensures the basic financial services and stability of the economy, society and private individuals in the region.

Strategy

As one of the leading financial services providers in Northwest Switzerland, BLKB helps shape the sustainable economic and social development of the region. Our aim is to capture new markets through innovation and achieve national reach through strong partnerships. We take a surprisingly simple approach to our customers' finances: in Basel-Landschaft, in Northwest Switzerland, and across the country. Our focus is on three strategic business areas (see "Strategy" chart on page 14). In these areas, the bank intends to grow faster than the market and bolster its strong position. Our strategy is implemented consistently and systematically. Flat hierarchies, clearly defined values, a partnership-based understanding of management and a corporate culture geared towards individual responsibility constitute the framework for our business activities. The business strategy is managed and controlled via the core business, via innovation and systematic corporate development, as well as via complementary business. Our positioning as a forward-looking bank constitutes the basis for our sustainable business model and our sustainable business strategy. In the reporting period, BLKB continued to focus on implementing its business strategies in all areas of the bank. At the same time, the development process for the new strategy period 2023–2027 was started.

Corporate culture

Professional and motivated employees are the key to the bank's long-term success. BLKB therefore attaches importance to a motivating work environment in which employees can develop and use their skills. Flat hierarchies, a collaborative and partnership-based working climate and a culture of continuous learning support this aim. All bank employees are called upon to develop and cultivate their methodical and personal skills, regardless of their function or age. In our activities we are guided by our values and our sustainable Mission Statement. Our business activities are steered by people who act responsibly, with integrity and prudently. We regard a good reputation and high degree of risk awareness as essential to a strong partnership with our stakeholders. The employees of our bank put our sustainable approach into practice and also bring our brand promise „What matters tomorrow“ to bear in their daily work. The innovation and beneficial networking enshrined in our strategy are also practised and implemented within the bank. We nurture a constructive feedback culture that offers people room for creativity and to develop innovative solutions. Diverse teams generate added value

and broad-based results with their different perspectives. More information on our corporate culture can be found on page 22 of this management report and onwards.

BLKB's corporate governance is geared closely to the bank's strategy. Thanks to an agile, holistic corporate management process, the bank can react quickly and promptly to changes in the financial sector or to changing customer needs. This process also ensures that we anticipate these changes in good time and have innovative solutions in place. Each year we set qualitative and quantitative targets at the corporate level; these are translated into results which form the basis for the individual areas of the bank when defining their own goals and results. Team goals and qualitative targets play an important role here. This promotes cooperation within the bank, thus helping us to achieve the goals of the bank as a whole.

BLKB accommodates its employees' individual circumstances through flexible work models and methods. More information on this can be found from page 22 of this management report onwards.

Business strategy

Our business strategy is enabling us to strengthen our market position and bolster the bank's long-term success. BLKB's core business, which comprises the private customers and business customers segments in the Northwest Switzerland region, generates our primary income streams. Our aim is to systematically tap into and invest this business potential. Moreover, we deploy resources from our core business in order to seize opportunities in the market and to conduct additional business with high-net-worth private customers, large companies and external asset managers. In addition to our customary areas of business, we systematically invest in innovations and therefore capture nascent markets and market niches on a Swiss-wide basis. This involves strategic cooperation with partners, a focus on digitally savvy customers, as well as the creation of brands aimed at specific target groups. In the reporting period, BLKB launched a number of strategic investments. In April 2021 the bank set up radiant ag, a purely digital financial services company that is due to commence work in the Switzerland-wide market in the course of 2022. We also announced our cooperation with private bank Lombard Odier in the reporting period. We will then be able to combine our own broad expertise in the field of sustainable investments with the in-depth know-how of Lombard Odier in the field of sustainable asset management. We plan to launch offerings and investment strategies for high-net-worth private customers in Northwest Switzerland in 2022. Since the end of 2021, BLKB has continued to participate as a strategic investor in swisspeers AG, which operates a digital platform for financing SMEs in Switzerland. With this investment BLKB aims to support the national SME landscape and strengthen Switzerland as a business centre.

Forward-looking approach

Sustainability is our business model. We demonstrated this again in the reporting period. Sustainable conduct and thinking and acting responsibly lie at the heart of our business activities and BLKB's responsibility as a cantonal bank. Our approach is characterised by a holistic, comprehensive understanding of sustainability. We also talk about our "forward-looking" approach: this means sustainability in all its diversity and a clear focus on what matters tomorrow. Our emphasis at operating level is on environmentally responsible banking operations, advising customers with care and integrity, sustainable products and services, a motivating work environment for our employees, as well as a far-sighted, responsible attitude within the bank. We want to standardise sustainability in all areas of the bank.

BLKB is convinced that sustainability is essential and generates added value for everyone. This is why we are committed to exerting our influence beyond BLKB itself as a sustainable bank and are taking responsibility for the region and its people. We clearly confirmed this resolve again in the reporting period. After introducing a sustainable mission statement in 2020, BLKB drew up goals in the reporting period to be met by 2030. These over-arching sustainability goals serve as the basis for defining the annual targets and future strategy periods. BLKB intends to measure the implementation progress at regular intervals and to publish this in its sustainability report. In order to take account of the many aspects of our sustainability approach, BLKB set up an external, independent Sustainability Advisory Committee in the 2020 financial year. This committee acts in an advisory capacity and engages in a dialogue with BLKB on strategic and operational issues related to sustainability. Since being established, the Sustainability Advisory Committee has had three members who are experts in different specialist areas.

With our brand promise „What matters tomorrow“ we illustrate our sustainable business model and position ourselves clearly as a future-oriented bank. We want to shape the dialogue on sustainable development in the region and work actively to achieve a sustainable financial sector. We underpin this with memberships in a number of bodies and initiatives where we proactively contribute the mindset of BLKB. In Northwest Switzerland, we provide the topic of sustainability with a platform in our sustainability magazine „hüt&morn“ and thus aim to create momentum for sustainable development in the region. We select our sponsorship commitments carefully and gear them to a systematically sustainable approach. We place a particular focus on promoting young talent and on a regional connection to projects and initiatives.

In its own banking operations, BLKB deploys a number of ecological measures to ensure that these are managed as sustainably as possible. To this end, our focus is on a gradual reduction in our CO₂ emissions, electricity from climate-neutral sources, increased use of electric vehicles for business travel, heat that mainly comes from district heating sources, and the predominant use of recycled paper. In the year under review, direct and indirect greenhouse

gas emissions rose by 22 per cent compared with 2020 from 871 kilogrammes to 1086 kilogrammes of CO₂ equivalents per employee (CO₂/FTE). This is due to the cool temperatures in the reporting period and to the refurbishment of the district heating plant with which BLKB covers a large part of its electricity requirement. As a bank anchored within the region, we believe it is important to couple our CO₂ offset with our commitment to the sustainable development of Canton Basel-Landschaft. Since the year under review BLKB has offset its CO₂ emissions via a local climate protection initiative which it conducts with the Ebenrain Centre for Agriculture, Nature and Nutrition. Through humus formation, soil in the canton is used for the storage of CO₂ and thus helps the bank to achieve its regional carbon offsets. However, the bulk of BLKB's emissions does not stem directly from banking business but indirectly from lendings and investments. The bank is therefore working on reducing its "financed emissions" in the loan and investment portfolio. Additional information on dealing with climate risks can be found in the management report on page 24 and on sustainability in the product offering on page 18.

Awards

In recent years we have won a number of awards for our continuous commitment to sustainable development. Our commitment as a responsible bank has also been recognised at the international level. In summer 2021, BLKB won the Best Regional Sustainability Bank Switzerland Award from finance magazine Capital Finance International (cfi.co) for the second consecutive year. The jury praised our integrated approach, the enshrining of sustainability in our strategy and mission statement, the definition of sustainability goals and the regular measurement of goal attainment and transparent communication on progress in our reporting. BLKB's comprehensive sustainability efforts were also recognised in the reporting period in the „Sustainability in the Swiss Retail Banking Sector“ rating of WWF Switzerland and PwC Switzerland. BLKB is rated as zeitgemäss („up-to-date“) in the report and as Vorreiterin („pioneering“) in two of the evaluated areas. The Swiss business magazine Bilanz conducted a multi-level mystery shopping campaign in 2021 and rated BLKB „excellent“ for its advisory services in the „regional banks“ category. The bank's placement in the „Finnoscore Switzerland 2022“ study on the digital competency of Swiss banks is proof that BLKB's digital offerings are impressive. BLKB ranked sixth and is considered to be one of the top rising stars in the field of digital attractiveness.

Memberships

We are confident that we can further strengthen our impact in the field of sustainability with selected network partners. BLKB is thus a member of various initiatives and associations. Our network helps us to deal with complex issues from different perspectives and to take better account of the topic of sustainability. At the same time we can contribute our comprehensive understanding of sustainable development in our network.

BLKB was the first regional bank in Switzerland to join the UN-convened Net-Zero Banking Alliance in the reporting period.

Mission statement

BLKB is Switzerland's forward-looking bank. We are strongly committed to ensuring sustainable development for all. We act responsibly for the people who put their trust in us, for the society in which we live, and for the environment that makes life possible.

- Our employees show respect and appreciation in their dealings with one another as well as with others, encourage diversity and difference, and excel at what they do.
- Our customers can put their trust in us. Every day, they inspire us to do new things while preserving what works.
- Our convictions and values are shared with our local and global business partners.
- The region in which we live can count on our local roots and our commitment to wider society.
- Protecting the environment is the basis of our activity

We are committed to this mission statement and to the underlying convictions, and focus our business strategy and actions accordingly.

Consequently, we are committing to gear our loan and investment portfolios to net zero emissions by 2050. We are thus confirming our resolve to continue lessening climate risks and to also reduce financed emissions. As a supporter of the Task Force for Climate-related Financial Disclosures (TCFD) we are committed to climate-related financial reporting and to greater transparency in the financial market in terms of the financial consequences of climate change. BLKB has been a signatory to the UN Principles for Responsible Investment since 2014 and to the Montréal Carbon Pledge since 2018. BLKB confirmed its long-standing commitment to a sustainable and environmentally friendly financial market in 2019 by joining the Swiss Sustainable Finance association. Alexandra Lau, head of Strategy and Market Services, has been a member of the Board of Swiss Sustainable Finance since 2020 and works to promote responsible banking in Switzerland. BLKB has been a member of the swisscleantech business association – which campaigns for a carbon-neutral Swiss economy – since 2019. Chairman of the Board of Directors Thomas Schneider has been a member of the swisscleantech Board since early 2020. BLKB also signed the #CEO4climate initiative in early 2020. It therefore actively campaigns for a climate-friendly economy and effective Swiss climate policy. BLKB continues to support the Baselbieter Energiepaket (Basel Region Energy Package) and is committed to energy-efficient, sustainable housing in the region. Together with the WaldbeiderBasel association, BLKB supports regional biodiversity through the financing of climate-resistant trees via the "Wald von morgen" ("Forests of tomorrow") project.

For several years, BLKB has been a member of Familienfreundliche Wirtschaftsregion Basel – a programme that supports family-friendly employment and overall conditions in the economic region of Basel. As a partner of FAMIÉS, the bank also helps

mothers return to working life after maternity leave. The bank is a signatory to the Work Smart charter, a cross-company initiative that promotes flexible ways of working. The bank also works together with the womenmatter/s programme and supports the promotion of women. In the Smart Regio Basel association, the bank supports the transformation of the Basel region into a "smart city".

Impact

BLKB is Switzerland's forward-looking bank. This is based on our public service mandate from the Canton of Basel-Landschaft and is reflected in our mission statement and brand promise. The crucial point here is that we act responsibly for the people who put their trust in us, for the society in which we live, and for the environment that makes life possible. BLKB aims to exert influence as well as generate benefits and added value beyond its own boundaries. We are committed to sustainable development for all in the Northwest Switzerland region and to the frugal use of natural resources. We aim to instigate changes and facilitate developments that strengthen values-based co-existence within our region. We do so by focusing on our customers, employees, our owners, our business partners, the people of the region and the environment. We intend to exert influence where we are based and where we can do the most – within Northwest Switzerland, in other words. In the reporting period, over CHF 220 m in the form of orders, income distribution, sponsorship commitments and salaries flowed into the region.

Think globally, act regionally

In our value chain we focus primarily on local and regional impact. Since 2021, for example, we have no longer been offsetting the bank's greenhouse gas emissions through global projects but instead with local farmers through a local climate protection project in the Canton of Basel-Landschaft. When it comes to awarding contracts, we favour regionally based business partners. In regional alliances we are committed to ensuring that Northwest Switzerland is a strong business location and, in the reporting period, we supported innovative SMEs and start-ups through various alliances. Via our sponsorship commitments, we invested over CHF 2.3 m in cultural centres within the region, as well as in regional sport and low-impact regional tourism. Besides our regional affiliation we are aware of leverage that can be gained by banks when facing challenges that have a global impact. BLKB can exert influence in particular via its investment and loan portfolio in the fields of climate protection, the reduction of global resource shortages or in promoting fair working conditions. Environmentally compatible production methods and raw materials purchasing, energy-efficient products, and data protection and transparency are all areas in which we can help to ensure a more sustainable global future. Sustainable investments and „green“ loan portfolios meet the needs of a growing number of private and institutional investors. BLKB wants to enable its customers to generate momentum in the economy and in the global financial market for sustainable development through their investments.

Creating added value

The chart on page 20 highlights the overall value creation process at BLKB. This shows what resources we invest in our business model in order to generate sustainable benefits and added value for our stakeholders. It includes financial as well as non-financial resources that contribute to our value creation. For a comparable categorisation of the resources used, we take the six types of capital developed by the International Integrated Reporting Council (IIRC) for its integrated reporting framework. „Financial capital“ describes the financial resources generated by – or provided to – BLKB to enable it to in turn create an impact for its stakeholders. „Intellectual capital“ includes BLKB's organisational and knowledge-based resources. „Human capital“ focuses on employees and their skills, which contribute to the success of the business. „Social and relationship capital“ shows how BLKB strengthens relationships with its stakeholders (customers, employees, population) and therefore generates intangible value (reputation, security, trust, satisfaction). „Manufactured capital“ describes how – and with what tools – BLKB produces additional value for its stakeholders. „Natural capital“ sets out which sustainable aspects, resources and processes contribute to the long-term prosperity of the business and the stability of the region.

Forward-looking advice

Through forward-looking advice on investing and financing, together with innovative banking services, we support our customers competently and with integrity. We are committed to being a cautious, sustainable business. We only engage in transactions that accord with our values and principles. We are continuously developing our competencies in comprehensive financial advice as well as in sustainable investing and financing. In the reporting period, we worked hard on our goal of systematically integrating environmental, social and governance (ESG) criteria into all products and services.

Holistic advice

We aim to give our customers holistic advice when it comes to the big decisions and support them through every stage of life. So that we can live up to our claim of being a quality leader, we invest consistently in our advisory excellence. All customer advisers have been trained as Swiss-certified financial advisers (IAF). Various employees have also undergone training to become Swiss-certified financial planners. In this way we can ensure comprehensive and forward-looking advice for our customers. This advice is provided as part of a systematic process and is always geared to customers' needs and life events. The satisfaction of our customers is an extremely important quality feature that we measure at regular intervals. We integrate feedback from our customers into an in-house quality management system and evaluate it systematically. To increase its advisory quality, BLKB also conducts regular „mystery shopping“ exercises, i.e. test customer visits. The Swiss business magazine Bilanz also conducted a multi-level mystery shopping campaign in 2021 and rated BLKB „excellent“ for its advisory services in the „regional banks“ category.

We gear the advice we provide to the path that customers have chosen. For transactions that require considerable support, our customers appreciate both our various digital contact possibilities as well as personal on-site advice. For the latter we offer them a dense branch network in the Canton of Basel-Landschaft and a branch in Breitenbach (Canton Solothurn), in Basel-Stadt and – since December 2020 and February 2021 – in Rheinfelden and Frick (Canton Aargau) respectively. We offer our customers various specialist events for complex financial topics.

Sustainable investing

We are convinced that sustainable investment brings long-term, ongoing success for our customers. Responsible investment also meets the wishes of a growing number of private and institutional investors. We satisfy this customer need and are one of the few banks in Switzerland that apply comprehensive sustainability criteria for our entire range of investment products. Since 2014, our investment range has been fully geared to sustainability. All investment recommendations issued by BLKB incorporate environmental, social and governance criteria alongside financial factors. This also applies to investments in the field of pensions. In BLKB's asset management mandates and funds, the investment themes of

microfinance and green/sustainable bonds are likewise systematically considered and investments selected. In our investments we apply a range of exclusion criteria and other sustainability filters (see Sustainability report, page 37). In the reporting period we have again expanded our range of sustainable investments and enable our customers to invest in global megatrends in a targeted manner. In the spring of 2021, BLKB launched a tracker certificate for a global equity basket of companies offering products and services for older people. The „BLKB Demography Basket“ enables investors to participate in the megatrend of demographic change.

We consider transparency and traceability to be particularly important in the complex investment business. We continuously monitor investment risks and ensure comprehensive quality assurance in asset management. The prices and conditions of our services are transparent and publicly available on our website. We invest regularly in training for our customer advisers and attach importance to their competency in sustainable investing. In addition, our investment specialists support customer advisers on detailed issues as well as during consultations with customers on the subject of sustainable investing. Since early 2020, BLKB has clearly disclosed the sustainability and CO₂ ratings of its in-house funds on its website. By joining the Net-Zero Banking Alliance we are also committed to gearing our investment and loan portfolio to net zero emissions by 2050.

In summer 2021, BLKB announced that it intends to maximise its sustainable investment expertise and product range by cooperating with private bank Lombard Odier. In this way we are creating a unique offering in the field of asset management for our high-net-worth private customers. We plan to make the relevant products and services available to our customers in the course of 2022. The establishment of the digital financial services provider radiant ag in spring 2021 also underscores our resolve to play a leading role in the field of responsible investing. BLKB's strategic investment will offer financial services in the course of the 2022 financial year that comply with the 17 Sustainable Development Goals (SDG) of the United Nations.

Sustainable financing

BLKB also takes environmental, social and corporate governance criteria (ESG) into account in its financing. In its commercial lending business, BLKB only offers finance to sustainable companies – an approach it adopted many years ago. Moreover, since 2020 it evaluates the companies' entire value chain in terms of ESG. For this purpose, BLKB has defined exclusion and risk sectors (see Sustainability report page 37). As a matter of principle, the bank does not finance exclusion sectors with very high ESG risks. Companies that operate in risk sectors or have material links to them along their value chain undergo a detailed assessment and are evaluated by the bank's Risk Committee. BLKB conducts a strategic dialogue with these companies and evaluates possibilities for improvement together with them. In this way we support our customers in accordance with our public-service mandate in

the transition to sustainable corporate governance. We see this as a forward-looking approach that will support Northwest Switzerland on its path to becoming a resource-efficient economy.

BLKB is one of the region's market leaders for mortgages. With our offering and our services we want to specifically promote regional, sustainable real estate development. We have many years of experience in the field of sustainable living and provide our customers with in-depth advice. With our „Energy Mortgage“ we enable them to finance energy-efficient measures easily and unbureaucratically. Through various memberships and alliances we offer our customers a comprehensive network that assists them with their sustainable construction projects. In partnership with Primeo Energie and Genossenschaft Elektra Baselland (EBL) we have operated the digital platform sun2050 since 2020. Another key partnership is our commitment to the Baselbieter Energiepaket („Basel Region Energy Package“), the canton's development programme for energy efficiency and renewable energy sources in buildings.

Our customers are at the centre of our offering related to mortgage financing and housing. We want to gear each financing solution to the customer's individual situation and offer them a comprehensive service. Here we offer a high degree of flexibility and individual advice. Possibilities such as extraordinary amortisation or an early mortgage extension as well as additional services such as a tax check support this aim. We also publish a newsletter informing property owners about important topics in relation to home ownership. We support property owners with the valuation or sale of their property. Our „Homeowner“ service assists house-hunters in their search for a suitable property. In the mortgage survey conducted by Comparis in 2021, BLKB once again achieved a gratifying result with a score of 5.3 (good). It shows that customers appreciate our professionalism and advice tailored to their individual life situation.

Innovative banking

We aim to make it as easy as possible for our customers to carry out simple banking transactions regardless of time or location. Thus we continuously invest in the development of our banking services and place special emphasis on the careful expansion of our digital offering. With Swatch Pay, Garmin Pay, Fitbit Pay, Samsung Pay, Apple Pay, Google Pay and TWINT, our customers have various cashless payment options. New customers can initiate a banking relationship with BLKB by purely digital means. Using an online identification process they can open a private account – including E-Banking access, a savings account, a Savings 3 account and Visa Debit card as well as other products – as part of E-Banking. With the practical mobile banking app, our customers can also access their key bank transactions while on the move. In the reporting period, customers particularly appreciated our uncomplicated digital advice provided via a platform specially developed against the background of the Covid-19 pandemic. The bank's good placement in the „Finnscore Switzerland 2022“

What we do

Impact and added value of our business model

Resources we use

These are the resources we use in order to generate impact and added value for our stakeholders.



Financial capital

- Solidity and stability (AA positive, state guarantee, endowment capital held by Canton BL, certificate capital)
- Total assets of CHF 32.9 m
- Cost/Income-Ratio von 48.1%
- Core capital ratio of 18.71%



Productive capital

- Efficient digital and physical distribution channels
- Development of own products and services
- In-house settlement and processing infrastructure



Intellectual capital

- Strong brand (good name, excellent reputation, high degree of recognition)
- Investments in innovation (720,000 CHF)
- Investments in training of specialists (CHF 1.2 Mio.)
- Strategic partnerships and alliances



Relationship capital

- Structured interview and feedback management with stakeholders (materiality analysis, customer surveys and feedback management)
- Monitoring and measurement of brand value and reputation in society, public affairs management
- Regular employee surveys
- Long-standing customer relationships
- Responsibility for people, society and the environment



Human capital

- Professional, loyal employees (natural turnover of 5.6%)
- Regular training and development for employees
- Values-based, pro-diversity corporate culture
- Continuous organisational development with an agile organisational structure



Natural capital

- Sustainable business model
- Sustainable products and services
- Sustainable business strategy
- Binding memberships for climate protection and protection of the environment



What we do

The cantonal public service mandate is the framework for our strategy and business activities. Our business model is sustainable and forward-looking.



What we deliver

With our sustainable business model, we generate benefits and added value for our stakeholders.

People

Customers, business partners

- Basic financial services
- Broad-based, independent financial advice and expertise
- Innovative and comprehensive service
- Physical and digital financial services
- Sustainable products and services
- Awarder of contracts in Northwest Switzerland (CHF 34.8 m)

Employees

- Secure, fair employer
- Competency-oriented development opportunities
- Workplace satisfaction
- Work/life balance

Society

- Distribution to Canton BL (CHF 60 m)
- Fulfilment of public service mandate
- High return on equity (profitability, ROE 7.0%)
- Sponsorship commitments for sport, culture, society (CHF 2.3 m)
- Fostering innovation within the region
- Promotion of start-ups (credit limit CHF 8 m)
- Loans to companies and public-law entities (CHF 5.8 bn)
- Important employer in the region (jobs for 879 people)
- Added value thanks to tax revenues from employees

Environment and climate

- Regional CO₂ offsets
- Financing of 2,100 climate-resistant trees
- Environmentally friendly investment portfolio
- Environmentally friendly financing products
- 100 % of electricity purchases from renewables

study on the digital competency of Swiss banks is proof that BLKB's digital offerings are impressive.

We also consider sustainability to be important for basic financial transactions. In addition to the „Future Account“, BLKB introduced a second sustainable savings account in the reporting period – the „Gift Savings Account Future“ – with which customers can participate in sustainable projects in the region. In the reporting period, BLKB supported the “Wald von morgen” project in cooperation with WaldBeiderBasel to plant climate-resistant trees in Basel-Landschaft. BLKB also donated one tree for each of the first 250 accounts opened. Use of the MaestroCard „Jobs for Juniors“ increased in the reporting period, and the sum donated rose to CHF 470,400. The money was split equally between Job Factory and KMU Lehrbetriebsverbund AG (SME apprenticeship association).

Employees

Providing our employees with a motivating working environment that stimulates innovation is an important pillar of our strategy and our position as a forward-looking bank. BLKB is convinced that its employees are a crucial success factor and consequently works hard to ensure its 756 employees (FTE) feel they are being treated well and are fully able to utilise and continuously develop their skills. Through flexible work models, career opportunities for managers and specialists alike, training opportunities, an attractive work environment and a motivational salary system, BLKB aims to boost long-term employee loyalty. The bank's commitment is reflected in the low turnover rate of 5.6 per cent and awards such as the Swiss Employer Awards, where BLKB ranks among Switzerland's top employers.

Skills development for all

We view highly qualified employees as a key factor in BLKB's long-term success. In a dynamic sector environment, our employees must be able to rapidly and systematically adapt their skills to different customer requirements, individual stages of life and technological change. For that reason, the bank consistently invests in the personal and professional development of its employees and accords top priority to continuing education. BLKB explicitly grants all employees, irrespective of function, level or age, the right to development and to acquire additional competencies. The training initiative launched in 2019 was continued in the reporting period. Employees with customer contact are trained as certified financial advisers IAF or Swiss-certified financial planners. In 2020, BLKB and Kalaidos University of Applied Sciences jointly launched a CAS study programme entitled „Future Banking“. The course prepares participants for the increasingly complex and digital banking world of tomorrow and provides them with the skills they

need. The modules of the training programme can also be attended individually by specialist staff, particularly from the central organisational units. In summer 2021, the first 14 employees successfully completed the course. As of this reporting period, BLKB has conducted a specific training event on the topic of sustainability and how to translate it into practice. The first employees have already completed this training. At BLKB, specialist and management roles are of equal value, and this is additionally encouraged through flat and agile organisational structure.

The continuous learning and knowledge-sharing are reinforced with specific network platforms for specialists. The bank's presence at external specialist events is another key element for the enhancement of vocational specialisms. Employees are actively encouraged to attend external events and conferences. A partnership-based understanding of management also promotes the aim of putting specialist and management roles on an equal footing. In the Leadership Academy the bank's value system and leadership principles are communicated to and tested with managers through courses and workshops lasting several days. As of the reporting period, the competency-based and development-promoting Cockpit management tool serves as the basis for structured dialogue between specialists and managers.

BLKB considers the promotion of young talent to be important. In the reporting period, all apprentices were offered permanent employment contracts after completing their apprenticeships. In addition, 14 apprentices and six interns commenced their training programme at BLKB in summer 2021. As of the reporting period, BLKB has offered two new apprenticeships in “mediamatics” and one apprenticeship in operational maintenance.

Career and individual circumstances

The well-being of its employees is very important to BLKB. The bank helps to ensure an appropriate work-life balance with a range of offerings and initiatives. To this end, it offers a number of working models, mobile/flexible working and career opportunities for part-time positions too. The bank gives mothers the option of a staggered return to work up to one year following the birth of a child. Mothers can also extend paid maternity leave to 24 weeks on full pay (depending on the number of years of service). Fathers are entitled to a ten-day paternity leave on full pay. Female employees are entitled to structured support during pregnancy and on their return to work following maternity leave. BLKB also offers simplified rules for looking after sick children. Our corporate culture is characterised by respect and appreciation. We are convinced that diverse teams generate additional added value thanks to creative ideas and multiple perspectives. When it comes to recruitment, the bank focuses on the personality and competencies of its future employees. The

aim is to ensure that vacancies are filled with the most suitable candidates. For that reason, the bank also hires candidates aged 50+ on a regular basis.

BLKB's flexible working models proved particularly valuable in the two pandemic years of 2020 and 2021, when employees worked from home to a greater extent. In the reporting period too, BLKB supported its employees in this altered work situation in a number of ways. It provided managers with tools and guidelines to support their teams. In 2021, the bank – in conjunction with the „zämme gsund“ („stay healthy together“) programme – introduced a health initiative to provide its employees with health-promoting input on topics such as „self-management“ or „self-care“. Already in 2020, the deadlines for submitting doctor's notes or arranging care days for children were managed more flexibly. To prevent any possible social isolation while working from home, teams adopted individual measures and conducted virtual coffee breaks, for example. BLKB did also hold a number of on-site events during the reporting period while respecting the protective measures.

Fair compensation system

A fair and stable salary system is a key part of our motivational corporate culture. BLKB's compensation system was revised in the 2020 financial year in line with these criteria. The total amount of variable compensation at overall bank level was reduced, and the total amount of fixed compensation was increased. This salary system offers employees greater security and makes it easier to calculate their remuneration. Outstanding commitment can also be rewarded via variable compensation. The amended variable compensation system was implemented for the first time in March 2021. Since 2020, members of the Executive Board have received 25 percent of their variable compensation in the form of Kantonalbank certificates. The certificates are blocked for five years following purchase. The bank can thus strengthen the long-term focus of its compensation system and gear it to the company's sustainable development. BLKB is also planning to assess the Compensation Scheme rules in 2022 in terms of their sustainability criteria. BLKB is committed to equal pay for men and women and undergoes audits by external firms. In 2020, BLKB arranged for its compliance with the internal requirement for equal pay between men and women to be audited and was awarded the Fair-ON-Pay+ certificate. Based on the use of the standardised Logib analysis tool provided by the federal government, BLKB meets the requirements of the Federal Office for Equality between Women and Men for equal pay between women and men. Detailed information on the compensation model can be found in the "Compensation report" on page 52.

Business and risk policy

BLKB is committed to being a financially, environmentally and socially sustainable business. Good corporate governance and forward-looking strategic and operational risk management are key factors in this context. Sustainability is our business model and is enshrined in our business policy, which is geared to continuity. In our business activities we focus on the long-term interests of our customers and act responsibly and in a future-oriented manner towards our business partners, employees as well as society and the environment. All our actions are aligned to our values.

Stable and solid position

BLKB is one of the most solid regional banks in Switzerland and Europe. Our business policy, which is geared to continuity and stability, has paid off over some considerable time and under a variety of economic circumstances. This is underpinned by our solid core capital ratio of 18.7 per cent and the improved rating from AA outlook „stable“ to AA outlook „positive“ by Standard & Poor's. S&P's stand-alone rating for BLKB excluding the state guarantee is an encouraging A+. In its report, Standard & Poor's emphasises the strong position of BLKB in the Canton of Basel-Landschaft as well as in the neighbouring cantons of Solothurn, Aargau and Basel-Stadt, and mentions the large and loyal customer base there as a positive factor.

Compliance and operating risks

BLKB enjoys a first-class reputation among customers, the wider public and the authorities. To safeguard this position for the long term, the attitudes and conduct of each individual employee are of the utmost importance. Integrity is a corporate value at BLKB, and adherence to a number of regulations, directives and standards contributes to the ethical conduct of our employees. We put the interests of our customers above those of the bank – and the interests of BLKB above our own. We seek to identify operations and transactions that may lead to conflicts of interest early on, and thereby avoid them. Should conflicts of interest nevertheless arise, they are identified, documented, mitigated and – if necessary – eliminated as part of a structured compliance risk management process. In the 2022 financial year, BLKB will set up a new whistleblower unit and define a process for making the bank's procedures transparent. Moreover, whistleblowers will be offered legal protection by means of a clause in the General Conditions of Employment. The bank's Code of Conduct contains all principles that define our business activities (see [blkb.ch/verhaltenskodex](https://www.blkb.ch/verhaltenskodex)).

In order to identify and monitor reputational risks and to define risk-prevention or risk-mitigation measures, BLKB has institutionalised a reputational risk management process. When granting loans, in particular larger loans or structured finance, BLKB complements the credit risk assessment with an evaluation of potential reputation risks. Along with the Credit Committee, specialists from Compliance, Legal, the Investment Centre and Communications assess potential loans from various risk perspectives. This information serves as a decision-making basis for the Credit Committee. BLKB operates an integrated risk management and independent risk control system headed by its Chief Risk Officer (CRO). In accordance with the owner strategy of the Canton of Basel-Landschaft, BLKB pursues “a prudent risk policy with a view to cautious risk exposure for the Canton” and “ensures effective risk management”. The principles of risk management and control are laid down in the risk policy, which stipulates a strict division between risk management and risk control.

The reporting period was once again shaped by the Covid-19 pandemic in the field of operating risks. The bank’s Business Continuity Management system ensures the smooth functioning of regular bank business at all times. There were no material changes to BLKB’s risk profile in the reporting period.

The Board of Directors carried out a comprehensive risk assessment of BLKB at its meeting on 1 July 2021. Additional information about risk management and control can be found in the Notes to the financial statements and the notes on business activities on page 68 onwards.

Climate risks

For BLKB, climate-related topics are a relevant factor for various business activities at different levels. They are taken into account systematically for risk-related reasons in all of BLKB’s business activities and are steered via our convictions, the company’s mission statement and the 2030 sustainability goals. The management of climate risks and opportunities is embedded in the Strategy, Innovation & Sustainability department in organisational terms and is an integral part of the bank’s corporate activities in the field of sustainability. The impact of climate risks on the bank’s core business is systematically identified and reported. The major part of BLKB’s exposure to climate risks is not linked directly to banking business but arises indirectly from the loan and investment business. For several years we have been working actively to reduce financed greenhouse gas emissions in our loan and investment portfolio. For this purpose, BLKB documents and evaluates the relevant data on financed emissions and plans to reduce them further. Both in its investment and its lending business, BLKB applies ESG (environmental, social and corporate governance) criteria and manages specific products for climate protection such as the „Energy Mortgage“. Furthermore, in the reporting period BLKB created the post of a Sustainable Finance Manager. By joining the UN-convened Net-Zero Banking Alliance, BLKB committed in the reporting period

to gear its lending and investment portfolio to net zero emissions by 2050 at the latest. Additional information on the handling of climate risks is set out in the separate 2021 sustainability report in line with the methods of the Task Force on Climate-related Financial Disclosures (TCFD) from page 11 onwards.

Information and IT security

For financial institutions, data protection is of growing importance against the background of the increasing digitalisation of the financial sector. Careful handling and protection of the customer data entrusted to us takes top priority at BLKB. Implementation of the revised Data Protection Act (FADP) is at a highly advanced stage, with the result that BLKB implemented the necessary changes prior to entry into force. For instance, BLKB has already fulfilled its duty to notify stakeholders as to how their data is used and processed. In the data privacy statement on its website, BLKB has provided transparent information about its principles for some years now. Via a central unit, the bank responds to requests for information from customers within the statutory time limits. Together with Integral Security, the Security Operations Centre and a Computer Security Incident Response Team provide constant monitoring of all the bank’s IT systems to ensure efficient and effective management of potential IT incidents on a round-the-clock basis. To protect data from unauthorised access, BLKB manages access rights based on the need-to-know principle, and – through a mandatory e-learning module – all persons (including external service providers) with access to bank customer data are trained in how to deal with this information. In addition, measures aimed at raising employee awareness in relation to data protection, data security and phishing are undertaken on a regular basis.

Personal security

We take the health and security of our customers and our employees very seriously. This topic became particularly important during the two pandemic years of 2020 and 2021. To protect its customers and employees during the Covid-19 pandemic, BLKB implemented various measures at its branches that at least met the current recommendations of the federal government. Specifically, all branches were equipped with perspex screens, touch-free hand sanitiser dispensers and social distancing signs. At the entrances to BLKB buildings, employees and visitors were made aware of the safety measures in place, and hand sanitiser was provided. Disinfectant facilities are provided inside the bank buildings at relevant locations. Maximum occupancy figures are given for meeting rooms, while rest areas are additionally provided with social distancing markings. Face masks are made freely available to employees. In the reporting period, more employees worked from home. BLKB also participated in repetitive tests as part of the broad-based testing programme set up by the Canton of Basel-Landschaft. Independently of these pandemic-related measures, our branches with ATMs are equipped with a number of security measures for the physical safety of our customers and employees.

Sustainable procurement

In line with our positioning as a forward-looking bank, we place the utmost emphasis on compliance with environmental and social standards – standards that are well above the industry norm – in terms of procurement and operations management. A sustainability agreement ensures implementation of these standards in our cooperation with service providers and defines sustainability criteria for purchasing. We favour regional service providers and suppliers, as well as those that have a transparent commitment to compliance with environmental and social standards. The sustainability agreement can be viewed at [blkb.ch/nachhaltigkeitsvereinbarung](https://www.blkb.ch/nachhaltigkeitsvereinbarung).

The future needs us all

**What we do today will shape the world of tomorrow.
So BLKB wants to do today what matters tomorrow.**

Often it is not great words that move mountains. Rather, it is many small deeds that together have an impact. We are convinced that we can achieve great things together. And all of us need to join in.

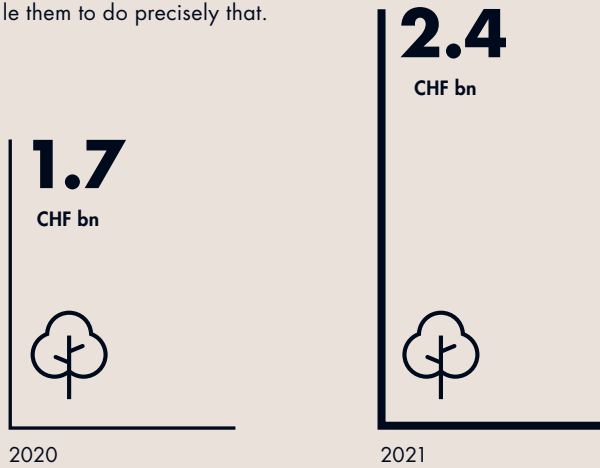
Now is the time to take a clear stand on the environment. Now is the time to support a strong community. Now is the time to create a safe future for each and every one of us. BLKB has been taking responsibility for Northwest Switzerland, as well as the people who live here, for 150 years. We intend to play our part in actively shaping the region's sustainable development and make a positive impact. That's what drives us – what motivates us. Each and every day.

We are not alone. Plenty of people, young and old, in the countryside and in towns, both during their leisure time and at work, share our vision of a sustainable future. As inspirational future-builders, bold motivators, valiant everyday heroes or champions of future orientation, they are dedicated to a future that is worth living.

For the people in the region

Sustainable investments

Our customers want to invest their money responsibly. Our sustainably managed investment products enable them to do precisely that.



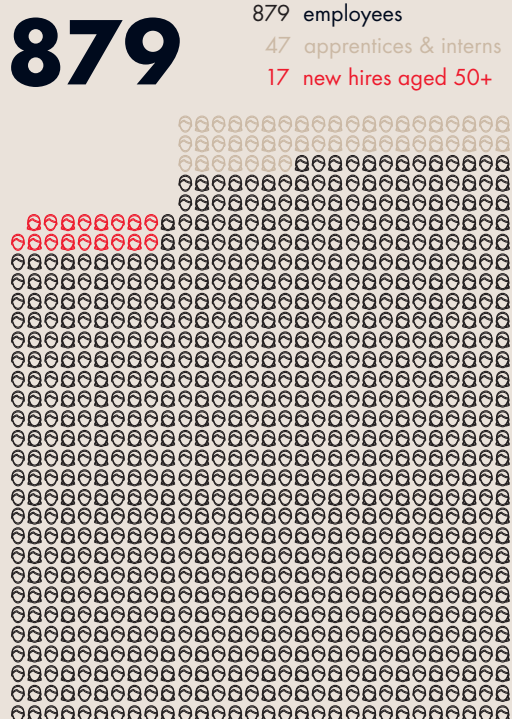
Professional employees

BLKB encourages all its employees to develop their skills. On average, around 21 per cent of employees were in training and development during the reporting period. BLKB spent around CHF 1.2 m for this investment in the future.

1,200,000 CHF

Responsible employer

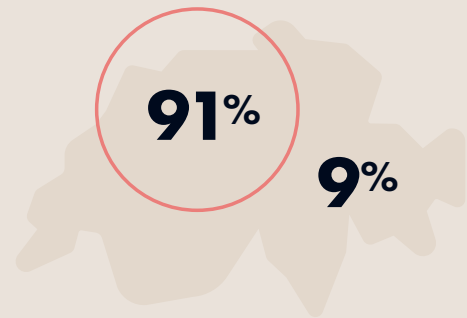
BLKB employs 879 people (756 FTEs). They are the key to the bank's success. BLKB does its utmost to ensure they are fully able to utilise and develop their skills.



Regional business partners

We attach importance to long-term partnerships with local providers. We favour regional service providers and those who are committed – as we are – to a sustainable economic area. In the reporting period we awarded contracts worth CHF 34.8 m in Northwest Switzerland.

34.8 CHF m

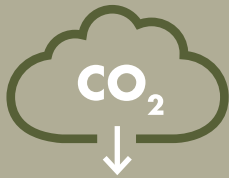


Own homes for the region

We have deep roots in the region. Over 90 per cent of mortgage lending amounting to CHF 21.7 bn was financed in Northwest Switzerland in the reporting period.

91% of mortgage lending in Northwest Switzerland catchment area (BS, BL, AG, SO)
9% in the rest of Switzerland

For a strong, intact environment

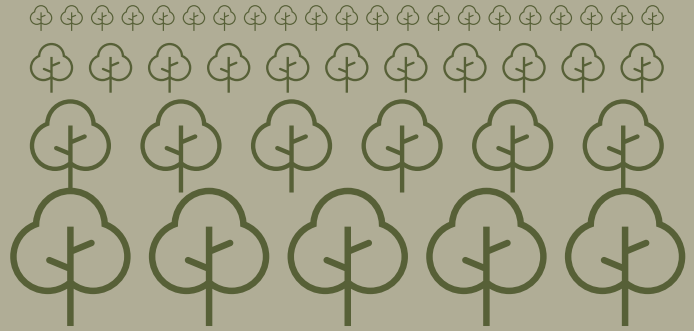


1,118 hectares of land farmed by 55 farmers

-1'000 t CO₂

Climate protection in the region

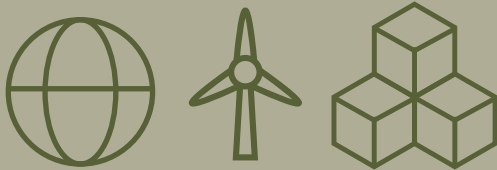
We combine climate protection with regional commitment. As of 2021, we are offsetting the bank's CO₂-emissions in the Canton of Basel-Landschaft. On 1,118 hectares farmed by 55 local farmers, an estimated 1,000 tonnes of CO₂ are stored each year.



2,100 trees

Resilient forests for Basel-Landschaft

We are financing 1,250 climate-resistant trees to increase the resilience of Canton Basel-Landschaft's forests through the "Wald von morgen" initiative. In the reporting period, BLKB donated a further 850 trees. Customers can support "Wald von morgen" via the „Future Account“ and the „Gift Savings Account Future“.



Climate protection investment

With the „BLKB Climate Basket“ our customers invest in companies that make a contribution to tackling climate change with their products and services. These companies help to work towards achieving a number of the United Nations' SDG sustainability goals.



84,085 kWh

Electricity from the roof

We produce our own electricity. The solar panels on the roof of our head office in Liestal generate over 90,000 kWh of electricity every year – equivalent to the annual energy requirements of 19 households.

Target: zero net emissions

Climate protection now

We are committed to reducing emissions in our operations and core business to net zero by 2050. This is why we joined the UN's Net-Zero Banking Alliance.

For society in the Northwest Switzerland region



8 CHF m

Innovation for the region

We support young start-ups and innovative SMEs in the region. Ideas are developed in inQbator, and the 100 für Baselbiet programme enables promising companies to embark on their way to great deeds. Since the initiative was launched, we have supported the region's innovation driver to the tune of CHF 8 m.



Profit for the Canton

CHF 60 m of our profit goes to the Canton of Basel-Landschaft. We thus strengthen public service in the region.



204 CHF

This comes to CHF 204 per inhabitant.



4.9 CHF bn

Stability for the region

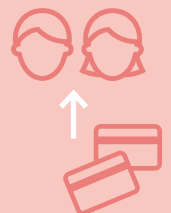
By granting over CHF 4.9 bn in loans to companies and public institutions, we make an important contribution to the sustainable development of the Northwest Switzerland economic region.



2.3 CHF m

Commitment to the region

We demonstrate responsibility towards the region and promote its social and cultural life as well as sport. In the sporting, cultural and social fields, our commitments include running and Swiss wrestling, the region's centres of the arts, low-impact tourism and the hiking trails in both Basel demi-cantons.



470,400 CHF

Young people are our future

Young people are important to us. BLKB donates a percentage of every payment made using the "Jobs for Juniors" charity Maestro card to Job Factory and to the KMU Lehrbetriebsverbund AG (SME apprenticeship association). This totalled CHF 470,400 in the year under review.

The future needs us all

Thank you for your contribution

Inspirational future-builders, bold motivators, valiant everyday heroes and champions of future orientation talk about how they contribute to people, society and the environment.

„In addition to working full-time I support my mother, who has dementia, however I can. Shared rituals lend an important structure to her daily routine. In caring for her I can give her back some of what she has done for me and help to maintain her quality of life.“

Daniela Strohmeier, HR Development Expert BLKB



„As a member of the sustainability group at our school, I set up an Instagram exchange together with other people. In this way we try to pass on used clothes. I feel strengthened when a whole school gets involved.“

Amelie Küchenhoff, high school student



Corporate governance

Our corporate governance sets a clear and binding framework for our responsible action and transparent communication.

BLKB is committed to strong corporate governance aimed at ensuring sustainable, future-oriented business activities in the interests of the owners and other stakeholders. Transparent communication is a key element in this.

In the reporting period we continued to reinforce our corporate governance and trained and sensitised our employees on the subject of compliance in particular. Comprehensive training sessions were conducted for the whole organisation. Employees as well as the Executive Board and Board of Directors completed various e-learning modules on the code of conduct (conflicts of interest), fraud awareness and the Money Laundering Act.

Depending on their job profile, employees completed additional modules, in particular on the Financial Services Act (FinSA), the automatic exchange of information (AEOI) and cross-border/FATCA. Moreover, we drew up the basic documents on the integration of radicant ag, our subsidiary established in the reporting period, and ensured that it has appropriate corporate governance.

Our corporate governance is based on these three basic pillars and builds on them in our operations:

- Responsibilities and competencies that distinguish clearly between strategic leadership and operational management, and also ensure a balanced relationship between management and control,
- Organisational structures and processes that distinguish between profit-led entities and independent control bodies, and that ensure appropriate risk management and control,
- Principles and guidelines for compliant, prudent and transparent business activities.

Internal corporate governance rule

Corporate governance begins at top management level and must be practised across the bank. The Operational Guidelines and Regulations provide the binding parameters. These govern the responsibilities, competencies and functioning of the Board of Directors, the committees of the Board of Directors and the Executive Board. The regulations are based on the Kantonalbank Act (Art. 11 para. 2) and are in line with FINMA Circular 2017/1 „Corporate Governance – Banks“.

Furthermore, the code of conduct and policy on conflicts of interest provide clear guidelines on acting ethically and with integrity in business activities. The code of conduct issued jointly by the Board of Directors and Executive Board applies to our employees, Executive Board and Board of Directors. The code of conduct is geared to promulgating our culture of acting responsibly and to achieving sustainable corporate development. Actions and transactions that could result in conflicts of interest must be avoided. If they nevertheless occur, they are identified and reported, documented, controlled, dealt with and eliminated where possible – with the imposition of bans if necessary – as part of a structured process. The policy on conflicts of interest

governs the details and applies to all employees, including the members of the Executive Board and the Board of Directors.

Legal form, public service mandate and state guarantee

Die BLKB is an independent public-law entity with its own legal personality that is held by the Canton of Basel-Landschaft. It offers the services of a universal bank and its purpose is to contribute, within a competitive framework and in accordance with its financial means, to the balanced development of the Canton and the Northwestern Switzerland region. It is provided with a state guarantee, i.e. the Canton guarantees all the liabilities of the bank should the latter's own means be insufficient to cover them. In return for the state guarantee, the bank pays the Canton a fee. BLKB is listed on SIX Swiss Exchange and issues its own participation certificates or "Kantonalbank certificates" (see "Capital structure", page 36).

Relevant cantonal and national legislation

FINMA Circular 2017/1 "Corporate Governance – Banks", which came into effect on 1 July 2017, applies at federal level. The circular defines the minimum requirements for the composition and background of members of a bank's board of directors as well as the structuring of the bank's internal controls system.

The "Directive on Information Relating to Corporate Governance" (DCG) of SIX Exchange Regulation of 18 June 2021 sets out the content and scope of the information to be published in this Annual report. The following legislation is applicable at cantonal level:

The Public Corporate Governance Act (PCGA) of 15 June 2017 and in force since 1 January 2018 (Systematic Compendium of Legislation of the Canton of Basel-Landschaft SGS 314); Kantonalbank Act of 24 June 2004, in force since 1 January 2005 (status: 1 January 2018, SGS 371); Decree on Setting the Certificate and Endowment Capital of Basellandschaftliche Kantonalbank of 23 June 2005, in force since 1 September 2005 (SGS 371.1); Public Corporate Governance Ordinance (PCGO) of 12 December 2017, in force since 1 January 2018 (SGS 314.11); Kantonalbank Ordinance of 14 December 2004, in force since 1 January 2005 (SGS 371.11).

Furthermore, through its owner strategy the Canton controls BLKB as its participation. It sets out the bank's objectives and determi-

nes the guidelines for its corporate strategy. The Canton reviews the owner strategy at least every four years and checks the status of implementation annually.

The bank's internal rules

The following internal rules, which were decided by the Board of Directors, are key to the implementation of the federal and cantonal legislation applicable to BLKB:

Organisational Guidelines and Regulations of 20 November 2019, in force since 1 March 2020; Rules on the Issuance of Kantonalbank Certificates of 20 May 2015, in force since 1 November 2015; Rules on Auditing of 11 December 2017, in force since 1 July 2018; Rules on Risk Control of 7 February 2018, in force since 1 July 2018; Rules on the Compensation Scheme of 29 April 2020, in force since 1 April 2020.

The cantonal legislation, including the owner strategy and the bank's internal rules, can be found at blkb.ch/rechtsgrundlagen.

Control mechanisms and definition of areas of responsibility

The bank's risk control functions are based within a business area that is independent of the profit-generating entities. The same applies to compliance, as an independent control body. Risk control is the responsibility of the Chief Risk Officer, who reports directly to the Board of Directors and the Executive Board. Internal Audit is subordinate to the Board of Directors, and reports directly to the Board of Directors or relevant committee (Audit and Risk Committee).

Reporting methodology

The following information in the corporate governance report is structured in accordance with the "Directive on Information Relating to Corporate Governance" (DCG) of the SIX Exchange Regulation of 18 June 2021. For reasons of clarity, subtitles may be combined with a relevant remark. Matters not relevant or applicable to BLKB are explicitly indicated.

Structure and owner

BLKB is an independent public-law entity of the Canton of Basel-Landschaft and is listed on Swiss Exchange with its Kantonalbank certificates. Given its legal form, the participation rights lie with the Canton. BLKB holds a number of participations that are currently not material for financial reporting or for the risks, which is why no consolidated financial statements are drawn up.

Structure and owner

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Operating structure

The structure and organisation of BLKB are shown in the organisational chart on page 34. BLKB focuses its market presence on Northwest Switzerland, in particular the Canton of Basel-Landschaft. The bank has 24 branches: 20 in the Canton of Basel-Landschaft, one in Breitenbach (Canton of Solothurn), one in Basel-Stadt and one each in Rheinfelden and Frick (Canton of Aargau). Other locations are served by the Mobile Bank. In addition, it maintains various digital distribution channels.

Participations

In April 2021, BLKB established radicant ag as a wholly-owned subsidiary based in Zurich in order to create a Switzerland-wide digital and sustainable financial services company. BLKB is represented on the Board of Directors of radicant ag with Marco Primavesi as Chairman of the Board of Directors and CFO Luca Pertoldi as Vice Chairman of the Board of Directors. As an independent company with its own management, radicant ag is responsible for building up the business and developing the offering in line with the Board of Directors' strategy. The company is clearly separate from BLKB and is treated as a strategic investment. In the current non-operating phase the participation is deemed immaterial for BLKB's financial reporting and risk situation, which is why no consolidated financial statements are prepared.

Servicehub AG, a subsidiary that focuses on providing insurance services, scaled back its operating activities. The company's legal structure will be retained. The Board of Directors of Servicehub AG comprises one male and one female representative of BLKB: (Chairman of the Board of Directors: Kaspar Schweizer; Member of the Board of Directors: Herbert Kumbartzki until April 2021, Petra Huber from April 2021). BLKB does not prepare consolidated financial statements, since the participation in Servicehub AG has no material influence on the bank's financial reporting or risk situation.

Kotierung

Name: Basellandschaftliche Kantonalbank (BLKB).

Registered office: Liestal.

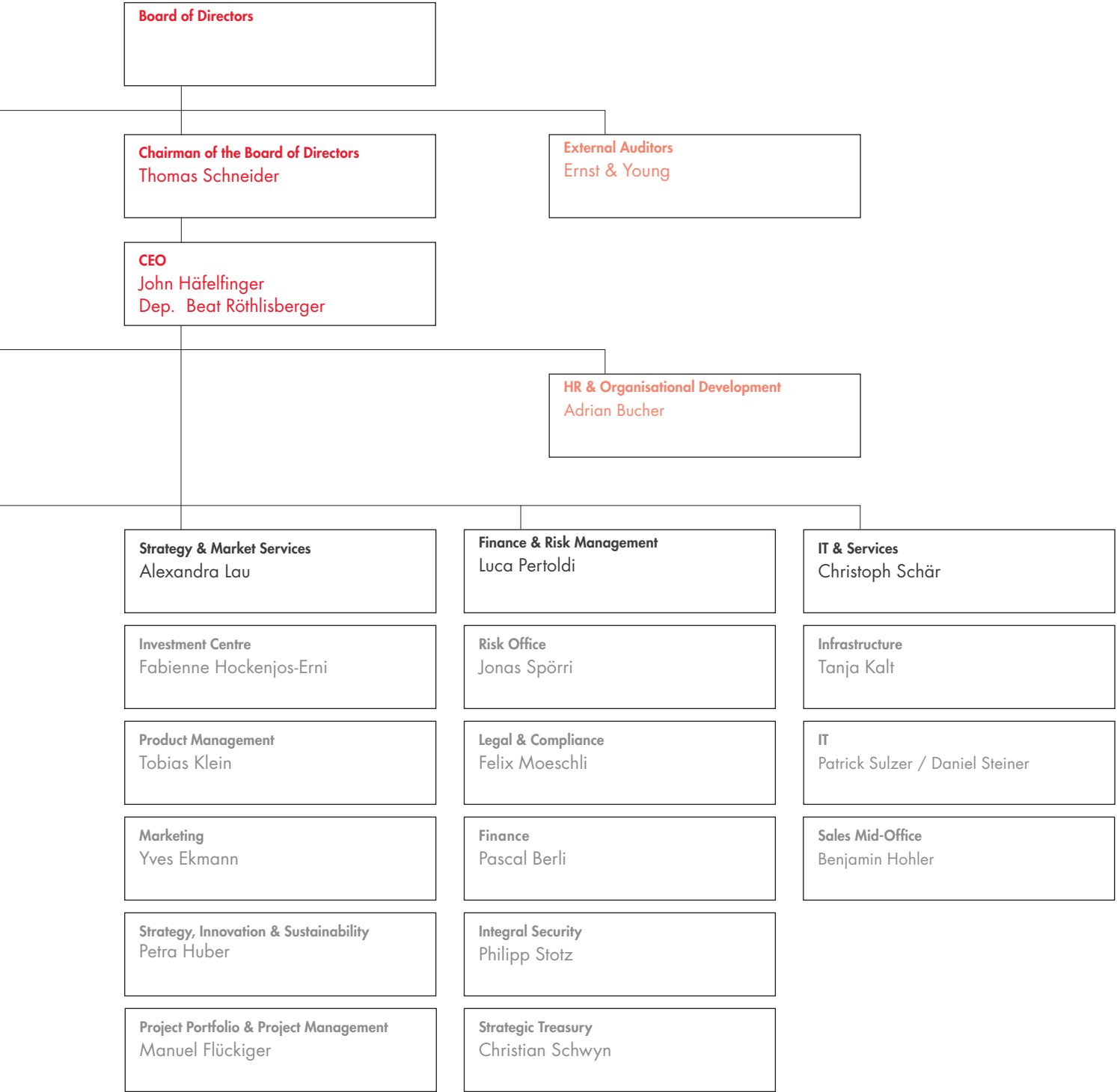
Listed: Zürich, SIX Swiss Exchange AG.

Market capitalisation:

- Market capitalisation of Kantonalbank certificates (570,000 units at a nominal value of CHF 100) at the year-end price of CHF 910: CHF 518.7 m.
- Market capitalisation of the endowment capital of CHF 160 m assuming an analogous valuation: CHF 1,456 m.

Organisational chart





- Total market capitalisation (Kantonalbank certificates and endowment capital): CHF 1,974.7 m.

Participations held in group companies: none.

BLKB's wholly owned subsidiaries radicant ag and Servicehub AG have no material influence on the bank's financial reporting or risk situation. The preparation of consolidated financial statements is therefore waived.

Security ID number: 147355

ISIN number: CH0001473559

Significant shareholders

Due to its legal form, BLKB has non-voting share capital only and consequently shareholders have no voting rights. All voting rights are held exclusively by the Canton of Basel-Landschaft.

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Through its endowment capital, the Canton contributes 73.7 per cent of BLKB's basic capital and the certificate holders 26.3 per cent.

Capital

The bank's basic capital consists of the endowment capital provided by the Canton and the certificate capital. The term "certificate" corresponds to participation certificate and the term "certificate capital" to non-voting share capital in other companies. According to Art. 5 para. 2 of the Kantonalbank Act, the cantonal parliament is responsible for changes to the endowment capital, whereas – under para. 3 of the said law – responsibility for the issuance of certificates lies with the bank. The endowment capital provided by the Canton amounts to CHF 160 m. The certificate capital amounts to CHF 57 m and is broken down into 570,000 bearer certificates each with a nominal value of CHF 100. The free float is 100 per cent. According to Art. 5 para. 3 of the Kantonalbank Act, the certificate capital must not exceed 50 per cent of the endowment capital amount.

Conditional and authorised capital in particular

The cantonal parliament can create authorised capital at the request of the cantonal council. Within this framework, the cantonal parliament can raise the certificate capital and the cantonal council can increase the endowment capital. As at 31 December 2021, there is neither conditional nor authorised capital.

Changes in capital

No changes have been made to the certificate capital of CHF 57 m and the endowment capital of CHF 160 m in the last three years.

Participation certificates

The certificate capital amounts to CHF 57 m and is broken down into 570,000 bearer certificates each with a nominal value of CHF 100 (see Capital section). Certificates entitle the holder to dividend payments, subscription rights and to a proportional share of any liquidation proceeds. Certificates do not entitle the holder to exercise any participation rights such as the right to vote, object or challenge. The Board of Directors and the Executive Board may invite holders of certificates to meetings in order to inform them of the course of the bank's business. These meetings are purely for information purposes; resolutions cannot be passed (Kantonalbank Act, Art. 5 para. 3; Rules on the Issuance of Kantonalbank Certificates, Arts. 8 and 9; blkb.ch/rechtsgrundlagen).

Dividend-right certificates

There are no dividend-right certificates.

Limitations on transferability and nominee registrations

There is non-voting share capital only; consequently, nominee registrations are not possible. There are no limitations on the transferability of certificates. The following sections of the DCG are therefore not applicable:

- Limitations on transferability for each share category along with an indication of any group clauses in the articles of association and rules for granting exceptions.
- Reasons for granting exceptions in the reporting period.
- Admissibility of nominee registrations, along with an indication of per cent clauses, if any, and registration conditions.
- Procedure and conditions for cancelling privileges and limitations on transferability laid down in the articles of association.

Convertible bonds and options

There are no outstanding convertible bonds or options.

Board of Directors

The Board of Directors is the governing, supervisory and control body of the bank. All members of the Board of Directors are non-executive; they do not perform any operational management tasks at BLKB. No members of the Board of Directors were members of the Executive Board during the three years preceding the period under review. According to Circular 2017/1 „Corporate Governance – Banks“, at least one third of the members of the Board of Directors must meet the independence requirements specified in margin numbers 17–25 of the FINMA Circular. The Board of Directors fulfils this requirement and monitors it on a regular basis. The identification, avoidance and handling of conflicts of interest have been subject to a common set of rules issued for the bank as a whole as well as for the Board of Directors. The Ordinance against Excessive Compensation in Listed Companies (OaEC) does not apply to BLKB, since it is an independent public-law

entity. Therefore, there are no statutory rules regarding the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.

The information regarding the initial election of the members of the Board of Directors and their remaining term of office is incorporated into the overview starting on page 39.

Election and terms of office

In accordance with the Kantonallbank Act, the chair and the other members of the Board of Directors are elected by the cantonal council. In all other respects, the Board of Directors is self-constituting (Art. 10 para. 1bis). The law also specifies material criteria for election to the Board of Directors; these were detailed by the cantonal council in the Basellandschaftliche Kantonallbank Ordinance. The term of office is four years.

Unless other arrangements have been made by way of special provisions in the Kantonallbank Act, the election of the members of the Board of Directors shall be subject to the cantonal Public Corporate Governance Act (PCGA). Art. 5 of the act ("Appointing the members of the strategic management body") specifies a maximum term of office of 16 years. In addition, persons who will turn 70 years of age during their term of office cannot be elected as members..

Furthermore, the cantonal council sets out a requirements specification for the Board of Directors as a whole, for individual members of the Board of Directors and for the Chair. The requirements specification complies with FINMA Circular 2017/1 "Corporate Governance – Banks". The requirements specification can be found at blkb.ch/rechtsgrundlagen.

Size and composition

The Kantonallbank Act states that the Board of Directors shall comprise seven to nine members, including the Chair. The Board of Directors currently has seven members: Chairman Thomas Schneider, Deputy Chairman Anton Lauber, Stephan Eugster, Nadine Jermann, Stephan Naef, Marco Primavesi and Nadia Tarolli Schmidt. In consultation with the owner's representative, the Board of Directors has decided not to fill the vacancy created by the departure of Erica Dubach Spiegler on 31 December 2020 for the time being. With seven members, the Board of Directors meets the minimum requirement of the Kantonallbank Act and, as the overall Board, it has the necessary competencies to carry out all the tasks of the Board of Directors.

Working methods

The Board of Directors convenes at the invitation of the Chairman of the Board of Directors as often as business requires, but at least once a quarter. Board of Directors meetings may be requested by three members of the Board of Directors, Executive Board or auditors. The Board of Directors is quorate if at least two thirds of its members are present. Votes are decided by a simple majority. The Chairman of the Board of Directors has a casting vote, which de-

termines the issue in the event of a tied vote. Election is usually open; in the first round an absolute majority decides, while in the second round a relative majority is required and in a tied vote the decision is taken by drawing lots. In general, the Board of Directors makes its decisions based on a written proposal prepared by the relevant committee. Certain business matters are prepared by the Chairman of the Board of Directors and submitted to the Board for a decision. Changes to the HR and compensation policy, compensation for the bank as a whole and the Executive Board, as well as appointments and dismissals of members of the Executive Board, are considered and decided directly by the Board of Directors on the proposal of the Chairman of the Board of Directors. More information on the definition of areas of responsibility can be found on page 38.

The CEO attends the meetings on a regular basis and the other members of the Executive Board take part if the matter concerns their area of responsibility. Meetings dealing with the financial statements and the report of the external auditors are attended by the head of Internal Audit and the auditor in charge of the external auditors. For specific topics, further internal and external experts are invited to the meetings. The Board of Directors held eleven meetings in the year under review, ten of which were ordinary meetings and one two-day retreat. The ordinary meetings lasted 3 hours and 30 minutes on average.

Chairmanship of the Board of Directors

Thomas Schneider held the chairmanship of the Board of Directors during the reporting period; Anton Lauber was Deputy Chairman. The Chairman of the Board of Directors chairs the overall Board and represents the ultimate governing body internally as well as externally. In particular, he

- chairs the meetings of the Board of Directors;
- coordinates the committees of the Board of Directors and ensures the flow of information within the Board of Directors;
- is the primary contact point for the CEO and maintains contact with the Canton, as main owner, as well as the holders of Kantonallbank certificates;
- plays a decisive role in defining the bank's strategy, communications and culture.

The Deputy Chairman is elected by the Board of Directors and deputises for the Chairman of the Board of Directors. No other specific duties are assigned to the Deputy Chairman.

Committees of the Board of Directors 2021

	Strategy and Executive Committee (SEC)	Audit and Risk Committee (ARC)
Members	Marco Primavesi (Chair) Stephan Naef (Deputy Chair) Thomas Schneider	Stephan Eugster (Chair) Nadine Jermann (Deputy Chair) Nadia Tarolli Schmidt
Other attendees	The CEO and the head of Strategy & Market Services attend all meetings.	The CFO and the head of Internal Audit attend all meetings; the CRO attends when risk issues are discussed, while the external auditors also attend in the case of selected topics.
Decisions	Presence of a majority of members required. Votes are decided by a simple majority. The Chair votes with the others, and has the casting vote in the event of a tie.	
Meetings in the year under review	10	10
Average duration of meetings	The ordinary meetings lasted 3 hours and 15 minutes on average.	The ordinary meetings lasted 3 hours and 15 minutes on average.

Committees of the Board of Directors

The two committees – the Strategy and Executive Committee, and the Audit and Risk Committee – prepare the business of the Board of Directors and fulfil instructions issued by the Board of Directors in individual cases. They also monitor the bank's operations, supervise the individuals entrusted with the bank's operational management, in particular with regard to their compliance with laws and regulations, and receive reports from the Executive Board. They report on their activities to the Board of Directors on a continuous basis. The members of the Board of Directors may sit on more than one committee; however, the Audit and Risk Committee must differ sufficiently from the other committees in personnel terms. Furthermore, the Chairman of the Board of Directors may not belong to the Audit and Risk Committee – either as a member or as chair. Each committee comprises at least three members.

The organisational structure, responsibilities and tasks of the committees are laid down in annex 2 "Committees of the Board of Directors" of the Organisational Guidelines and Regulations. The latter can be viewed online (blkb.ch/rechtsgrundlagen).

Strategy and Executive Committee (SEC)

The Strategy and Executive Committee has the following specific tasks:

- It examines developments in the banking environment and assesses the bank's business policy and strategic alignment;
- It deals with bank operational matters that lie within the decision-making authority of the Board of Directors;
- It reviews the appropriateness and compliance of the HR policy and organisational structure with the corporate and business strategies;
- In cooperation with the ARC, it analyses annual and multi-year planning, budgeting, reporting on the course of business,

as well as the economic and financial situation of the bank;

- It expresses a recommendation on potential cooperation and alliances, evaluation of acquisitions and participations, activities in new fields of business, expansion into new market areas and choice of IT platform.

Audit and Risk Committee (ARC)

The Audit and Risk Committee has the following specific tasks:

- As an independent body, it supervises financial reporting, the integrity of the financial statements,
- It monitors and assesses the framework concept for institution-wide risk management, risk control and the Compliance function;
- It evaluates the effectiveness of the external auditors and Internal Audit unit, as well as their interaction within the parent bank, any subsidiaries and the group.

Self-appraisal by the Board of Directors and its committee

In line with FINMA Circular 2017/1 "Corporate Governance – Banks", the Board of Directors and the committees of the Board of Directors check once a year whether their composition, organisational structure and working methods still comply with the regulatory requirements as well as meeting their own objectives.

Definition of areas of responsibility

The responsibilities of the Board of Directors and the Executive Board, as well as cooperation between the Board of Directors and the two committees, are defined in the Operational Guidelines and Regulations of 20 November 2019, as well as in annex 1 "Definition of Areas of Responsibility" (blkb.ch/rechtsgrundlagen). In Art. 4 para. 1 and 2 a–m and in Art. 5, the Operational Guidelines and Regulations specify the non-transferable and inalienable duties of the Board of Directors. The Definition of Areas of Responsibility assigns the respective responsibilities (decision,

Board of Directors



Thomas Schneider

Chairman of the Board of Directors

Born 1964; Swiss citizen; Swiss Certified Accountant, Master of Science in Business Administration. First elected 2018; current term of office: 1 July 2019 to 30 June 2023.

Thomas Schneider has been Chairman of the Board of Directors of BLKB since 1 August 2018. From 2014 until 2018 he served as Managing Director & Chief Auditor with Credit Suisse Group & Credit Suisse Switzerland. From 1999 until 2014 he was a partner at Ernst & Young.

Significant mandates: Member of the Board of swisscleantech, Zurich; member of the Board of Directors of Basler Verkehrsbetriebe (BVB) (since January 2022).

Business connections with BLKB: none.



Anton Lauber

Deputy Chairman of the Board of Directors

Born 1961; Swiss citizen; doctorate in law (Dr. iur.), lawyer. First elected 2013; current term of office: 1 July 2019 to 30 June 2023.

Anton Lauber has been a member of the Basel-Landschaft cantonal council and Finance Director since 1 July 2013. From 1996 until 2013 he was an independent lawyer. He was also a member of the Allschwil municipal council during the same period, becoming its Chairman in 2004.

Significant mandates: Councillor of the Canton of Basel-Landschaft (owner of BLKB); Chairman of Basellandschaftliche Gebäudeversicherung (buildings insurer), Liestal; Chairman of the Handschin Foundation, Liestal; member of the Board of Directors and Committee of the Board of Directors of Swiss Saltworks AG, Pratteln; member of the Board of Directors of Kraftwerk Birsfelden AG, Birsfelden; member of the Board of Trustees of Georg H. Endress Foundation, Reinach.

Business connections with BLKB: none.



Stephan Eugster

Member of the Board of Directors; Chairman of the Audit and Risk Committee

Born 1963; Swiss citizen; university degree (lic. rer. pol.), Swiss Certified Expert in Accountancy. First elected 2019; current term of office: 1 July 2019 to 30 June 2023.

From 2017 until early 2017 Stephan Eugster was CFO of Vontobel Financial Products Ltd. in Dubai, and from 2008 until 2017 Head of Finance & Controlling at Bank Vontobel AG. Between 2001 and 2008 he served in various leadership roles at Julius Bär. From 1990 to 2001, Stephan Eugster held various positions with Credit Suisse (both in Switzerland and abroad), Ernst & Young AG and UBS.

Significant mandates: none.

Business connections with BLKB: none.



Nadine Jermann

Member of the Board of Directors; Deputy Chairwoman of the Audit and Risk Committee

Born 1972; Swiss citizen; university degree (lic. oec.) HSG. First elected 2015; current term of office: 1 July 2019 to 30 June 2023.

Nadine Jermann is an independent marketing consultant and Chair of Buus municipal council. From 2005 to 2014 she was a member of the Executive Board of Mars Switzerland Ltd. Prior to that, she served in various senior roles in marketing and communications.

Significant mandates: Chairwoman of the BLKB Foundation for Culture and Education, Liestal; member of the Consultative Commission on the Division of Tasks and Fiscal Equalisation of the Canton of Basel-Landschaft.

Business connections with BLKB: none.



Stephan Naef

Member of the Board of Directors; Deputy Chairman of the Strategy and Executive Committee

Born 1962; Swiss citizen; university degree (lic. oec. publ.) First elected 2015; current term of office: 1 July 2019 to 30 June 2023.

Stephan Naef is CFO at Primeo Energie in Münchenstein. From 2008 to 2016 he was CFO at Aebi Schmidt Holding AG and from 2006 to 2007 CFO at Von Roll Holding AG. Between 1998 and 2006, he served in various leadership roles with Danzas AG/DHL Switzerland Ltd.

Significant mandates: Member of the Board of Directors of Primeo Wärmeholding AG, Münchenstein; member of the Board of Directors of Aare Versorgungs AG, Olten; member of the Board of Trustees of EBM Pension Fund, Münchenstein; member of the Board of Directors of Ruchfeld AG, Münchenstein; member of the Board of Directors of Erdgas AG Laufental-Thierstein (GASAG), Laufen; member of the Board of Directors of Acura AG (in liquidation), Basel; Chairman of the Board of Directors of Silo und Umschlag AG, Buchs SG; Chairman of the Board of Directors of Turicerstamm AG, Zurich.

Business connections with BLKB: Primeo Energie Group and EBM Pension Fund, both in Münchenstein.



Marco Primavesi

Member of the Board of Directors; Chairman of the Strategy and Executive Committee

Born 1959; Swiss citizen; Swiss Certified Expert in Organisational Management. First elected 2015; current term of office: 1 July 2019 to 30 June 2023.

Marco Primavesi serves on the Board of Directors of various institutions. From 2000 to 2017 he was CEO and a member of the Executive Board of AXAS AG. From 1993 to 2000 he held various positions with Regionalbank beider Basel, Swiss Bank Corporation and UBS.

Significant mandates: Chairman of the Board of Directors of Settelen AG, Basel; Chairman of the Board of Directors of Tecalto AG, Zurich; Chairman of the Board of Directors of Scope Solutions AG, Basel.

Business connections with BLKB: Scope Solutions AG, Basel.



Nadia Tarolli Schmidt

Member of the Board of Directors; member of the Audit and Risk Committee

Born 1973; Swiss/Italian citizen; lawyer and Swiss Certified Tax Expert. First elected 2019; current term of office: 1 July 2019 to 30 June 2023.

Nadia Tarolli Schmidt is a partner at commercial law firm Vischer AG, Basel, where she has worked since 2005. She is Head of Tax and Social Insurance. Nadia Tarolli Schmidt also worked as a judge on the Tax Appeals Committee of the Canton of Basel-Stadt. She previously served at the Tax Appeals Court of the Canton of Zurich as well as with various companies.

Significant mandates: Member of the Board of Directors of EGK Privatversicherungen AG and EGK Services AG, Laufen; member of the Board of Directors of Parkresort Rheinfelden Holding AG, Rheinfelden; member of the Board of Trustees of Ikea Occupational Benefits Foundation, Spreitenbach; member of the Board of Trustees of the Nordic Cultural and Educational Foundation, Basel; member of the Board of Directors of Genossenschaft Stadion St. Jakob-Park, Basel.

Business connections with BLKB: VISCHER AG, Basel.

taking note, proposal) to the Board of Directors, bank committees and Executive Board in a matrix.

Information and control instruments vis-à-vis the Executive Board

Internal Audit: Internal Audit acts independently of the Executive Board and follows the instructions of the Chairman of the Board of Directors and the Audit and Risk Committee. It reports to the Audit and Risk Committee on a functional basis and assumes the controlling and monitoring duties assigned to it by the Audit and Risk Committee and the Board of Directors. Internal Audit conducts its activities in accordance with recognised auditing standards. The head of Internal Audit and his/her staff are suitably qualified. Audit reports are discussed in detail by the Audit and Risk Committee.

Reporting: The Executive Board regularly informs the Board of Directors of the course of business, income situation, risk exposure, and status of projects with respect to strategy and yearly planning. A monthly report by the Executive Board including the financial results (monthly balance and monthly income statement with comparisons against the previous year and the budget) is submitted to the Board of Directors. A comprehensive report evaluating all the relevant risks for the bank is submitted to the Board of Directors on a half-yearly basis.

External auditors: The auditor in charge attends Board of Directors meetings dealing with the annual financial statements, annual report and audit reports. The auditor is in regular communication with the Chairman of the Board of Directors, head of the Audit and Risk Committee, head of Internal Audit and head of Financial & Risk Management. The external auditors take note of the report by Internal Audit and comment on it as necessary.

Executive Board

The Executive Board comprises six members. Herbert Kumbartzki, Deputy CEO and CFO, retired at the end of July 2021. Luca Pertoldi succeeded him as CFO on 1 August 2021 and as Head of Financial & Risk Management. Beat Röhli is Deputy CEO. The individual members are shown on page 44 onwards.

With regard to the following personal details of the members of the Executive Board, it should be noted that the Ordinance against Excessive Compensation in Listed Companies (OaEC) does not apply to BLKB, since it is an independent public-law entity. Therefore, there are no statutory rules regarding the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.

Management contracts

There are no management contracts with third parties.

Compensation

An attractive working environment enables BLKB to create the conditions required for a motivating and performance-driven work culture. That includes a contemporary compensation policy that is guided by our business performance and values. Information on compensation, shareholdings and loans is explained in the "Compensation report" on page 56 onwards.

Shareholders' participation rights

Due to its legal form as an independent public-law entity with its own legal personality, BLKB has non-voting share capital only and consequently shareholders have no voting rights. All participation rights are exclusively held by the Canton of Basel-Landschaft. The Board of Directors and the Executive Board may invite holders of certificates to meetings in order to inform them of the course of the bank's business. BLKB holds these information meetings every April, with holders of Kantonalbank certificates who are known to the bank receiving a personal written invitation. Additionally, the invitation is published in the cantonal official gazette as well as regional newspapers. Due to the Covid-19 pandemic, the meeting of certificate holders was held online in the year under review.

Certificates do not entitle the holder to exercise any participation rights such as the right to vote, object or challenge (Kantonalbank Act, Art. 5 para. 3; Rules on the Issuance of Kantonalbank Certificates, Arts. 8 and 9; blkb.ch/rechtsgrundlagen). For further details, see "Participation certificates" on page 36. Items 6.1 to 6.5 in the annex of the DCG (voting rights restrictions and representation, quorums required by the articles of association, convocation of the general meeting of shareholders, inclusion of items on the agenda and entries in the share register) are not applicable due to BLKB's legal form.

Changes of control and defence measures

Due to BLKB's legal form (see explanations in "Shareholders' participation rights"), a change of ownership by means of the purchase of certificates cannot take place under any circumstan-

Executive Board



John Häfelfinger

CEO

Born 1971; Swiss/Italian citizen; Business Administration HFW, Swiss Banking School Diploma.

John Häfelfinger has been CEO of BLKB since 2017. Between 1996 and 2016 he served in various roles with Credit Suisse. From 2015 to 2016 he was Head of Corporate & Specialty Lending and a member of the Executive Board of the bank's International Wealth Management division. Prior to that, he served as Deputy Head – as a member of the Executive Board from 2012 to 2015 – of the Swiss Corporate Clients business. From 2011 to 2015 he was a member of the Credit Suisse regional management team for Northern Switzerland.

Significant mandates: Chairman of the BLKB 2014 Anniversary Foundation, Liestal; member of the Board of Directors of True Wealth AG, Zurich; member of the Board of Directors of the Association of Swiss Cantonal Banks, Basel; board member of the Basel Chamber of Commerce, Basel; Chairman of the Basel Banking Association, Basel; member of the Board of Trustees of Finanzplatz Basel, Basel; member of the Board of Trustees pro REHAB Basel, Basel.



Beat Röhli

Deputy CEO; head of Corporate Banking Advisory

Born 1971; Swiss citizen; graduate of business economics FH, Advanced Executive Programme SFI.

Beat Röhli has been a member of BLKB's Executive Board since 2017 and Deputy CEO since 1 August 2021. From 2015 to 2017 he was head of Corporate Customers & Loans Binningen/Specialist Financing with BLKB. From 1992 to 2015 he served in a variety of roles at UBS. These included deputy regional head of Corporate Clients and deputy head of Credit Risk Management at UBS in Basel.

Significant mandates: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation, Liestal; Chairman of the Board of Directors of inQbator AG (since February 2021), Muttenz; member of the Board of Directors of swisspeers AG (since December 2021); member of the Steering Committee of "Swiss Innovation Challenge"; member of the Board of Trustees of GSR (a centre for hearing, speech and communication), Aesch.



Alexandra Lau

Member of the Executive Board; head of Strategy & Market Services

Born 1980; Swiss/German citizen; M.A. International Affairs and Governance HSG.

Alexandra Lau has been a member of BLKB's Executive Board since 2020. From 2017 to 2019 she was head of Legal & Compliance. From 2012 to 2017 Alexandra Lau held various senior positions at Credit Suisse and was responsible for various areas including business development, process development and innovation, product-related regulatory topics and business risk management. From 2007 to 2010 she worked as Strategy Consultant with Capgemini.

Significant mandates: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation, Liestal; member of the Board of Swiss Sustainable Finance.



Luca Pertoldi

Member of the Executive Board; CFO and head of Financial & Risk Management

Born 1971; Swiss/Italian citizen; university degree (lic. rer. pol.), Swiss Certified financial analyst and asset manager; CIIA; Executive MBA HSG.

Luca Pertoldi has been a member of BLKB's Executive Board since 1 August 2021. He was previously Deputy Chairman of the Executive Board and Deputy CEO of Basler Kantonalbank. From 2016 to 2021 he was responsible for Retail Customer Sales as department head. From 2013 to 2016 he was head of Trading and Institutional Customers and from 2011 to 2013 he headed up the Institutional Customers department. Previously he held various positions in asset and relationship management at Bank CIC (Switzerland), BLKB and Alea Group.

Significant mandates: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation, Liestal; Vice-Chairman of the Board of Directors of radican ag, Zurich.



Christoph Schär

Member of the Executive Board; Chief Digital Officer; head of IT & Services

Born 1976; Swiss citizen; Executive MBA HSG, Master of Science ETH, Advanced Executive Program SFI.

Christoph Schär has been a member of BLKB's Executive Board since 2018. From 2016 to 2018 he served as head of Digital Development at Swisscom Ltd and from 2013 to 2015 he was responsible for developing CRM and billing solutions at Swisscom Ltd. From 2010 to 2012 he was a member of the Customer Relationship Management Strategy team at Swisscom Ltd.

Significant mandates: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation, Liestal; member of the Conference Board of Business Agility Day, Zurich; member of the sponsorship team of be-digital – an initiative by the Basel Chamber of Commerce, Basel.



Kaspar Schweizer

Member of the Executive Board; head of Private Investment & Financial Advisory

Born 1964; Swiss citizen; university degree (lic. oec.) HSG, Executive MBA in Business Engineering HSG.

Kaspar Schweizer has been a member of BLKB's Executive Board since 2001, having joined the bank in 1992. From 2001 to 2013 he served as head of Corporate Services and from 1999 to 2000 as head of Strategy, Planning and Bank Logistics. From 1997 to 1998 he headed up the project to migrate the bank's IT to RTC and from 1992 to 1996 was assistant to Senior Management.

Significant mandates: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation, Liestal; Chairman of the Board of Directors of Servicehub AG, Liestal (since April 2020); member of the Board of Trustees of the Christoph Merian Cantonal Banks Foundation, Basel.

ces whatsoever. The question of the duty to make an offer and the clauses on change of control (items 7.1 and 7.2 in the annex to the DCG) are therefore not applicable.

Auditors

The auditor is appointed by the government of the Canton of Basel-Landschaft to audit the annual financial statements based on the proposal of the Board of Directors (according to Art. 14, para. 1 of the Kantonallbank Act). After working with Ernst & Young (EY) for over 25 years, BLKB will switch to a different auditor for the 2022 financial year. In future, PricewaterhouseCoopers (PwC) will be responsible for auditing the financial statements of BLKB. The cantonal government appointed the new auditors on 2 November 2021 at the proposal of the Board of Directors. The selection followed a comprehensive evaluation process by representatives of the Board of Directors and the Executive Board as well as Internal Audit.

Duration of the mandate and term of office of the lead auditor

Ernst & Young AG assumed the audit mandate in 1997. Bruno Patusi of Ernst & Young AG has been the lead auditor for the audit mandate since April 2018. Roman Sandmeier has been the second auditor-in-charge since 2016.

Auditing fees and additional fees

The total auditing fees invoiced by the auditors for the fulfilment of their legally required duties in the year under review was CHF 504,185. These auditing expenses were calculated in accordance with the accrual principle. Fees of CHF 50,717 were incurred for additional, general audit-related services commissioned by the bank in the year under review.

Information instruments pertaining to the external audit

One of the tasks of the Audit and Risk Committee is to assess the effectiveness of the external auditors, of Internal Audit, and of the internal controls system. The Audit and Risk Committee discusses the reports and planning documentation in several meetings with the lead auditor of the statutory auditors and regularly informs the Board of Directors of its findings.

Representatives of the statutory auditors attended four meetings of the Audit and Risk Committee in the year under review. The lead auditor meets with the full Board of Directors at least once a year. In the course of this meeting, the Board of Directors evaluates the audit and supervisory reports prepared by the external auditors and is informed of their key findings. In the year under review, representatives of the external auditors attended one meeting of the Board of Directors. The Audit and Risk Committee regularly assesses the risk-oriented audit strategy and corresponding audit

plan of the external auditors, analyses the audit reports and makes sure that shortcomings are rectified and that the auditors' recommendations are implemented. The Audit and Risk Committee discusses the results of its analyses with the lead auditor. Based on its own experience as well as its annual review meeting with the external auditors, the Audit and Risk Committee assesses the performance and compensation of the external auditors, satisfies itself as to their independence and assesses the cooperation between the external and internal auditors.

Information policy

BLKB pursues a policy of communication based on the truthful presentation of facts and openness towards questions put forward by relevant groups of internal or external stakeholders. BLKB's information policy stipulates that employees must be informed before or at least at the same time as external stakeholders. The bank's intranet is used as an internal platform for sharing information, knowledge and opinions. BLKB also maintains contact with its stakeholders via interactive social media channels.

BLKB reports regularly on its business activities and presents its annual results at a media conference in February/March. The mid-year results are published at the beginning of the second half of the year. The annual report is published in German and English. Both versions can be viewed online (blkb.ch/geschaeftsbericht). The description of our activities in relation to sustainability has been incorporated into the management report. In addition, a detailed sustainability report is prepared in accordance with the standards of the Global Reporting Initiative (GRI) and is primarily aimed at the rating agencies and investors. This is published online at blkb.ch/nachhaltigkeitsbericht. In connection with the annual and half-yearly results, BLKB also publishes the disclosure report (no later than end-April and end-August). This is based on the FINMA Circular 2016/1 "Disclosure – Banks", which sets out the disclosure obligations of the banks under the Capital Adequacy Ordinance and Liquidity Ordinance in concrete terms.

Media releases are published at the time of the annual and half-yearly results and at the time of the annual meeting of BLKB holders (April) and where necessary or appropriate (ad hoc publicity). All media releases can be viewed online at blkb.ch/medien.

Contacts for investors and the media

✉ investoren@blkb.ch

✉ medien@blkb.ch

Information for investors and the media

🔗 blkb.ch/investor-relations

🔗 blkb.ch/medien

Newsletter service

🔗 blkb.ch/newsletter

Postal address

BLKB

Rheinstrasse 7

4410 Liestal

Block on trading times

In connection with the annual and half-yearly results, blocking periods for the purchase or sale of Kantonalbank certificates are imposed to prevent insider transactions. For the financial statements the blocking period runs from 1 December up to and including the day of the media conference when the annual results of BLKB are announced. For the half-yearly results the blocking period begins on 1 June and runs up to and including the day of the media conference when the results for the first half are announced.

The blocking period applies to members of the Board of Directors and the Executive Board as well as to all employees in organisational units who may come into contact with potentially price-related information. These are employees in the Board of Directors secretariat and the Finance, Risk Office, Legal & Compliance, Marketing, Strategy, Innovation & Sustainability departments and Internal Audit. The blocking periods must also be observed by all employees who report directly to the CEO or who view minutes of the Executive Board meetings, as well as members of project and working groups whose activities may affect the share price of the Kantonalbank certificate.

Foundations

As at 31 December 2021

Vorsorgestiftung Sparen 3	Board of Trustees	Urs Hofmann, Chairman Roman Hügli Daniel Kern Adrian Simmen Bart van Riemsdijk Stéphane Curchod
	Foundation Management Auditors	Sarah Büssinger Ernst&Young AG, Basel
Vested Benefits Foundation	Board of Trustees	Urs Hofmann, Chairman Roman Hügli Daniel Kern Adrian Simmen Bart van Riemsdijk Stéphane Curchod
	Foundation Management Auditors	Sarah Büssinger Ernst&Young AG, Basel
BLKB Foundation for Culture and Education	Board of Trustees	Nadine Jermann, Chairwoman Doris Fellenstein Wirth, Dr. Esther Freivogel Gabriela Häner Marco Di Pasquale
	Foundation Management Auditors	Carole Kriesi Ernst&Young AG, Basel
2014 Anniversary Foundation	Board of Trustees	John Häfelfinger, Chairman Beat Röthlisberger Alexandra Lau Luca Pertoldi Christoph Schär Kaspar Schweizer
	Foundation Management Auditors	Beatrice Widmer Ernst&Young AG, Basel

Compensation report

Our compensation model is based on stability and is geared to our values. It supports a motivating corporate culture.

In the year under review, BLKB's compensation model was once again based on the following components: profitability of the bank as a whole, corporate objectives, team success and individual performance. Our compensation system is based on fairness and stability.

Highly qualified, loyal employees who are committed to the bank's values are the key to our lasting success and a guarantee that we can continue to develop and achieve our corporate objectives. It is therefore important that we attract talented employees on the labour market and retain them for the long term. A key point here is an up-to-date and fair compensation system.

The reporting period was characterised by implementation of the amended variable compensation system: on 1 April 2020 the total of fixed compensation for the whole bank was increased, and the variable compensation was reduced by around half. In the reporting period, this amendment to variable compensation was implemented for the first time. As expected, the amount of variable compensation paid out in March 2021 for the 2020 financial year was thus much lower than in the previous year. Compensation is thus easier for employees to calculate and offers greater security. At the same time, BLKB can continue to reward outstanding performance via the variable compensation.

Also in 2021, the foundations were laid for a compensation system geared even more closely to the long term and to stability. In the 2022 financial year, the Rules on the Compensation Scheme will be generally revised and checked with regard to sustainability in particular – namely, in line with ESG criteria (environmental, social and corporate governance). A sustainable compensation system is part of our self-image as a future-oriented bank. Moreover, fringe benefits for the Executive Board are being revised, and the current company vehicles will be phased out as of the 2023 financial year. In order to ensure better comparability between functions and organisational units, BLKB has been working since November 2021 to systematically re-evaluate all functions. The aim of the re-evaluation is to create greater transparency in the compensation system and to make employees aware of possible career paths.

Compensation policy

Our principles

An attractive working environment enables us to create the conditions required for a modern, motivating and performance-driven work culture. That also includes a contemporary compensation policy that is guided by our business performance and values. As a forward-looking employer, equality of opportunity is important to us and we offer equal pay for equal work – irrespective of age and gender.

In 2020, BLKB arranged for its compliance with the internal requirement for equal pay between men and women to be audited and was awarded the Fair-ON-Pay+ certificate. Based on the use of the standardised Logib analysis tool provided by the federal government, BLKB meets the requirements of the Federal Office for Equality between Women and Men with regard to equal pay between women and men. In the reporting period, BLKB also had its equal pay checked by the social partners' specialist unit „Lohngleichheit in der Bankbranche (SF LoBa)“ (equal pay in the banking sector) and was awarded the industry quality seal „Lohngleichheit in der Bankbranche“ (equal pay in the banking sector).

The principles of compensation policy for the bank as a whole are set out in the "BLKB Human Resources and Compensation Policy" of 24 February 2016.

Relevant legislation and provisions

- FINMA circular 2010/1: Remuneration schemes
- FINMA circular 2010/1: Disclosure – Banks
- FINMA circular 2017/1: Corporate governance – Banks
- SIX guidelines for listed companies

The Ordinance against Excessive Compensation in Listed Companies (OaEC) does not apply to BLKB, due to its legal form. Statutory rules on principles regarding performance-based compensation and other means of compensation, loans, credits and pension benefits to members of the Board of Directors and the Executive Board, or votes by the general meeting on the subject of compensation, are therefore not required. BLKB nevertheless endeavours to follow the OaEC as far as possible.

At cantonal level, the Canton's owner strategy stipulates that compensation for the Board of Directors and the Executive Board must be in line with industry levels. Total compensation for the Board of Directors and the Executive Board must not exceed the average for similar banks and must be commensurate with roles and performance. The compensation system must strengthen the long-term focus and be geared towards the sustainable growth of the bank's value. The overall compensation of the Board of Directors is decided by the cantonal council.

The Rules on the Compensation Scheme of 29 April 2020, in force since 1 April 2020, and the "Areas of Responsibility" in the annex to the "Organisational Guidelines and Regulations" of 20 November 2019, in force since 1 March 2020, detail the features and competencies regarding the bank's compensation (blkb.ch/rechtsgrundlagen). Both sets of rules are issued by the Board of Directors.

Responsibilities and procedures

	BoD	CoBoD	SEC	ARC	EB
Fixed and variable compensation					
Compensation policy	D				P
Determination of total amount of fixed compensation	D				P
Compensation for Board of Directors and its members	D	P			
Compensation for CEO	D	P			
Compensation for members of the Executive Board	D	P			P (CEO)
Compensation for head of Internal Audit		D		P	
Compensation for other personnel					D
Annual determination of overall pool of variable compensation	D				P
Fringe benefits					P
Pension scheme	D				A

BoD = Board of Directors, CoBoD= Chairman of the Board of Directors, SEC = Strategy and Executive Committee, ARC = Audit and Risk Committee, EB = Executive Board, D = decision, P = proposal

Compensation system

Compensation model

The bank operates a system of function levels based on the size and complexity of the area of responsibility, experience in the area of responsibility, training and development of employees, functional and personal responsibility, participation in projects as well as personal competencies and management competencies based on the job profile. Specialist and management careers are of equal value. No specific compensation provisions apply to control and risk management functions.

Components of compensation

BLKB considers all cash benefits paid directly or indirectly to employees in connection with their employment or membership of a governing body to be compensation.

Fixed compensation: The fixed component of salary is determined by the employee's function. Based on the set criteria, employees are divided into function levels that determine their salaries. Each job profile is assigned to one or more function levels.

Variable compensation: The individual variable salary component is calculated on the basis of the relevant business result, achievement of the corporate objectives, team performance, individual performance and individual contribution to the achievement of corporate objectives, compliance with guidelines and function level. Any long-term absences (unpaid leave, for example) and the length of employment in the year under review are also taken into account.

Expense allowances: The members of the Board of Directors, CEO, other members of the Executive Board and employees in function levels 5 to 7 receive expense allowances. In the case

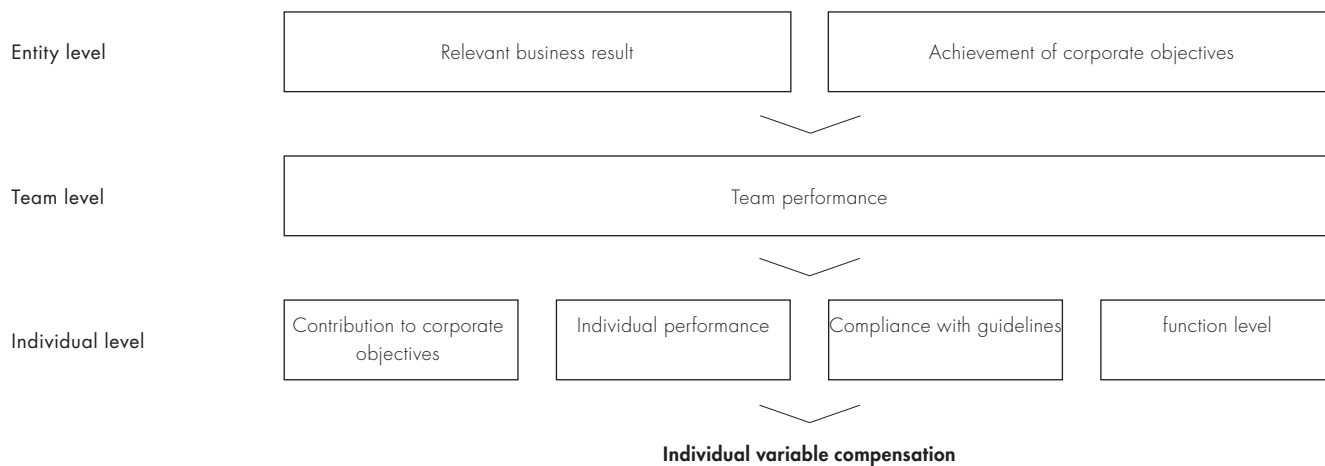
of members of the Board of Directors, their expense allowance is based on their function and tasks within the Board of Directors.

Fringe benefits: All employees enjoy favourable interest rates on loans and savings, as well as reduced banking charges. They also receive subsidised lunches, discounted Reka money, SBB railway vouchers to promote the use of public transport, marriage and baby allowances, as well as long-term service awards (discounted purchase of Kantonalbank certificates as well as crediting of leave and/or long-term service allowances). BLKB commits time and money to the training and development of employees, thus boosting their marketability. BLKB pays 60 per cent of contributions to the pension fund rather than the 50 per cent required by law. In addition, the bank finances up to two AHV bridging pensions and employees retire when they reach the age of 64. In addition, members of the Executive Board are entitled to a company car until the 2023 financial year. Since 2020, the members of the Board of Directors have received preferential interest rates on loans and savings as well as reduced fees for banking services.

Statutory allowances: The bank grants employees extended continued salary payments relative to the statutory employer contributions to social insurance in the event of illness, accident, maternity and paternity.

Sign-on and severance compensation: Sign-on and severance compensation may be granted. Any amounts in excess of CHF 50,000 must be submitted to the Board of Directors for approval.

Long-term deferred compensation: BLKB does not have any long-term deferred compensation plan, i.e. compensation components based on the long-term performance of the business.

Basis for variable compensation

Responsibilities and competencies

Compensation policy: The Board of Directors determines the bank's compensation policy and has issued the "BLKB Human Resources and Compensation Policy". The Executive Board is responsible for implementing the compensation policy.

Fixed compensation: The Board of Directors determines the compensation of the members of the Board of Directors based on the proposal of the Chairman of the Board of Directors, while the cantonal council decides the overall compensation. The Board of Directors decides the fixed compensation for the CEO and other members of the Executive Board based on the proposal of the Chairman of the Board of Directors. The Chairman of the Board of Directors decides the fixed compensation of the head of Internal Audit based on the proposal of the Audit and Risk Committee. The fixed compensation of individual employees is determined by Human Resources & Organisational Development, in consultation with line managers and based on the criteria of the function level system.

Variable compensation: The total amount of variable compensation is calculated based on the relevant business result (3.31% of the relevant business result). It is determined by the Board of Directors once a year based on the proposal of the Chairman of the Board of Directors. Furthermore, the Board of Directors determines the variable compensation for the CEO (based on the proposal of the Chairman of the Board of Directors) and the other members of the Executive Board (based on the proposals of the Chairman of the Board of Directors and the CEO). In addition, the Chairman of the Board of Directors determines the variable compensation of the head of Internal Audit based on the proposal of the Audit and Risk Committee. The variable compensation of employees is determined by the respective line manager. If the bank does not post a positive relevant net operating profit, no variable compensation is paid.

Expense allowances: Expense allowances are set out in the annex to the „Rules on the Compensation Scheme“ approved by the Board of Directors.

Fringe benefits: The Executive Board decides on additional payments. The Board of Directors takes note of this.

Pension scheme: The Board of Directors determines changes to the pension scheme based on the proposal of the Executive Board.

Compensation groups
Board of Directors

The members of the Board of Directors receive fixed compensation depending on their function and tasks within the Board of Directors (chair, deputy chair, committee chair, committee member). Equal compensation is paid for equal functions, and compensation must be in line with industry levels. In addition, members are paid an expense allowance that is likewise based on their role and tasks. No variable compensation is paid to the members of the Board of Directors. They receive preferential interest rates on loans and savings, as well as reduced banking charges. They are also required to purchase Kantonbank certificates annually on preferential terms. The member of the cantonal government is exempt from this rule. Certificates are purchased at a discount of 25.274 per cent to the market price on the ex-dividend date. All certificates are blocked for five years following purchase. The following annual mandatory purchases and minimum holdings apply after five years in post:

Chair of the Board of Directors	20/100
Member of the Board of Directors	20/100

Members of the Board of Directors for whom their mandate is their main occupation are insured with the Pension Fund of the Canton of Basel-Landschaft on a mandatory basis. Members of the Board of Directors for whom the mandate is a secondary occupation also belong to the Pension Fund, unless they specifically opt out.

CEO and other members of the Executive Board (function level 8)

The fixed compensation takes into account the market environment, position, responsibilities, experience and capabilities of the individual members of the Executive Board. In order to determine the fixed compensation, a comparison with other cantonal banks of similar proportions in terms of balance sheet total and market area serves as a yardstick.

In addition, the members of the Executive Board receive variable compensation that is dependent on their performance and contribution to the achievement of the goals of the bank as a whole. The latter are quantitative and qualitative targets that are based on the bank's strategic objectives. Importance is attached to ESG criteria such as carbon footprint, equal pay, promotion of diversity and the strengthening of employee marketability.

The individual performance targets of the individual members of the Executive Board are based on specific indicators within the particular area of business that can be influenced by the responsible members of the Executive Board. They include the achievement of volume targets, compliance with the defined risk management framework, compliance with the budget, timely project implementation, compliance with defined quality standards or service level agreements, employee satisfaction, and internal service quality. The individual performance targets of the members of the Executive Board are defined by the CEO. These targets are intended to make a substantial contribution to the achievement of the bank's strategic targets. When setting variable compensation, weightings are assigned to the achievement of targets on the basis of discretion.

The compensation system must strengthen the long-term focus and be geared towards the sustainable growth of the bank's value. In this connection, the members of the Executive Board have been required to draw a minimum of 25 per cent of their variable compensation in the form of Kantonbank certificates since the year under review. The certificates are blocked for five years following purchase. Certificates are purchased at a discount of 25.274 per cent to the market price on the ex-dividend date. In the reporting period, the members of the Executive Board paid the discount themselves at the time of the purchase.

Compensation components and groups

	Board of Directors	Executive Board	Employees in function levels 5–7	Employees in function levels 1–4
Base salary	x	x	x	x
Variable compensation		x	x	x
Expense allowances	x	x	x	
Statutory allowances	x	x	x	x
Fringe benefits		x	x	x

Any directors' fees received by members of the Executive Board are remitted to BLKB in their entirety and included in the "Other ordinary income" item.

Other employees

In addition to fixed and variable compensation, employees in function levels 5 to 7 receive an expense allowance as well as fringe benefits.

Employees in function levels 1 to 4 receive fixed and variable compensation as well as fringe benefits.

Compensation

Total compensation in the year under review amounted to CHF 97,852,687 CHF (previous year: CHF 92,842,720). Compared with 2020, average full-time equivalents rose by 46 to 756 (+6.5%) in the year under review.

The total amount of fixed compensation was 10 per cent higher than in the previous year at CHF 86,798,023 (CHF 78,923,876). This is due in part to the increase in FTEs and also to the amendment of the salary model. It was decided in 2020 to increase the total amount of fixed compensation at overall bank level as of 1 April 2020 and instead reduce the total amount of variable compensation at overall bank level by around a half.

The total amount of variable compensation available in 2021 was slightly lower than in the previous year at CHF 8,202,975 (CHF 11,056,469). This is due to the reduction in the variable compensation component of the new salary model. The variable compensation for 2020 (paid out in March 2021) was calculated according to the old compensation model for the months January to March and according to the new model for the months April to December.

The other elements of total compensation, in addition to fixed and variable compensation, are fringe benefits at CHF 1,082,960 (previous year: CHF 1,172,296), expense allowances at CHF 1,231,982 (previous year: CHF 1,111,715) and the value of discounted purchases of Kantonalbank certificates at CHF 536,747 (previous year: CHF 578,363).

Total fixed compensation for the members of the Executive Board amounted to CHF 2,272,384 in the year under review, with the highest individual share going to the CEO at CHF 425,100. The total amounts of Kantonalbank certificates of individual members of the Board of Directors and Executive Board are shown in the Notes to the financial statements on pages 106 and 107.

Sign-on and severance compensation

In the reporting period, a total of CHF 620,000 in sign-on compensation was paid to 21 employees for forfeited compensation claims against their previous employer (previous year: CHF 135,000 to eight employees). No severance compensation was paid in 2021 and 2020.

Ratio between highest and lowest compensation

The ratio between the lowest and highest total compensation (fixed and variable compensation) in 2021 was 1:13.44.

Compensation for the members of the Board of Directors for financial years 2021 and 2020

Name		Fixed compensation	Variable compensation	Fringe benefits	Expense allowance	Value of reduced price of KBC	Total compensation	Employer's contribution to social benefits	Total personnel expenses
T. Schneider, Chairman									
	2021	200,000	0	–	10,000	4,580	214,580	54,392	268,972
	2020	200,000	0	–	10,000	4,681	214,681	54,516	269,197
A. Lauber, Vice chairman¹⁾									
	2021	55,000	0	–	2,500	0	57,500	0	57,500
	2020	55,000	0	–	2,500	0	57,500	0	57,500
M. Primavesi²⁾									
	2021	85,000	0	–	4,500	4,580	94,080	20,912	114,991
	2020	85,000	0	–	4,500	4,681	94,181	20,955	115,136
Stephan Eugster³⁾									
	2021	85,000	0	–	4,500	4,580	94,080	7,425	101,505
	2020	85,000	0	–	4,500	2,340	91,840	7,469	99,309
E. Dubach Spiegler⁴⁾									
	2021	–	–	–	–	–	–	–	–
	2020	65,000	0	–	3,000	4,681	72,681	14,017	86,698
N. Jermann									
	2021	65,000	0	–	3,000	4,580	72,580	13,286	85,866
	2020	65,000	0	–	3,000	4,681	72,681	13,302	85,983
S. Naef									
	2021	65,000	0	–	3,000	4,580	72,580	14,716	87,296
	2020	65,000	0	–	3,000	4,681	72,681	14,732	87,413
N. Tarolli Schmidt									
	2021	65,000	0	–	3,000	4,580	72,580	13,286	85,866
	2020	65,000	0	–	3,000	2,340	70,340	13,880	84,220
Total compensation									
	2021	620,000	0	–	30,500	27,478	677,978	124,018	801,996
	2020	685,000	0	–	33,500	28,084	746,584	138,871	885,455

¹⁾ The fee has been credited to the canton of Basel-Landschaft.

²⁾ Chairman of the SEC

³⁾ Chairman of the ACR

⁴⁾ Stepped down 31 December 2020

Compensation for the members of the Executive Board for financial years 2021 and 2020

Name		Fixed compensation	Variable compensation	Fringe benefits ¹⁾	Expense allowance	Value of reduced price of KBC	Total compensation	Employer's contribution to social benefits	Total personnel expenses
John Häfelfinger, CEO	2021 ²⁾	425,100	430,000	7,741	24,000	0	886,841	188,654	1,075,495
	2020 ³⁾	425,100	470,000	7,741	24,000	11,702	938,543	177,488	1,116,031
Remaining members of the Executive Board	2021 ²⁾	1,847,284	740,000	44,887	84,001	0	2,716,172	692,160	3,408,333
	2020 ⁴⁾	1,576,232	856,666	41,843	82,534	39,006	2,596,281	671,002	3,267,283
Total Executive Board	2021	2,272,384	1,170,000	52,629	108,001	0	3,603,014	880,814	4,483,828
	2020	2,001,332	1,326,666	49,584	106,534	50,707	3,534,824	848,490	4,383,314

¹⁾ Discounted Reka money, lunch allowance, company car.

²⁾ Value of discounted KBC purchase: In the reporting period, the CEO and other members of the Executive Board paid the discount themselves at the time of the purchase of the Kantonalbank certificates.

³⁾ Variable compensation: of which CHF 70,000 in the form of additional Kantonalbank certificates with a 25.274% discount and a blocking period of five years.

⁴⁾ Value of discounted price of KB certificates: includes discounted price of KB certificates purchased for financial year 2019 by a member of the Executive Board who stepped down from the Executive Board in 2019.

Annual financial statements

We generated a very good operating profit of CHF 176 m. Net profit was higher than in the previous year at CHF 140.8 m.

Balance sheet

as at 31 December 2021

(before profit appropriation)

Assets

	31.12.2021 CHF 1000	31.12.2020 CHF 1000	Change CHF 1000	Change %
Liquid funds	5,441,967	4,793,684	648,284	13.52
Due from banks	1,397,897	1,066,321	331,575	31.10
Due from securities financing transactions	28,586	22,100	6,486	29.35
Due from customers	2,345,566	1,657,549	688,017	41.51
Mortgage loans	21,666,036	20,531,644	1,134,392	5.53
Trading business	17,139	16,695	444	2.66
Positive replacement values of derivative financial instruments	6,713	4,649	2,064	44.39
Financial investments	1,752,592	1,515,288	237,304	15.66
Accrued income and prepaid expenses	25,844	28,418	-2,574	-9.06
Participations	78,346	24,565	53,781	218.94
Tangible fixed assets	87,871	93,555	-5,684	-6.08
Other assets	18,327	15,219	3,107	20.42
Total assets	32,866,883	29,769,688	3,097,196	10.40
Total subordinated claims	11,982	0	11,982	0.00
of which mandatory convertibles and/or debt waiver	0	0	0	0.00

Liabilities

	31.12.2021 CHF 1000	31.12.2020 CHF 1000	Change CHF 1000	Change %
Due to banks	1,547,982	814,619	733,364	90.03
Due to securities financing transactions	1,173,720	1,336,996	-163,276	-12.21
Due to customers in savings and deposits	20,738,260	18,794,050	1,944,210	10.34
Due to trading business	0	0	0	-
Negative replacement values of derivative financial instruments	2,248	969	1,279	132.04
Cash bonds	2,336	4,778	-2,442	-51.11
Bonds and mortgage-backed bonds	6,552,000	6,041,000	511,000	8.46
Accrued expenses and deferred income	95,255	99,824	-4,569	-4.58
Other liabilities	44,838	69,161	-24,324	-35.17
Provisions	54,129	46,330	7,799	16.83
Reserves for general bank risks	1,303,832	1,268,832	35,000	2.76
Company capital	217,000	217,000	0	0.00
Legal reserve	990,497	934,427	56,070	6.00
Own equity shares	-5,068	-3,491	-1,577	45.16
Retained earnings brought forward	9,099	7,057	2,041	28.92
Annual net profit	140,756	138,135	2,620	1.90
Total liabilities	32,866,883	29,769,688	3,097,196	10.40
Total subordinated liabilities	0	0	0	0.00
of which mandatory convertibles and / or debt waiver	0	0	0	0.00

Off-balance-sheet transactions

	31.12.2021 CHF 1000	31.12.2020 CHF 1000	Change CHF 1000	Change %
Contingent liabilities	199,493	232,366	-32,873	-14.15
Irrevocable commitments	1,072,175	1,020,038	52,137	5.11
Liabilities for calls on shares and other equities	109,705	70,017	39,689	56.68
Confirmed credits	0	0	0	0.00

Income statement and profit appropriation 2021

	2021 CHF 1000	2020 CHF 1000	Change CHF 1000	Change %
Net interest income				
Interest and discount income	268,070	288,578	-20,508	-7.11
Interest and dividend income on financial investments	5,456	8,741	-3,285	-37.58
Interest expenses	6,153	-21,767	27,920	-128.27
Gross profit from interest-related business	279,679	275,552	4,127	1.50
Changes of value adjustments due to default-risk as well as losses from the interest-related business	-2,880	-18,788	15,908	-84.67
Net income from interest-related business	276,800	256,764	20,035	7.80
Net fee and commission income				
Commission income from securities and investment transactions	61,591	53,022	8,569	16.16
Commission income from lending activities	10,409	8,347	2,062	24.71
Commission income from other services	22,461	21,586	875	4.05
Commission expenses	-9,636	-9,587	-48	0.51
Net fee and commission income	84,825	73,368	11,457	15.62
Net income from trading activities and the fair-value option	17,934	18,043	-109	-0.60
Net other income				
Income from the sale of financial investments	4,508	3,390	1,118	32.99
Income from participations	2,108	2,757	-649	-23.53
Real estate income	1,683	1,471	212	14.44
Other ordinary income	135	58	77	133.88
Other ordinary expenses	-2,163	-101	-2,062	2,037.25
Net other income	6,272	7,574	-1,302	-17.19
Net operating income	385,831	355,750	30,081	8.46
Personnel expenses	-120,677	-112,805	-7,872	6.98
Other operating expenses	-64,868	-65,025	158	-0.24

Income statement and profit appropriation (continued)

	2021 CHF 1000	2020 CHF 1000	Change CHF 1000	Change %
Operating expenses	-185,545	-177,830	-7,714	4.34
Value adjustments on participations and write-offs of tangible fixed assets and intangible assets	-20,772	-19,640	-1,132	5.77
Changes in provisions and other value adjustments and losses	-3,365	3,747	-7,112	-189.82
Operating profit	176,149	162,026	14,123	8.72
Extraordinary income	361	1,328	-968	-72.86
Extraordinary expenses	-3	-30	27	-88.79
Changes in reserves for general bank risks	-35,000	-24,000	-11,000	45.83
Taxes	-750	-1,189	439	-36.91
Annual net profit	140,756	138,135	2,620	1.90
Profit appropriation				
Annual net profit	140,756	138,135	2,620	1.90
Retained earnings brought forward	9,099	7,057	2,041	28.92
Retained earnings	149,854	145,193	4,662	3.21
Dividend paid on certificate capital	-19,950	-19,950	0	0.00
Compensation for state guarantee	-4,223	-4,144	-79	1.90
Payment to the Canton of Basel-Landschaft	-56,000	-56,000	0	0.00
Allocation to legal reserve	-56,000	-56,000	0	0.00
Retained earnings brought forward	13,682	9,099	4,583	50.37

Statement of cash flow

	2021 Cash inflow CHF 1000	2021 Cash outflow CHF 1000	2020 Cash inflow CHF 1000	2020 Cash outflow CHF 1000
Cash flow from operations (internal financing)				
Annual net profit	140,756		138,135	
Changes in the reserves for general bank risks	35,000		24,000	
Value adjustments on participations, write-offs on tangible fixed assets and intangible assets	20,772		19,640	
Provisions and other value adjustments	3,336		4,030	
Changes in value adjustments due to default risk as well as losses	2,821		18,339	
Accrued income and prepaid expenses	2,574		864	
Accrued expenses and deferred income		4,569	6,563	
Other positions		25,887	10,349	
Profit distribution previous year		80,094		80,054
Cash flow balance from operations (internal financing)	94,708		141,865	
Cash flow from equity capital transactions				
Endowment and certificate capital				
Recorded in reserves				
Changes in own equity instruments		1,507	589	
Cash flow balance from equity transactions		1,507	589	
Cash flow from transactions with participations, tangible fixed assets and intangible assets				
Participations		54,805		2,000
Real estate		1,064	1,146	
Other tangible fixed assets		12,058		13,928
Cash flow balance from transactions with participations, tangible fixed assets and intangible assets		67,927		14,782
Cash flow from banking operations				
Medium to long-term transactions (> 1 year)				
Due to banks				
Due to customers in savings and deposits		75,000		33,000
Cash bonds		2,442		4,909

Statement of cash flow (continued)

	2021 Cash inflow CHF 1000	2021 Cash outflow CHF 1000	2020 Cash inflow CHF 1000	2020 Cash outflow CHF 1000
Bonds	375,000		205,000	
Mortgage-backed bonds	136,000		308,000	
Due from banks				
Due from customers		81,156		172,725
Mortgage loans		1,126,336		930,307
Financial investments		223,177		45,533
Short-term business				
Due to banks	733,364		502,130	
Due to securities financing transactions		163,276	78,162	
Due to customers in savings and deposits	2,019,210		1,340,293	
Due to trading business				
Negative replacement value of derivative financial instruments	1,279		165	
Due from banks		331,575		346,719
Due from securities financing transactions		6,486		18,794
Due from customers		612,824		42,643
Trading business		444		2,911
Positive replacement value of derivative financial instruments		2,064		254
Financial investments		17,063	10,811	
Liquidity				
Liquid funds		648,284		974,438
Cash flow balance from banking operations		25,274		127,672
Total	94,708	94,708	142,454	142,454

Statement of equity

Presentation of equity

	Company capital CHF 1000	Legal reserve CHF 1000	Reserves for general bank risks CHF 1000	Retained earnings/ losses brought forward CHF 1000	Own shares (minus position) CHF 1000	Annual net profit CHF 1000	Total CHF 1000
Equity at the beginning of the reporting period	217,000	934,427	1,268,832	7,057	-3,491	138,135	2,561,961
Disposal of own equity					4,662		4,662
Effect of subsequent measurement of own equity		-133			133		0
Profit (loss) from disposal of own equity shares		15			-15		0
Dividends and other payments		188				-80,094	-79,906
Other allocations to (releases from) reserves for general bank risks			35,000				35,000
Other allocations to (releases from) other reserves		56,000				-56,000	0
Other releases from reserves for general bank risk for the purpose of creating value adjustments for inherent default risk							0
Changes in retained earnings brought forward				2,041		-2,041	0
Annual net profit						140,756	140,756
Equity at the end of the reporting period	217,000	990,497	1,303,832	9,099	-5,068	140,756	2,656,116

Notes to the financial statements

(true and fair view statutory single-entity financial statements)

Notes on business activities

Basellandschaftliche Kantonalbank (BLKB), which is headquartered in Liestal, is the leading bank in the Canton of Basel-Landschaft and one of the leading banks in Northwest Switzerland. Established by cantonal law, the bank operates independently of state administration as a public-law entity with its own legal personality. The Canton of Basel-Landschaft held 74 per cent of the capital stock as at 31 December 2021, the remaining 26 per cent being broadly distributed between private owners. The Canton of Basel-Landschaft holds all voting rights and, according to the law, guarantees the bank's liabilities should the latter's own means not be sufficient.

Geographically speaking, BLKB operates within the economic region of Basel. With 20 branches in the Canton of Basel-Landschaft, a branch in Breitenbach (Canton of Solothurn), a branch in Basel and one branch each in Rheinfelden and Frick (Canton of Aargau), the bank offers an extensive range of banking services to private, institutional, business and public-sector customers. BLKB's customer service network is rounded off by a number of ATMs at various locations. BLKB also operates a mobile bank, which serves several municipalities in the Canton of Basel-Landschaft.

Balance sheet business

The income statement is dominated by net interest income, at about 72 per cent of net operating income. The asset side is dominated by mortgage loans, the chief segment being residential real estate. On the liabilities side, customer deposits amount to approximately 63 per cent of the balance sheet total.

Fee and commission business

Fee and commission business contributes approximately 22 per cent of net operating income. The lion's share of this income comes from securities and investment business with customers.

Trading business

Trading business and the fair-value option account for around 5 per cent of net operating income and primarily comprise trading on behalf of customers as well as proprietary trading (foreign exchange, precious metals and securities), although the latter is undertaken to a very limited extent. Customer-account and proprietary trading are complemented by issuance business for corporate customers domiciled in Switzerland. This business is still of secondary importance in terms of its contribution to net operating income.

Notes on risk management and risk control

BLKB BLKB operates an integrated risk management and independent risk control system headed by its Chief Risk Officer (CRO). Using a comprehensive, standardised risk catalogue, the Board of Directors and its committees last assessed the material risks to the bank, as well as their likelihood of occurrence and any financial effects, on 7 June 2021. These risks are managed and monitored by means of corresponding measures decided by the Board of Directors. Based on the most recent risk assessment by the Board of Directors, the risks present in the current annual financial statements are adequately covered by value adjustments or provisions.

Risk management and control

The recognition, assessment, management and monitoring of risk is a key management task for BLKB. The acceptance, management and control of financial risk is an integral part of banking business. The Board of Directors establishes the general framework for bank-wide risk management by issuing risk policy guidelines. Equipped with an efficient control system, the Executive Board is responsible for achieving the targets and complying with specifications. The goal of risk management and control is to achieve a balanced relationship between risk and income, and to ensure solvency even in an adverse economic environment.

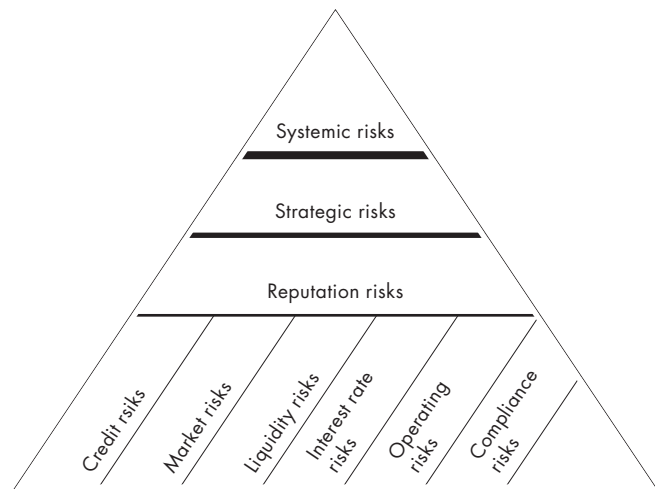
Risk capacity

In its business principles the bank is committed to ensuring that risk behaviour is in line with its strategy, while taking its available risk capacity into account. Risk capacity is defined as the maximum risk level that the bank can take on under normal and stress conditions without falling short of the regulatory threshold or its obligations in respect of the entitled parties. The bank takes short-term and medium-term into account when evaluating risk capacity.

Principles

The principles of risk management and control are laid down in the risk policy, which stipulates a strict division between risk management and risk control. Risk management, according to BLKB's rules, means authorising individual persons (e.g. heads of market areas) or groups of persons based on job profiles (e.g. securities and interest-rate traders) to enter into and manage risks on behalf of the bank in accordance with their areas of responsibility or a limits system. The acceptance of risk requires an approved limit as well as the ability to identify, measure and monitor risks. The launch of new products necessitates prior evaluation of the risks involved.

The Risk Office is responsible for the risk control and is independent of risk management. It supports the responsible units with identifying risks and is responsible for setting the parameters of the risk measurement method, managing the acceptance procedure for new products and valuation methods. It is also responsible for the operation and quality assurance of the risk measurement system implemented. Under the supervision of the Chief Risk Officer, all risks incurred by the bank are consolidated and commented on for the attention of the Executive Board. The Board of Directors is informed of the findings in the risk report produced on 31 December and 30 June each year. The basis of the scenarios is reviewed on a regular basis and adjusted if necessary.



Systemic, strategic, reputation and compliance risks

The top level consists of systemic risks for the Swiss financial market. The Swiss National Bank and Swiss Financial Market Supervisory Authority (FINMA) are responsible for operational supervision and regulation.

Strategic risks result from the overall bank strategy and responsibility lies with the bank's senior management. Reputation risk is the danger that a negative perception on the part of our stakeholders will impact negatively on our ability to operate our business successfully. Managing reputation risk involves systematically identifying and evaluating events that may have negative impacts on the bank's reputation as well as defining appropriate measures to reduce the risk. Intensive awareness-raising among all employees as well as ensuring competency, integrity and reliability throughout the bank's business operations are also crucial. This is a highly complex task covering the bank's entire range of operational and strategic management tools. Strategic and reputation risks are managed on a qualitative basis at BLKB.

Credit, market and operating risks

The Executive Board is responsible for operational implementation of the identification, measurement, management and control of credit, market and operating risks. This is covered by the package of capital adequacy rules for banks as defined in the mandatory Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO). For this purpose, the Executive Board issues the necessary detailed directives, guidelines and instructions, with particular regard to strategy-compliant risk behaviour. It ensures that risk capacity is guaranteed and that pricing reflects the risk.

To harmonise and simplify implementation of BLKB's risk policy, the various risks were split into three commonly used, internationally recognised categories:

1. Credit and default risks
2. Market price and liquidity risks
3. Operating and legal risks

The individual risk types, including the precautions taken by BLKB, are explained in brief below. Details are laid down in the risk policy and relevant internal guidelines.

Default and credit risks

Defaults or credit losses arise from the failure of a counterparty to comply with its contractual obligations towards BLKB. Due to the major significance of lending business to the bank as well as a degree of risk concentration in the form of residential construction in a geographically confined area (Northwest Switzerland), the management of default and credit risks is accorded a high priority at BLKB. Default risks are limited by means of quality requirements as well as valuation and lending principles for each type of collateral.

Property valuation and lending principles are laid down in the relevant guidelines. Furthermore, the market value of properties is checked on a periodic basis using a risk-oriented approach. The frequency of reappraisal ranges between one and twelve years and depends on the following criteria:

- Type of real estate
- Loan-to-value ratio
- Collateral value
- Amortisation
- Affordability
- Payment history

As soon as a loan is deemed impaired or non-performing, a reappraisal is carried out. The current market value serves as the basis for mortgaging and is determined as follows:

- Owner-occupied residential property: market value
- Investment property: earnings value
- Owner-used commercial or industrial property: recoverable market value or value in use
- Building land: market value taking into account future use

The maximum possible financing depends on internally defined collateral values, on the one hand, and affordability on the other. Repayment is compulsory for second mortgages with no additional, marketable collateral. Depending on the amount and complexity of the credit structure, lending decisions are made at different hierarchical levels within BLKB's market areas. BLKB is confident that local customer advisers know their custo-

mers best and can therefore assess the credit risk more reliably. Creditworthiness and possible collateral are important factors in assessing the probability of default. The bank uses a rating system to identify, measure and manage the default risk of its commercial borrowers and determine the expected loss. Ratings are periodically reassessed. With this system, the default risks of the loans can be quantified and evaluated both when the loans are granted and throughout the term of the credit exposure. A standard rating category is applied to individuals, specifically in the mortgage business for owner-occupied residential property, which enables the expected loss to be determined in this segment too.

Regular meetings and continuous training of credit officers help to reduce losses and ensure consistent implementation of BLKB's lending policy.

A team of specialists in credit risk management is responsible for exceptional cases and deals with non-performing loans. The Credit Committee ensures consistent implementation of the lending policy as well as competitive pricing, and also monitors compliance with the rules when entering into new transactions, extensions or other risk-related changes to existing loan positions.

Risks due to changes in the credit rating of counterparties, as well as compliance with the regulations aimed at avoiding concentration risks in the case of large counterparties or customers, also fall within this risk category.

Unilateral decisions by governments restricting currency transfers and payments, or moratoria of all kinds, are referred to as country risks. BLKB, in close cooperation with Zürcher Kantonalbank (ZKB), adopts ZKB's country ratings and chooses its partners abroad according to strict criteria in order to limit country risks to an absolute minimum.

Money market transactions on an unsecured basis and over-the-counter derivatives may only be concluded with approved counterparties and within approved limits.

Market price and liquidity risks

Market risks emerge as a result of price movements in the equity, bond, foreign exchange and commodity markets. Compliance with bank-internal limits and developments on individual markets are monitored on a constant basis. Liquidity risk is defined as a risk that arises as a result of deviation from expected and actual payment flows.

Interest rate risks in the banking book

Interest rate risks are managed via the income and wealth effect. The income effect measures the impact of changes in interest rates on net income over a certain period of time (e.g. twelve months). Consequently, changes in interest rates influence those

items on the balance sheet that will mature or be renewed within twelve months or whose rate-fixing date is within the next twelve months. The wealth effect analyses the changes in the net present value of equity based on various interest rate scenarios (e.g. parallel shift in the interest rate curve by 100 basis points). BLKB controls interest rate risk primarily by means of the wealth effect. Calculation of the income effect is performed in line with supervisory requirements.

Balance sheet items that grant the customer termination rights (e.g. variable rate mortgages and savings products) are simulated using benchmark portfolios in a way that minimises the variance of the margin between the customer interest rate and the yield of the replicating portfolio, taking into account the fluctuation in volumes on these balance sheet items. Historical product and market interest rates serve as a basis for the simulation. The relevance of replication keys determined in this way is checked on a yearly basis. Limits and indicators have been defined for the various scenarios of the income and wealth effect.

Market price risks in the trading book

To assess market price and liquidity risks in the trading book, compliance with market value and nominal limits is checked daily. A "List of Instruments" ensures that BLKB only uses products that can be valued and shown correctly.

Market liquidity risks are generated by the failure of markets to provide fair buying and selling prices for certain products at all times. Market liquidity risks are restricted by limitations on the delta equivalent per issuer.

The Risk Office uses integrated systems to monitor these limits. Trading is centralised at the head office in Liestal and undertaken by qualified, experienced traders.

Liquidity risks

The aim of liquidity risk management is to ensure constant solvency, particularly in times of bank-specific and/or market-wide stress periods when secured and unsecured refinancing options are considerably impaired.

BLKB avoids liabilities-side concentration risks in terms of counterparties, currency and maturity. Furthermore, the bank uses specific risk tolerances to monitor compliance with regulatory liquidity requirements such as the liquidity coverage ratio or the net stable funding ratio and maintains a framework that focuses on managing the different refinancing sources.

A set of qualitative and quantitative indicators ensures early identification of potential liquidity crises. To prepare for the efficient management of potential liquidity bottlenecks, BLKB establishes liquidity stress scenarios and sets up a corresponding emergency plan in accordance with regulatory requirements.

Operating and legal risks

Operating risks are defined as the "risk of direct or indirect losses resulting from inappropriateness or failure of internal processes, people and systems, or external events". They are limited by means of internally defined rules on organisation and control. A security committee coordinates the individual areas and sets priorities. A cross-business-area identity management panel set up for this purpose monitors compliance with the internal procedures and process of authorising IT access rights to individual members of staff in order to minimise operational risks. The Integral Rules, which ensure that directives, procedures and controls are correct and up-to-date on an ongoing basis, form the basis of an effective control environment. Representation of the integral set of rules is tool-supported and enables the bank to rely on a systematic risk and control assessment process. Systemic risk (failure of the IT platform) is analysed in cooperation with outsourcing partner Swisscom (Switzerland) Ltd. on an ongoing basis and minimised through appropriate measures. A disaster manual defines procedures in the event of the failure of individual systems or groups of systems. Training for all employees, the bank's transparent organisational structure and open communication nevertheless represent the most efficient method of minimising operating risks.

Legal risks include:

- Lack of authorisation or lack of competency and expertise required for concluding a contract (risk of concluding unwanted exposures)
- Conclusion of incorrect or incomplete contracts (risk of a counterparty not being able to meet its obligations, risk of claims for damages or negligence)

To minimise these risks, the bank uses standardised contracts and individual transaction confirmations. Moreover, certain types of transaction may only be carried out at the head office by authorised bodies. Mandatory procedures ensure that due care is exercised when signing contracts. Legal risks also include the possibility of changes in the regulations issued by national regulatory institutions (FINMA, SBA, SIX, etc.) as well as international institutions (BIS, SECB, etc.). BLKB is involved in

various legal proceedings in the normal course of business. The bank sets aside provisions for actual and threatened litigation, as well as resulting potential obligations or expenses, where an outflow of funds is probable and the amount can be reliably established.

Compliance risks

Compliance risks may arise due to a breach of rules, standards or codes of conduct, and may lead to legal and regulatory sanctions, financial losses and reputation damage. Legal & Compliance ensures that business activities are consistent with current regulatory specifications and the due diligence obligations of a financial intermediary. The department is responsible for implementing requirements and developments on the part of the supervisory authority, legislature and other organisations. It is also responsible for ensuring that directives are adapted in line with regulatory developments and complied with.

Integral Security

The aim of Integral Security is to provide appropriate, permanent protection for people, information, assets and services. Information security, the protection of persons and buildings as well as business continuity management have been brought together in the Integral Security department. This concentration provides a holistic view of all security areas with regard to the development and operation of protective measures as well as employee training and awareness-raising. Integral Security is the contact point for all security matters. Security is in constant flux: internal and external parameters can change, requiring protective measures to be adapted. Checking and possibly redetermining the appropriateness or acceptability of the residual risk is an ongoing process.

Business Continuity Management is responsible for the systematic preparation of safety measures to be taken in the event of extraordinary and harmful events. The most important precautions are those dealing with the continuation of IT services which are crucial to banking processes in a crisis situation.

Outsourcing

BLKB outsources the following services:

Outsourcing partner	Area of business
Finastra GmbH, Baden	Operation and maintenance of payment systems
Swisscom (Schweiz) AG, Ittigen	Processing of securities and payment transactions, operation of core bank system, operation of IT networks and printing and mailing of customer correspondence bulk output)

These outsourcing contracts are governed by detailed service level agreements, as stipulated by FINMA. Confidentiality is assured due to the fact that all employees of these service providers are subject to banking confidentiality.

Methods applied in order to identify default risks and determine the need for value adjustments

Mortgage-backed loans

The collateral values of mortgage-backed loans are checked periodically. Payment arrears on interest and ongoing amortisations are also analysed. In this way, the bank identifies mortgage loans that are associated with greater risk.

Securities-backed loans

Exposures and the value of collateral for securities-backed loans are monitored daily. If the value of the securities serving as collateral falls below the amount of the credit exposure, the bank requests a reduction in the debt amount or additional collateral. If the collateral gap widens, or in the event of exceptional market situations, the securities will be disposed of and the loan closed out.

Loans without collateral

Loans without collateral are usually commercial operating loans or overdrafts of retail customers. In the case of commercial operating loans without collateral, the bank obtains information from the customer on a yearly basis, or at shorter intervals if required. This enables it to draw conclusions as to the financial performance of the company. As well as audited annual financial statements and interim statements, if applicable, this information may include more detailed information concerning turnover, sales and product development. BLKB works closely with Risk Solution Network (RSN) AG. This network of over 25 banks promotes exchange of the latest, specialised credit risk expertise and offers its members state-of-the-art models for quantifying credit risk. In addition, the network has one of the largest data pools containing information on financial results of small and medium-sized enterprises in Switzerland. BLKB uses the CreditMaster tool offered by RSN, which is based on the year-end financial data as well as a series of qualitative factors, to calculate a probability of default and rating category for each borrower. The rating categories – ranging from G1 to G10 – are calibrated with those of international rating agencies such as Standard & Poor's and Moody's.

Credit portfolio risks

The Risk Office, which reports to the CRO and is independent of the sales organisation, monitors credit risk at an overall portfolio level. Credit portfolio risks can arise as a result of cluster risk in terms of sector, counterparty and type of collateral. Using suitable methods and models, credit portfolio risks are identified

Probability of default per rating category

Rating	1	2	3	4	5	6	7	8	9	10
PD	0.01%	0.16%	0.30%	0.70%	1.01%	1.48%	2.82%	5.61%	10.04%	16.13%

and reported on a periodic basis. By means of risk tolerances, credit portfolio risks are limited by the Board of Directors and managed by the Executive Board based on risk limits. In addition, descriptive risk indicators are used for the early identification and mitigation of unwanted developments in the credit portfolio in terms of rating downgrades, overdue interest and concentration risks.

Methods applied to determine the need for value adjustments

Value adjustments and provisions for default risks on impaired receivables

Impaired receivables, credit lines not fully utilised and off-balance-sheet transactions where there is a high probability that the debtor will be unable to meet its future obligations are valued individually. The impairment is covered by individual value adjustments, which are deducted from the asset item. Signs of impairment are present in the following cases:

- Where the contractually agreed principal, interest and commission payments have not been made in full for 90 days or more (overdue claims);
- Where the debtor is in considerable financial difficulty;
- Where BLKB grants concessions to the debtor owing to economic or legal circumstances in connection with financial difficulties on the part of the debtor, which it would not otherwise grant;
- Where there is a high probability of the debtor facing bankruptcy or restructuring;

- Where an active market for this financial asset disappears owing to economic difficulties;
- In the event of experience with collection of the receivable suggesting that the full nominal value cannot be collected;
- Where a value adjustment is recorded for the asset concerned in a preceding reporting period.

Value adjustments and provisions for default risks on non-impaired receivables

Experience has shown that a credit portfolio with no specific signs of impairment can contain implicit default risks that only become an issue at a later date. To cover these default risks, value adjustments and provisions are created for inherent default risks in addition to value adjustments and provisions for default risks on impaired receivables and off-balance-sheet transactions. Value adjustments and provisions for inherent default risks are created or reversed in accordance with a calculation model based on the expected loss. The expected loss on individual credit exposures or off-balance-sheet transactions is based on a rating-dependent, one-year probability of default (PD) multiplied by a loss given default (LGD). The probabilities of default for each rating category are shown in the table above. In line with the international value reduction model, BLKB defines the amount of the impairments and provisions for inherent default risks on a loss that is to be expected within one year. For further information on the rating process and the valuation of collateral, please see the statements on "Loans without collateral", "Credit portfolio risks" and "Valuation of collateral". If individual value adjustments for impaired receivables already exist in the case of a particular customer, no value adjustments or provisions for inherent default risks are recorded.

In exceptional (crisis) situations, value adjustments for inherent default risks can be used for the creation of value adjustments for impaired receivables or the direct recording of credit defaults

without affecting net income. According to its own definition, an extraordinary situation exists at BLKB when the need to create value adjustments and provisions as well as cover credit losses exceeds the threshold of 5 per cent of gross interest income in the current year.

In principle, BLKB increases the amount of value adjustments for inherent default risks – once utilised – on a straight-line basis within five years. However, the funding gap can also be closed in full on a one-time basis at any time prior to expiry of this five-year creation phase. In the event of the occurrence of a multi-year crisis scenario and therefore the accompanying multi-year utilisation of value adjustments for inherent default risks, the bank reserves the right to delay re-creation until the end of the extraordinary situation. The end of an extraordinary situation is signalled by the first-time non-utilisation of the value adjustment pot for inherent default risks. The re-creation following a utilisation therefore begins no later than the first subsequent financial year in which there is no utilisation of value adjustments and provisions for inherent default risks.

In accordance with the concept used, as at the reporting date there is no funding gap in relation to value adjustments and provisions for inherent default risks. For 2021 there was no utilisation of value adjustments and provisions for inherent default risks.

Valuation of collateral

Mortgage-backed loans

A current valuation of collateral is undertaken prior to each lending decision, with valuations dependent on the use of the property. The bank uses a hedonic valuation model to assess residential property. Investment properties are normally assessed on the basis of their earnings value. Alternatively, evaluations by external, qualified real estate appraisers may be considered as well.

The bank uses the lower of the value resulting from the internal assessment, the purchase price and any external appraisal as the basis for granting a loan.

Securities-backed loans

For Lombard and other securities-backed loans, the bank accepts transferable financial instruments (such as bonds and equities) that are liquid and actively traded. Transferable structured products for which regular pricing information and a market-maker are available are also accepted.

The bank applies discounts to market values in order to cover the market risk associated with marketable, liquid securities and determine the collateral value.

Business policy on the use of derivatives and hedge accounting

Derivative instruments are used for trading and hedging purposes. Trading in derivatives is exclusively undertaken by suitably trained traders. The bank does not engage in market-maker activities. Trading takes place in standardised and OTC instruments for the bank's own account as well as for the account of customers, in particular in interest rates, currencies, equity instruments/indices and, to a lesser extent, commodities. There is no trading in credit derivatives.

As part of its risk management process, the bank uses derivatives mainly to hedge interest rate and foreign currency risks. In the course of asset and liability management, which is used to manage interest rate risks in the banking book, the bank mainly uses OTC derivatives that enjoy a high level of market liquidity. Hedge relationships, targets, and strategies of hedging transactions are documented by the bank on conclusion of the derivative hedging transaction. This enables the effectiveness of the hedges to be assessed. A hedge transaction is effective if it adjusts the interest rate sensitivity of the bank's balance sheet to the target profile within the individual maturity bands. The target duration results from the benchmark strategy of equity in the form of a rolling ten-year investment. The effectiveness of the hedge is checked at monthly intervals. Hedge relationships are not shown as such in accounting terms (hedge accounting).

Accounting and valuation principles

General accounting principles

Accounting and valuation principles comply with the provisions of the Swiss Code of Obligations and the Banking Act, the Accounting Ordinance of the Swiss Financial Market Supervisory Authority (FINMA-AO), the Accounting Rules for Banks, Investment Firms, Financial Groups and Conglomerates of the Swiss Financial Market Supervisory Authority FINMA (FINMA Circular 2020/1 "Accounting – Banks"), the Kantonbank Act and the Listing Rules of SIX Swiss Exchange. These annual financial statements of BLKB give a true and fair view of the financial position, the results of operations and the cash flows (true and fair view statutory single-entity financial statements).

Closing date

BLKB closes its business year on 31 December. The financial statements are prepared on the basis of the accrual principle. Expenses and income incurred over a specific period are recognised on an accrual basis.

Reporting of transactions

All transactions (both on- and off-balance-sheet) concluded up to the balance-sheet date are reported based on the trading-day principle and measured in accordance with the accounting and valuation principles mentioned below. Accounting is based on the assumption that the bank will continue as a going-concern for the foreseeable future; going-concern values are therefore used as the basis.

Consolidation

In line with the accounting rules, BLKB does not consolidate majority participations that are of marginal significance to financial reporting or the risk situation. Any such participations are disclosed in note 7 to the financial statements with a reason for non-consolidation.

General valuation principles

The individual items under a particular balance-sheet heading are individually valued provided they are significant and are not usually grouped together for valuation purposes due to their homogeneity. Participations, tangible fixed assets and intangible assets are always individually valued. As a matter of principle, there is no netting of assets and liabilities. However, netting is normally performed in the following cases:

- Deduction of value adjustments from the corresponding asset position;
- Positive and negative value adjustments recorded in the compensation account with no income effect;
- Positive and negative replacement values of derivative financial instruments vis-à-vis the same counterparty, together with cash deposited as collateral, are netted if there are recognised, legally enforceable netting agreements;
- Own debt securities acquired;
- Sub-participations ceded in syndicated loans as lead bank.

As a matter of principle, there is no netting of expenses and income. However, netting is normally performed in the following cases:

- Newly created default-risk-related value adjustments and losses from interest-related business with corresponding recoveries and value adjustments no longer required;
- Newly created provisions and other value adjustments as well as resulting losses with corresponding recoveries and provisions and value adjustments no longer required;
- Price gains from trading transactions with price losses from these transactions;
- Positive value adjustments for financial investments valued at lower of cost or market with negative value adjustments for the same;
- Property expenses with property income.

Foreign currencies

The accounts are prepared in Swiss francs. Transactions in foreign currency are converted at the corresponding daily rate. Monetary assets in foreign currency are translated into Swiss francs at the rate valid on the balance-sheet date. Income from currency translation is included in the item "Result from trading activities and the fair-value option".

The following rates on the balance-sheet date were used for the currency translation:

	2021	2020
Average rate EUR/CHF	1.0792	1.0706
Year-end rate EUR/CHF	1.0362	1.0816
Average rate USD/CHF	0.9152	0.9339
Year-end rate USD/CHF	0.9112	0.8840

Hedge relationships

Hedge relationships are not shown as such in accounting terms (hedge accounting).

Specific accounting and valuation principles

Liquid funds, due to banks, due to customers in savings and deposits, cash bonds

These items are carried at nominal value.

Due from, and due to, securities financing transactions

Securities financing transactions include repurchase and reverse-repurchase transactions, securities lending and securities borrowing.

Reverse repurchase transactions are securities purchased under the condition of resale. Repurchase transactions are securities sold under the condition of repurchase.

The market values of securities received or delivered are monitored daily in order to make additional securities available or request additional securities, if applicable.

Cash amounts exchanged are carried at nominal value. The securities transferred are not recognised or derecognised in the balance sheet, as in economic terms the transferring party retains control over the rights associated with the securities.

Interest income from reverse repurchase transactions and interest expenses on repurchase transactions are accrued by maturity.

Due from banks, due from customers, mortgage loans

These items are carried at nominal value less required value adjustments on impaired receivables and on non-impaired receivables in accordance with the following principles.

Bills of exchange are accrued on a discounted basis. Precious metal liabilities on metal accounts are stated at fair value, if the corresponding precious metal is traded on a price-efficient, liquid market.

Value adjustments and provisions for default risks on impaired receivables

Impaired receivables, credit lines not fully utilised and off-balance-sheet transactions where there is a high probability that the debtor will be unable to meet its future obligations are valued individually. The impairment is covered by individual value adjustments, which are deducted from the asset item. Signs of impairment are present in the following cases:

- Where the contractually agreed principal, interest and commission payments have not been made in full for 90 days or more (overdue claims);
- Where the debtor is in considerable financial difficulty;
- Where BLKB grants concessions to the debtor owing to economic or legal circumstances in connection with financial difficulties on the part of the debtor, which it would not otherwise grant;

- Where there is a high probability of the debtor facing bankruptcy or restructuring;
- Where an active market for this financial asset disappears owing to economic difficulties;
- In the event of experience with collection of the receivable suggesting that the full nominal value cannot be collected;
- Where a value adjustment is recorded for the asset concerned in a preceding reporting period.

The amount of value adjustment is based on the difference between the carrying amount of the claim and the likely achievable income, taking into account the counterparty risk and the net proceeds from selling any collateral. When determining the net income from collateral, all holding costs such as interest, maintenance and sales costs, etc., up to the estimated time of sale are deducted, as are potential taxes and fees. In each case, the bank checks the entire exposure of the customer or economic entity for the presence of counterparty risks.

Provisions are established for all risks of loss on off-balance-sheet transactions recognisable on the balance sheet date. These provisions are created and reversed in the income statement via the item "Changes in provisions and other value adjustments and losses".

For loans with corresponding credit lines whose utilisation is typically subject to frequent and high levels of fluctuation (e.g. current account loans), initial and subsequent creation of risk provisions is performed on an overall basis (i.e. value adjustments for actual use and provisions for credit lines not fully utilised) and released value adjustments or provisions reversed via the item "Changes in value adjustments for default risks and losses from interest operations". In the case of changes in utilisation, a reclassification is made between value adjustments and provisions without affecting net income.

As soon as outstanding amounts of principal and interest are paid on time once again and in accordance with the contractual provisions, and provided other requirements concerning credit-worthiness are met, impaired receivables are reclassified as non-impaired. The corresponding value adjustments are created and reversed in the income statement via the item "Changes in value adjustments for default risks and losses from interest operations".

Value adjustments and provisions for default risks on non-impaired receivables

Experience has shown that a credit portfolio with no specific signs of impairment can contain implicit default risks that only become an issue at a later date. To cover these default risks, value adjustments and provisions are created for inherent default risks. The corresponding value adjustments are created and reversed in the income statement via the item "Changes in value adjustments for default risks and losses from interest operations".

Provisions on off-balance-sheet transactions are created and reversed in the income statement via the item "Changes in provisions and other value adjustments and losses".

Amounts due from banks and debt securities held to maturity in financial investments are revalued on each balance sheet date to check whether provisions should be created for non-impaired receivables. Value adjustments and provisions for inherent default risks are created or reversed on receivables from customers, mortgage loans, off-balance-sheet transactions and unutilised credit lines in accordance with a calculation model based on the expected loss. The expected loss on individual credit exposures or off-balance-sheet transactions is based on a rating-dependent, one-year probability of default (PD) multiplied by a loss given default (LGD). For further information please see the section on "Methods used to determine the need for value adjustments". If individual value adjustments for impaired receivables already exist in the case of a particular customer, no value adjustments or provisions for inherent default risks are recorded.

Value adjustments and provisions for inherent default risks may be used to cover losses from interest-related operations and off-balance-sheet transactions as well as for the creation of value adjustments and provisions for impaired default risks. They may be used if the losses from interest-related operations and off-balance-sheet transactions as well as the creation of value adjustments and provisions for impaired default risks exceeds 5 per cent of the gross amount of interest. This portion is created via a reclassification of the value adjustments and provisions for inherent default risks. The value adjustments and provisions for inherent default risks are normally re-created on a straight-line basis within five years, starting no later than in the first subsequent financial year in which value adjustments and provisions for inherent default risks are not used. Earlier commencement of the straight-line re-creation as well as full re-creation of the funding gap are possible at any time.

Trading business

Trading business comprises positions that are actively managed in order to benefit from fluctuations in market price or where the intention is to generate arbitrage gains. As a matter of principle, trading portfolios are valued and stated at fair value as at the balance-sheet date. Fair value is the price determined on the basis of an efficient and liquid market or a price determined on the basis of a valuation model. In exceptional cases where fair value is unavailable, positions are valued at the lower of cost or market. Valuation gains, as well as realised gains and losses and interest and dividend income from trading transactions, are shown in the income statement in "Net income from trading activities and the fair-value option". Expense for the funding of trading in securities is debited to "Net income from trading activities and the fair-value option" and credited to "Interest and discount income".

Income from the securities underwriting business, both commission-based and fixed-underwriting, is stated in the item "Net income from trading activities and the fair-value option".

Structured products

A structured product (hybrid financial instrument) consists of at least two components: a host instrument and at least one embedded derivative that is not related to bank-owned equity securities. Together, they form a combined investment product.

Structured products on the asset side of the balance sheet, which are measured using the fair-value option, are shown in the item "Other financial instruments valued at fair value". In the case of structured products that are split and measured separately, the host instrument is measured and recorded according to the valuation principles for the host instrument. The derivative is stated at fair value and shown in the item "Positive replacement values of derivative financial instruments" or "Negative replacement values of derivative financial instruments".

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments are financial contracts whose value is established on the basis of prices of one or more underlying assets (equity securities or other financial instruments, commodities) or of reference rates (interest rates, currencies, indices, credit rating). Derivatives are stated at fair value. Positive and negative replacement values of all derivative financial instruments from transactions for the bank's own account and for the account of customers which are outstanding on the balance sheet date are shown under this balance-sheet heading.

Replacement values from OTC transactions in which the bank acts as a commission agent are shown in the balance sheet.

Positive and negative replacement values of derivative financial instruments vis-à-vis the same counterparty, together with cash deposited as collateral, are netted if there are recognised, legally enforceable netting agreements.

Financial investments

Financial investments comprise debt securities, equity securities, physical precious metal holdings as well as property and commodities acquired from credit activities and intended for resale.

BLKB purchases property on behalf of the Canton of Basel-Landschaft and its municipalities on a fiduciary basis. Ownership of these properties is reported under "Financial investments" and the fiduciary obligation under "Other liabilities".

Equity securities, own physical precious metal holdings and property and commodities intended for resale, as well as crypto currencies held with no trading intent, are valued in accordance with the lower of cost or market. In the case of property and commodities acquired from credit activities and intended for resale, the lower of acquisition cost and liquidation value is used. Own physical precious metal holdings serving as collateral for liabilities from precious metal accounts are measured at fair value and value adjustments recognised in the item "Other ordinary expenses" or "Other ordinary income".

Financial investments valued at lower of cost or market are written up to a maximum of historical or amortised cost if fair value, having dropped below acquisition cost, has recovered again. Value adjustments are recorded in the item "Other ordinary expenses" or "Other ordinary income".

On acquisition, debt securities are divided into two categories and valued as follows:

- Held to maturity: valuation according to the acquisition cost principle; premiums and discounts are accrued over the remaining term (cost amortisation method). Capital gains realised on the premature sale of financial investments are accrued over the remaining term on a pro rata basis. Default-risk-related valuation changes are immediately charged to the item "Changes in value adjustments for default risks and losses from interest operations".
- Available-for-sale: valuation is based on the lower of cost or market principle. A write-up to a maximum of historical cost or amortised cost is recognised if fair value, having dropped below acquisition cost, recovers again. Value adjustments are recorded in the item "Other ordinary expenses" or "Other ordinary income". Default-risk-related value changes are recorded in the item "Change in value adjustments for default risks and losses from interest operations".

Reclassifications between financial investment or participations, on the one hand, and trading transactions, on the other, are performed at fair value at the time of the decision and such income treated in the same way as income from disposals. Reclassifications between financial investments and participations are performed at the carrying amount.

Participations

Participations are equity securities owned by the bank in undertakings held as long-term investments irrespective of voting right shares. In particular, they include participations in joint infrastructure-type organisations of the banks. Participations are

valued at acquisition cost less economically necessary value adjustments. In relation to significant equity interests, the effects of a theoretical application of the equity method are disclosed in the notes to the financial statements. Impairment testing of the participations is carried out yearly. The assessment is performed on the basis of indications that individual assets might be affected by such impairment. If signs of impairment are detected, the bank defines the recoverable value; this is the higher of net market value and value-in-use. If the carrying amount exceeds the recoverable value an impairment exists and the carrying amount is reduced to the recoverable value. The impairment is charged to the item "Value adjustments on participations and write-offs on tangible fixed assets and intangible assets".

Gains or losses from the disposal of participations are recorded in the items "Extraordinary income" or "Extraordinary expenses".

Tangible fixed assets

Tangible fixed assets are shown at acquisition cost less economically necessary straight-line depreciation based on the following estimated useful life, which is unchanged from the previous year:

	2021
Bank buildings	30 years
Other real estate	33 years
Internally developed or separately acquired software	3 years
Other tangible fixed assets	3–5 years

Bank premises and other properties are written down to the value of the land. Tangible fixed assets are valued individually.

Impairment testing of tangible fixed assets is carried out in the same way as it is for participations. If the review shows a change in the asset's useful life, the residual carrying amount is subjected to scheduled depreciation over the newly determined useful life. Ordinary as well as any unplanned writedowns are recorded in the item "Value adjustments on participations and write-offs of tangible fixed assets and intangible assets". A write-up from the reversal of impairment is recorded in "Extraordinary income".

Gains and losses from disposals of tangible fixed assets are recorded in "Extraordinary income" or "Extraordinary expenses".

Items used in the context of an operating lease are not capitalised. The total amount of lease obligations not recognised in the balance sheet and their maturity structure are disclosed in the notes to the financial statements.

Intangible assets

Acquired intangible assets are capitalised if they yield measurable benefits for the bank over several years.

Acquired intangible assets are recognised and valued at acquisition cost, and internally generated intangible assets at acquisition or production cost, or at the recoverable value if lower. They are written down over their estimated useful life through the income statement. Depreciation is normally by the straight-line method over a period of five years.

Accrued income and expenses, accrued expenses and deferred income

All items in the income statement are accrued according to the matching principle.

Other assets and liabilities

These balance sheet items include the asset and liability balance of the compensation account, which is used to record positive and negative replacement values resulting from the valuation of interest rate swaps not recognised in the income statement.

Provisions

This balance sheet item comprises:

- Provisions for default risks resulting from impaired receivables and inherent default risks for unused limits as at the balance sheet date;
- Provisions for impaired receivables and inherent default risks resulting from off-balance-sheet transactions;
- Provisions for all other business risks.

Provisions are created for all expected cash outflows due to past events whose amounts and/or maturities are uncertain but which can be reliably estimated and are recognisable on the balance sheet date. The amount of the provision corresponds to the expected value of future cash outflows and takes into account the probability and reliability of the estimate for these cash outflows. Existing provisions are revalued as at each balance sheet date. Based on this reassessment they are increased, maintained at the same level or released.

Provisions that are no longer necessary from an economic point of view and are not used for similar purposes are released to the income statement. If the accounting rules for banks do not provide for any other treatment, these provisions are recognised in the income statement in the item "Changes in provisions and other value adjustments and losses".

Provisions for pension schemes

BLKB's pension scheme for employees is of the defined-contribution type. The economic benefit and cost of this pension scheme is calculated annually on the basis of a static method in accordance with Swiss GAAP FER 26 ("Accounting of pension plans") by an independent, qualified pension fund actuary. Underfunding or overfunding of the pension scheme may result in an economic benefit or cost for BLKB. Any economic benefit or cost is reported in the balance sheet in the items "Other assets" or "Provisions". The difference between the year under review and the previous year is recorded in the income statement as personnel expense. The employer's contribution to the pension scheme is accrued in personnel expenses.

Own debt and equity securities

The balance of own bonds and cash bonds is netted with the relevant liability item.

The purchase of own equity securities is recorded at fair value at the time of purchase. The balance of equity securities is deducted from equity at fair value in the separate item "Own equity" (minus item). In the event of the disposal of capital shares, the realised difference between the cash inflow and the carrying amount is recorded in the item "Legal reserve". Dividends on own capital shares are credited to the item "Legal reserve".

Reserves for general bank risks

Reserves for general bank risks are precautionary reserves established to cover risks in the bank's operating activities. These reserves are included in equity in accordance with Art. 21, para. 1, lit. c of the Capital Adequacy Ordinance (CAO).

In those cantons where BLKB is subject to taxation, the changes in the reserves for general bank risks are set off against direct taxes. The creation and release of reserves for general bank risks are recorded in "Changes in reserves for general bank risks".

Legal reserve

The allocation to the legal reserve complies with the general rules of the Swiss Code of Obligations and the rules on the distribution of net profit as stipulated by the Kantonbank Act of 24 June 2004.

Taxes

As a public-law institution, BLKB is exempt from direct federal tax and taxes in the Canton of Basel-Landschaft. However, it is not exempt from tax in relation to its branches outside the Canton of Basel-Landschaft. Direct tax due on current assessments is recorded in accrued expenses and deferred income.

Off-balance sheet transactions

Off-balance sheet transactions are reported at nominal value. Appropriate provisions are created for all recognisable risks.

Changes compared with the previous year

Expense for the funding of trading in securities is debited to "Net income from trading activities and the fair-value option" and credited to "Interest and discount income". The effect of the adjustment can be seen in note 33 to the financial statements.

Events after the balance sheet date

None.

Information on the balance sheet, on off-balance sheet transactions, and on the income statement

1 Breakdown of securities financing transactions (assets and liabilities)

	31.12.2021 CHF 1000	31.12.2020 CHF 1000
Book value of claims from cash deposits related to securities borrowing and reverse repurchase business ¹	28,586	22,100
Book value of liabilities from cash deposits related to securities lending and repurchase business ¹	1,173,720	1,336,996
Book value of own securities lent in securities lending or deposited as collateral in securities borrowing or transferred in repurchase business	1,162,176	1,283,343
– of which securities with unrestricted right to resell or repledge	0	0
Fair value of securities deposited as collateral in securities lending or borrowed in securities borrowing or received in reverse repurchase business, with unrestricted right to resell or repledge	28,678	22,049
– of which repledged securities	0	0
– of which resold securities	0	0

¹ Before inclusion of netting contracts.

2 Presentation of collateral for receivables and off-balance sheet transactions, as well as for impaired receivables

Collateral for receivables and off-balance sheet transactions

	Mortgage collateral CHF 1000	Other collateral CHF 1000	Without collateral CHF 1000	Total CHF 1000
Receivables (before set-off with value adjustments)				
Due from customers	195,821	417,714	1,820,843	2,434,378
Mortgage loans	21,661,596	30,481	47,434	21,739,511
– Residential real estate	19,051,985	3,551	2,911	19,058,447
– Office and business buildings	1,256,392	1,000	2,738	1,260,130
– Trade and industry	1,021,062	25,578	2,397	1,049,036
– Others	332,157	353	39,389	371,899
Total receivables (before set-off with value adjustments) as per 31.12.2021	21,857,417	448,195	1,868,277	24,173,889
Previous year	20,708,080	526,274	1,119,220	22,353,573
Total loans (before set-off with value adjustments) as per 31.12.2021				
	21,774,763	448,195	1,788,644	24,011,602
Previous year	20,626,413	526,274	1,036,506	22,189,194
Off-balance-sheet				
Contingent liabilities	50,076	35,949	113,468	199,493
Irrevocable commitments	539,742	58,607	473,826	1,072,175
Liabilities for calls on shares and other equities	0	0	109,705	109,705
Confirmed credits	0	0	0	0
Total off-balance-sheet as per 31.12.2021	589,818	94,556	696,999	1,381,373
Previous year	483,194	99,215	740,012	1,322,420

Impaired receivables

	Gross debt CHF 1000	Estimated realisation of securities CHF 1000	Net debt CHF 1000	Individual value adjustments CHF 1000
Impaired receivables as at 31.12.2021¹⁾	392,780	198,809	193,971	136,704
Previous year ²⁾	451,184	228,265	222,920	140,869

3 Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

	31.12.2021 CHF 1000	31.12.2020 CHF 1000
Assets		
Trading business		
Debt securities, money market instruments and transactions	16,041	15,483
– of which listed on an exchange	16,041	15,483
Equity securities	659	536
Precious metals and commodities	439	676
Total trading business	17,139	16,695
Total assets	17,139	16,695
– of which determined by a valuation model	0	0
– of which securities eligible for repo transactions acc. to liquidity standards (HQLA)	0	0
Liabilities		
Dues		
Trading business	0	0
Debt securities, money market instruments and transactions	0	0
– of which listed on an exchange	0	0
Equity securities	0	0
Precious metals and commodities	0	0
Other financial instruments measured at fair value	0	0
Total liabilities	0	0
– of which determined by a valuation model	0	0

4 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments		
	Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume
	31.12.2021 CHF 1000	31.12.2021 CHF 1000	31.12.2021 CHF 1000	31.12.2021 CHF 1000	31.12.2021 CHF 1000	31.12.2021 CHF 1000
Interest rate contracts	1,812	1,347	52,100	46,164	54,739	3,938,000
Futures contracts incl. FRAs	0	0	0	0	0	0
Swaps	1,812	1,347	52,100	46,164	54,739	3,938,000
Futures	0	0	0	0	0	0
Options (OTC)	0	0	0	0	0	0
Options (exchange traded)	0	0	0	0	0	0
Foreign exchange contracts/Precious metals	6,406	6,187	827,417	0	0	0
Futures contracts	6,406	6,187	827,210	0	0	0
Combined interest and currency swaps	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Options (OTC)	0	0	207	0	0	0
Options (exchange traded)	0	0	0	0	0	0
Total before inclusion of netting contracts	8,218	7,533	879,517	46,164	54,739	3,938,000
– of which determined on the basis of a valuation model	8,218	7,533		46,164	54,739	
Previous year	5,102	4,171	838,631	65,597	50,867	4,101,000
– of which determined on the basis of a valuation model	5,102	4,171		65,597	50,867	
			Positive replacement value (cumulated) CHF 1000			Negative replacement value (cumulated) CHF 1000
Total after inclusion of netting contracts			6,713			2,248
Previous year			4,649			969
			Central clearing party	Banks and securities dealers	Other customers	
Positive replacement value (after inclusion of netting contracts), broken down by counterparties			0	1,372	5,341	

5 Breakdown of financial investments

	Book value 31.12.2021 CHF 1000	Book value 31.12.2020 CHF 1000	Fair Value 31.12.2021 CHF 1000	Fair Value 31.12.2020 CHF 1000
Debt securities	1,682,294	1,451,149	1,694,827	1,485,411
– of which held to maturity	1,672,316	1,451,149	1,684,820	1,485,381
– of which available for sale	9,978	0	10,008	30
Equity securities	58,480	49,998	99,158	80,196
– of which qualified participations ¹⁾	0	501	215	501
Precious metals	1,369	1,369	5,652	5,690
Crypto currencies	0	0	0	0
Fiduciary real estate ²⁾	8,913	8,913	49,035	49,035
Real estate intended for sale	1,535	3,859	1,535	3,859
Total financial investments	1,752,592	1,515,288	1,850,208	1,624,191
– of which securities eligible for repo transactions acc. to liquidity standards (HQLA)	1,587,301	1,451,149	1,599,826	1,485,381

¹⁾ At least 10% of capital or voting rights.

²⁾ The Canton of Basel-Landschaft shows the real estate held by BLKB in a fiduciary capacity as a claim against BLKB at market value in the state accounts. BLKB records this real estate at lower of cost or market. The market value of these properties as calculated by the Canton of Basel-Landschaft is shown in fair value.

Counterparties broken down by ratings¹⁾

	AAA to AA- CHF 1000	A+ to A- CHF 1000	BBB+ to BBB- CHF 1000	BB+ to B- CHF 1000	Lower than B- CHF 1000	Without Rating CHF 1000
Book value of debt securities	495,740	23,321	0	0	0	1,163,233

¹⁾ Ratings are based on a FINMA-approved rating agency.

6 Presentation of participations

	Acquisition cost CHF 1000	Accumulated depreciation or adjustmen (equity valuation) CHF 1000	Book value end of 2021 CHF 1000	Reclassifica- tions 2021 ¹⁾ CHF 1000	Investments 2021 CHF 1000	Disinvest- ments 2021 CHF 1000	Write-offs 2021 CHF 1000	Value adjustments of participa- tions/ write-ups acc. to the equity method 2021 CHF 1000	Book value end of 2021 CHF 1000	Market value end of 2021 CHF 1000
– of which with quoted value	0	0	0	63	0	0	0	158	220	1,466
– of which without quoted value	33,793	-9,229	24,564	722	54,805	0	-1,966	0	78,126	0
Total participations^{2) 3)}	33,793	-9,229	24,564	784	54,805	0	-1,966	158	78,346	1,466

¹⁾ All participations of a permanent nature were reclassified in 2021 at book value from financial investments to participations.

²⁾ BLKB does not measure any participations on the basis of the equity method.

³⁾ Effects of a theoretical application of the equity method: a gain of CHF 1,463,000 is recorded from participations in 2021 (previous year: CHF 519,000). The equity share in the participations is CHF 5,108,000 (previous year: CHF 1,087,000).

7 Disclosure of companies in which BLKB holds a permanent direct or indirect significant participation

Company name and headquarters	Business activities	Company capital CHF 1000	Share of capital 31.12.2021	Share of votes 31.12.2021 %	Share of capital 31.12.2020	Share of votes 31.12.2020 %
Disclosed in financial investments						
BioMedInvest III LP, St Peter Port, Guernsey	Holding company	100,000	5.00	5.00	5.00	5.00
Landwirtschaftliche Trocknungs-Anlagen LTA AG in Liquidation, Pratteln	Drying plant	900	16.28	16.28	16.28	16.28
Disclosed in non-consolidated participations						
inQbator AG, Muttenz	Consulting services	450	33.33	33.33	-	-
Pfandbriefzentrale der Schweiz. Kantonalbanken, Zurich	Bank financing	2,225	5.18	5.18	5.18	5.18
radicant AG, Zurich	Financial services	20,000	100.00	100.00	-	-
Rehab Basel AG, Basel	Healthcare	3,400	8.82	8.82	8.82	8.82
Servicehub AG, Liestal	Insurance brokerage services	2,000	100.00	100.00	100.00	100.00
SIX Group Ltd., Zurich	Financial services	19,522	0.41	0.41	0.41	0.41
Stöcklin Logistik AG, Laufen	Logistics	10,000	4.42	4.42	4.42	4.42
swisspeers AG, Winterthur	Financial services	379	17.76	20.21	0.00	0.00
True Wealth Ltd., Zurich	Financial services	217	40.66	40.66	30.12	30.12
Ultra-Brag AG, Muttenz	Shipping/warehousing/trade	3,000	11.67	11.67	11.67	11.67
Viseca Payment Services Ltd., Zurich ¹⁾	Financial services	25,000	3.08	3.08	3.08	3.08

¹⁾ Name changed from Viseca Holding AG to Viseca Payment Services AG in 2021

The table shows all non-consolidated participations where there is a share stake of at least 10 per cent, or where the share of participation in the company capital is at least CHF 100,000 or the book value is at least CHF 250,000.

BLKB does not consolidate its majority participations in radicant AG and Servicehub AG as these are of marginal significance to financial reporting or the risk situation. radicant AG is a non-operating company established by BLKB in April 2021 that at 31 December 2021 comprised primarily equity capital and investment costs. In this context, the theoretical equity value of radicant AG is not disclosed.

All participations are held directly by BLKB.

8 Presentation of tangible fixed assets

	Acquisition cost CHF 1000	Accumulated depreciation CHF 1000	Book value end of 2020 CHF 1000	Reclassifica- tions 2021 CHF 1000	Investments 2021 CHF 1000	Disinvestments 2021 CHF 1000	Write-offs 2021 CHF 1000	Write-ups 2021 CHF 1000	Book value end of 2021 CHF 1000
Tangible fixed assets									
Real estate	174,951	-103,098	71,853	0	1,064	0	-5,358	0	67,559
– of which bank buildings	146,658	-91,426	55,232	0	1,064	0	-4,605	0	51,691
– of which other real estate	28,293	-11,672	16,621	0	0	0	-753	0	15,868
Self-developed or separately acquired software	28,028	-17,977	10,051	0	6,990	0	-7,556	0	9,485
Other tangible fixed assets	27,218	-15,567	11,651	0	5,115	-46	-5,893	0	10,827
Total tangible fixed assets	230,197	-136,642	93,555	0	13,168	-46	-18,806	0	87,871
Liabilities: Future lease instalments arising from operating leases			341						0

There are no properties under financial leases.

9 Presentation of intangible assets

BLKB does not own any intangible assets.

10 Breakdown of other assets and other liabilities

	31.12.2021 Other assets CHF 1000	31.12.2020 Other assets CHF 1000	31.12.2021 Other liabilities CHF 1000	31.12.2020 Other liabilities CHF 1000
Compensation account	8,574	0	27,391	43,645
Settlement accounts	7,570	11,682	2,261	12,590
Indirect taxes	1,999	2,661	2,308	2,114
Bank-owned funds without any legal personality such as pension schemes or welfare funds	0	0	0	0
Coupons and debt securities, due and not realised			1,584	1,614
Other liabilities from deliveries and services			2,381	285
Compensation fiduciary real estate			8,913	8,913
Other items	184	876	0	0
Total	18,327	15,219	44,838	69,161

11 Disclosure of assets pledged or ceded to secure own commitments and assets under reservation of ownership

	31.12.2021 Book value CHF 1000	31.12.2021 Actual liability CHF 1000	31.12.2020 Book value CHF 1000	31.12.2020 Actual liability CHF 1000
Pledged/ceded assets				
Pledged or ceded mortgage loans for mortgage-backed securities	6,310,117	2,927,000	5,989,789	2,791,000
Ceded loan receivables pursuant to COVID-19 Joint Surety Ordinance	92,654	88,000	129,292	122,000
Financial investments	131,088	0	134,350	0
Fiduciary real estate	8,913	8,913	8,913	8,913
Assets under reservation of ownership				
none	0	0	0	0
Total	6,542,772	3,023,913	6,262,344	2,921,913

12 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes

	31.12.2021 CHF 1000	31.12.2020 CHF 1000
Liabilities to customers	500,532	471,888
Bonds ¹⁾	850	885
Cash bonds ¹⁾	0	0
Negative replacement values	0	0
Total	501,382	472,773

¹⁾ Pro rata amount of the pension scheme of BLKB in the collective institution.

12.1 Number and nature of equity instruments held by the bank's own pension schemes

	31.12.2021 Number	31.12.2020 Number
Kantonalbank certificates	0	0

13 Disclosures of the economic position of own pension schemes

All employees of BLKB are insured for the mandatory benefits of the BVG/LPP as well as the extra-mandatory benefits of the Pension Fund of Basellandschaft (BLPK), with the exception of part-time employees on minimal working hours. The pension scheme is of the defined-contribution type. The normal retirement age is 64. Early retirement is possible at age 58.

a) Employer contribution reserve (AGBR)

AGBR	31.12.2021 Nominal value CHF 1000	31.12.2021 Waiver of use CHF 1000	31.12.2021 Net amount ¹⁾ CHF 1000	31.12.2020 Net amount ¹⁾ CHF 1000	2021 Influence of AGBR on personnel expenses CHF 1000	2020 Influence of AGBR on personnel expenses CHF 1000
Pension schemes	0	0	0	0	0	0

¹⁾ Activation is mandatory.

b) Presentation of economic benefit/economic liability/pension expenses

	31.12.2021 Over / under- funding CHF 1000	31.12.2021 Economic share of BLKB CHF 1000	31.12.2020 Economic share of BLKB CHF 1000	Change in economic share versus previous year (economic benefit or liability) CHF 1000	Paid-in contribu- tions paid for the reporting period CHF 1000	2021 Pension expenses within personnel expenses CHF 1000	2020 Pension expenses within personnel expenses CHF 1000
Defined-contribution pension scheme ¹⁾	101,400	0	0	0	12,669	12,568	11,720
Total	101,400	0	0	0	12,669	12,568	11,720

¹⁾ BLKB has a defined-contribution pension solution with the Pension Fund of Basel-Landschaft (BLPK). The employer contributions are charged to the income statement on an ongoing basis. Pension expenses consist of these accrued contributions, the change in the employer's contribution reserve, and the changes in economic liabilities recognised as provisions. For the year 2021, BLKB's share of under/overfunding in this pension fund was calculated by an independent pension fund expert based on the BLPK's annual financial statements as at 31 December 2020 and quarterly financial statement as at 30 September 2021. According to the extrapolation of the independent pension fund expert as at 31 December 2021, the coverage ratio was 120%. The fluctuation reserve is fully paid up. BLKB does not claim any economic benefit in respect of the available funds. There is no employer's contribution reserve. Hence there is no economic benefit for BLKB. The employer's contribution reserves were used to pay for the employer contributions.

14 Presentation of issued structured products

BLKB had not issued any structured products as per 31 December 2021 and 31 December 2020.

15 Presentation of bonds outstanding and mandatory convertible bonds

	Year of issue	Interest rate %	Maturities	31.12.2021 Balance CHF 1000	31.12.2020 Balance CHF 1000
Non-subordinated	2017	0.000	06.10.2021	0	150,000
Non-subordinated	2012	1.000	04.10.2022	300,000	300,000
Non-subordinated	2018	0.000	23.03.2023	150,000	150,000
Non-subordinated	2013	1.125	27.03.2023	260,000	260,000
Non-subordinated	2011	1.750	22.11.2024	225,000	225,000
Non-subordinated	2019	1.750	22.11.2024	50,000	50,000
Non-subordinated	2015	0.250	13.05.2025	150,000	150,000
Non-subordinated	2018	0.375	23.03.2026	225,000	225,000
Non-subordinated	2018	0.250	25.01.2027	300,000	300,000
Non-subordinated	2019	0.250	04.08.2027	150,000	150,000
Non-subordinated	2020	0.250	04.08.2027	150,000	150,000
Non-subordinated	2015	0.750	30.03.2028	185,000	185,000
Non-subordinated	2021	0.100	18.03.2030	175,000	0
Non-subordinated	2019	0.375	13.05.2030	400,000	400,000
Non-subordinated	2020	0.050	28.01.2031	380,000	380,000
Non-subordinated	2021	0.125	06.10.2031	200,000	0
Non-subordinated	2020	0.250	02.09.2032	175,000	175,000
Non-subordinated	2021	0.010	28.01.2033	150,000	0
Own holding of bonds				0	0
Total bonds ¹⁾		0.480		3,625,000	3,250,000
Loans of mortgage-backed securities		0.508		2,927,000	2,791,000
Total outstanding bonds and mortgage-backed securities		0.493		6,552,000	6,041,000

¹⁾ None of the bonds has an early call option.

Overview of the maturities of outstanding bonds

	Within one year CHF 1000	>1 to <=2 years CHF 1000	>2 to <=3 years CHF 1000	>3 to <=4 years CHF 1000	>4 to <=5 years CHF 1000	>5 years CHF 1000	31.12.2021 Total CHF 1000
Total outstanding bonds	300,000	410,000	275,000	150,000	225,000	2,265,000	3,625,000

16 Presentation of value adjustments and provisions, reserves for general bank risks, and changes therein during the current year

	Balance 31.12.2020 CHF 1000	Appropriate usage CHF 1000	Book transfer CHF 1000	Translation differences CHF 1000	Interest overdue, recoveries CHF 1000	Newly created, charged to income CHF 1000	Reversals, credi- ted to income CHF 1000	Balance 31.12.2021 CHF 1000
Provisions for deferred taxes	0							0
Provisions for pension fund obligations	0							0
Provisions for default risks (potential cash outflow related to off- balance-sheet transactions)	44,722		4,463			7,643	-3,758	53,070
– of which provisions for impaired off-balance-sheet transactions	36,685		4,463			6,640	-2,401	45,387
– of which provisions for inherent default risks ¹⁾	8,037					1,003	-1,357	7,684
Provisions for other business risks	1,095	-37						1,058
Other provisions	513	-78				0	-436	0
Total provisions	46,330	-115	4,463	0	0	7,643	-4,193	54,129
Reserves for general bank risks	1,268,832		0			35,000	0	1,303,832
Value adjustments for default risks and country risks	164,500	-232	-4,463	-451	-115	27,884	-24,717	162,406
– of which value adjustments for default risks from impaired receivables	140,869	-232	-4,463	-451	-115	24,390	-23,293	136,704
– of which value adjustments for inherent default risk ¹⁾	23,631					3,495	-1,424	25,702

¹⁾ As at 31 December 2021, there was no funding gap in relation to value adjustments and provisions for inherent default risks. No receivables for inherent default risks were created for receivables from banks and financial investments in 2021.

BLKB is exempt from taxes on profit and capital in the Canton of Basel-Landschaft; therefore, there is no need for latent tax on the reserve for general bank risks.

17 Presentation of the bank's capital

	31.12.2021 Total nominal value CHF 1000	31.12.2021 Quantity	31.12.2021 Capital entitled to dividend CHF 1000	31.12.2020 Total nominal value CHF 1000	31.12.2020 Quantity	31.12.2020 Capital entitled to dividend CHF 1000
Company capital						
Endowment capital	160,000	-	160,000	160,000	-	160,000
Certificate capital	57,000	570,000	57,000	57,000	570,000	57,000
– of which paid-up	57,000			57,000		
Total company capital	217,000	570,000	217,000	217,000	570,000	217,000
Approved capital	0			0		
– of which capital increases were carried out	0			0		
Conditional capital	0			0		
– of which capital increases were carried out	0			0		

The canton of Basel-Landschaft holds 100 per cent of the endowment capital.

The certificates do not carry any voting rights.

18 Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures of any employee participation schemes

	Equity securities			
	31.12.2021 Number	31.12.2020 Number	31.12.2021 CHF 1000 ¹⁾	31.12.2020 CHF 1000 ¹⁾
Members of the Board of Directors	120	120	-28	-28
Members of the Executive Board	492	286	-113	-67
Employees	559	601	-509	-483
Total	1,171	1,007	-650	-578

¹⁾ Excludes social insurance contributions

Under the Compensation Rules, the members of the Board of Directors and the members of the Executive Board are required to purchase Kantonbank certificates. The certificates are subscribed at a discount of 25.274 per cent to the market value at the time of allocation, with a blocking period of five years. The difference is borne by the bank and recognised in personnel expenses. In the reporting period, the CEO and other members of the Executive Board paid the discount themselves at the time of the purchase of the Kantonbank certificates. Employee social insurance contributions are charged to the members of the Board of Directors and the Executive Board. Members of the cantonal government delegated to the Board of Directors by the cantonal council are exempt from the subscription requirement and are not entitled to the discounted purchase of Kantonbank certificates. In the case of members of the Executive Board, the compensation of variable salary in the form of Kantonbank certificates at a 25.274 per cent discount to the market value is taken into account at the time of allocation, with a blocking period of five years. Further information on participations of the members of the Executive Board and the Board of Directors is detailed in the compensation report. After five years of service and every five years thereafter, all employees (including Executive Board) can purchase a maximum of five Kantonbank certificates with a nominal value of CHF 100. The number is based on working hours. BLKB covers the difference between market and nominal value as well as social insurance contributions and recognises it in personnel expenses. The Kantonbank certificates are not subject to a blocking period.

BLKB had not issued any options as at 31 December 2021 and 31 December 2020.

19 Disclosure of amounts due from/to related parties

	Receivables		Payables	
	31.12.2021 CHF 1000	31.12.2020 CHF 1000	31.12.2021 CHF 1000	31.12.2020 CHF 1000
Qualified shareholders	0	7,939	59,154	193,220
Affiliated companies	281,365	184,915	727,887	748,684
Governing bodies	13,407	9,756	6,261	8,853
Other related parties ¹⁾	2,000	2,000	5,291	5,550

¹⁾ Includes the BLKB Foundation for Culture and Education and the 2014 Anniversary Foundation

Transactions with related parties

Transactions (securities transactions, payment transactions, lending, or compensation on deposits) are conducted with related parties on the same conditions that are applied to third parties. Standard banking industry conditions apply in the case of bank employees and members of the Board of Directors. In some cases, this also applies to loans granted to members of the bank's governing bodies. There are no significant off-balance-sheet transactions with related parties.

20 Disclosure of holders of significant participations

Significant shareholders and groups of shareholders with voting rights	31.12.2021 Nominal value CHF 1000	31.12.2021 Share %	31.12.2020 Nominal value CHF 1000	31.12.2020 Share %
With voting rights				
Canton of Basel/Landschaft	160,000	74	160,000	74
Without voting rights				
Owners of certificates	57,000	26	57,000	26

21 Disclosure of own shares and composition of equity capital

	2021 Number	2021 Average transaction price CHF	2020 Number	2020 Average transaction price CHF
Number of Kantonalbank certificates held by the bank on 1 January	3,714		4,197	
+ acquisitions	6,927	918	7,752	901
-sales	-5,072	919	-8,235	902
Balance on 31 December	5,569		3,714	
Contingent liabilities regarding own equity instruments, sold or acquired, in CHF 1000	0		0	
Number of Kantonalbank certificates held by subsidiaries, joint ventures, affiliated companies and foundations related to the bank	1,325		1,325	
Number of Kantonalbank certificates of own equity instruments reserved for a certain purpose and certificates held by persons related to the bank	3,360		3,143	

Information on transactions with equity holders in their capacity as equity holders

No transactions were conducted with equity holders that were not executed with liquid funds or balanced with other transactions. All transactions with equity holders were conducted at normal market conditions.

22 Disclosures in accordance with the Ordinance against Excessive Compensation in Listed Companies and Art. 663c para. 3 of the Code of Obligations for banks whose equity instruments are listed

More information is detailed in chapter 4 (Information on compensation and participation).

No compensation was paid to former members of the Board of Directors in 2021; nor was there any compensation on unusual terms to persons related to members of the Board of Directors or the Executive Board. No compensation was paid to former members of the Executive Board.

23 Presentation of the maturity structure of financial instruments

	On demand CHF 1000	Callable CHF 1000	Due within 3 months CHF 1000	Due after 3 to 12 months CHF 1000	Due after 12 months up to 5 years CHF 1000	Due after 5 years CHF 1000	Immobilised CHF 1000	Total CHF 1000
Assets/Financial instruments								
Liquid funds	5,441,967							5,441,967
Due from banks	75,502	1,304	915,371	355,719	50,000			1,397,897
Due from securities financing transactions			28,586					28,586
Due from customers	1,344	471,649	971,134	346,133	339,908	215,399		2,345,566
Mortgage loans	1,106	157,707	1,853,926	3,238,969	11,009,340	5,404,987		21,666,036
Trading business	17,139							17,139
Positive replacement value of derivative financial instruments	6,713							6,713
Financial investments	59,849		19,953	137,191	789,713	735,437	10,449	1,752,592
Total as per 31.12.2021	5,603,622	630,661	3,788,970	4,078,011	12,188,962	6,355,822	10,449	32,656,496
Previous year	4,975,956	386,419	3,429,278	3,821,357	11,348,790	5,633,358	12,772	29,607,931
Loans/Financial instruments								
Due to banks	100,292	88,740	1,138,950	95,000	125,000			1,547,982
Due to securities financing transactions			1,173,720					1,173,720
Due to customers in savings and deposits	12,089,736	7,764,543	743,982	60,000	80,000			20,738,260
Due to trading business								0
Negative replacement value of derivative financial instruments	2,248							2,248
Cash bonds			928	1,283	125			2,336
Bonds and mortgage-backed bonds			5,000	400,000	2,267,000	3,880,000		6,552,000
Total as per 31.12.2021	12,192,275	7,853,283	3,062,580	556,283	2,472,125	3,880,000	-	30,016,546
Previous year	5,452,612	13,064,526	2,274,071	318,867	2,390,336	3,492,000	-	26,992,411

24 Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

	31.12.2021 Domestic CHF 1000	31.12.2021 Foreign CHF 1000	31.12.2020 Domestic CHF 1000	31.12.2020 Foreign CHF 1000
Assets				
Liquid funds	5,441,967		4,793,684	
Due from banks	1,351,342	46,554	1,014,820	51,501
Due from securities financing transactions	28,586		22,100	
Due from customers	2,063,783	281,784	1,406,678	250,871
Mortgage loans	21,666,036		20,531,644	
Trading business	14,679	2,460	15,238	1,457
Positive replacement value of derivative financial instruments	6,559	154	4,403	247
Financial investments	1,451,647	300,945	1,253,254	262,035
Accrued income and prepaid expenses	23,160	2,684	25,759	2,659
Participations	78,084	261	24,461	104
Tangible fixed assets	87,871		93,555	
Other assets	18,327		5,264	9,955
Total assets	32,232,041	634,842	29,190,859	578,828
Liabilities				
Due to banks	798,384	749,599	335,762	478,857
Due to securities financing transactions	1,073,720	100,000	923,460	413,536
Due to customers in savings and deposits	20,091,701	646,560	18,287,464	506,586
Due to trading business				
Negative replacement value of derivative financial instruments	2,248		951	18
Cash bonds	2,336		4,778	
Bonds and mortgage-backed bonds	6,552,000		6,041,000	
Accrued expenses and deferred income	95,255		99,824	0
Other liabilities	44,143	694	58,268	10,893
Provisions	54,129		46,330	
Reserves for general bank	1,303,832		1,268,832	
Company capital	217,000		217,000	
Legal reserve	990,497		934,427	
Own shares	-5,068		-3,491	
Retained earnings brought forward	9,099		7,057	
Annual net profit	140,756		138,135	
Total liabilities	31,370,031	1,496,852	28,359,797	1,409,891

25 Breakdown of total assets by country or group of countries (domicile principle)

	31.12.2021 CHF 1000	31.12.2021 Share %	31.12.2020 CHF 1000	31.12.2020 Share %
Assets				
Switzerland	32,232,041	98.07	29,190,859	98.06
Europe	502,118	1.53	474,241	1.59
North America	65,121	0.20	46,441	0.16
Asia/Australasia	66,017	0.20	55,825	0.19
Other	1,586	0.00	2,321	0.01
Total assets	32,866,883	100.00	29,769,688	100.00

26 Breakdown of total assets by credit rating of country groups (risk domicile view)

Rating category ¹⁾	Net foreign exposure 31.12.2021 CHF 1000	Net foreign exposure 31.12.2021 Share %	Net foreign exposure 31.12.2020 CHF 1000	Net foreign exposure 31.12.2020 Share %
1	627,792	99.69	591,120	99.58
2	0	0.00	0	0.00
3	356	0.06	139	0.02
4	5	0.00	3	0.00
5	29	0.00	699	0.12
6	1,558	0.25	1,626	0.27
7	1	0.00	0	0.00
No rating	0	0.00	0	0.00
Total	629,741	100.00	593,587	100.00

¹⁾ BLKB uses the country ratings of Zürcher Kantonalbank (ZKB).

27 Presentation of assets and liabilities broken down by the most significant currencies

	CHF CHF 1000	EUR CHF 1000	USD CHF 1000	Other CHF 1000
Assets				
Liquid funds	5,431,070	10,358	296	244
Due from banks	987,360	101,063	213,677	95,797
Due from securities financing transactions		10,362	18,224	
Due from customers	1,803,642	503,616	32,224	6,084
Mortgage loans	21,653,084	12,953		
Trading business	16,700			439
Positive replacement value of derivative financial instruments	6,713			
Financial investments	1,669,250	77,413	4,560	1,369
Accrued income and prepaid expenses	23,321	2,062	412	49
Participations	78,084		261	
Tangible fixed assets	87,871			
Other assets	18,242	83	2	
Total on-balance-sheet assets	31,775,337	717,909	269,656	103,982
Delivery claims from spot exchange dealings forward exchange deals and foreign exchange options	352,017	236,715	146,673	92,851
Total assets 31.12.2021	32,127,353	954,624	416,329	196,833
Liabilities				
Due to banks	1,473,058	39,771	34,218	936
Due from securities financing transactions	1,025,000	39,376	109,344	
Due to customers in savings and deposits	19,819,381	630,157	124,624	164,098
Due to trading business				
Negative replacement value of derivative financial instruments	2,248			
Cash bonds	2,336			
Bonds and mortgage-backed bonds	6,552,000			
Accrued expenses and deferred income	95,244		11	
Other liabilities	44,826	11	1	
Provisions	54,129			
Reserves for general bank risks	1,303,832			
Company capital	217,000			
Legal reserve	990,497			
Own shares	-5,068			
Retained earnings brought forward	9,099			
Annual net profit	140,756			
Total on-balance-sheet liabilities	31,724,337	709,314	268,198	165,034
Delivery liabilities from spot exchange dealings, forward exchange deals and foreign exchange options	415,256	237,413	146,671	28,705
Total liabilities 31.12.2021	32,139,594	946,727	414,869	193,739
Net position per currency	-12,240	7,897	1,460	3,093

28 Breakdown and explanations of contingent assets and liabilities

	31.12.2021 CHF 1000	31.12.2020 CHF 1000
Guarantee for collateralisation of loans and similar	119,738	123,857
Guarantee for warranty and similar	79,669	108,381
Irrevocable commitments from documentary letters of credit	86	128
Total contingent liabilities	199,493	232,366
Other contingent claims	0	0
Total contingent claims	0	0

29 Breakdown of credit commitments

There are no contingent credits.

30 Breakdown of fiduciary transactions

	31.12.2021 CHF 1000	31.12.2020 CHF 1000
Fiduciary deposits with third party companies	0	4,383
Total	0	4,383

31 Breakdown of assets under management, and presentation of their development

a) Breakdown of assets under management

Type of assets under management	31.12.2021 CHF 1000	31.12.2020 CHF 1000
Assets in collective investment instruments managed by the bank	1,979,526	1,463,765
Assets with management mandate	4,480,316	3,727,768
Other assets under management	20,652,197	18,768,965
Total assets under management (including double counting)	27,112,039	23,960,497
– of which double counting	1,979,526	1,463,765

The assets under management comprise assets in securities accounts including fiduciary assets and liabilities from customer deposits. Business activities comprising only liquidity investments and/or repo transactions are not included.

b) Presentation of the development of assets under management

	2021 CHF 1000	2020 CHF 1000
Total assets under management (including double counting) at the beginning of the year	23,960,497	22,720,613
+ / – Net new money inflow or net new money outflow	1,552,303	964,011
Changes in double counting	515,762	273,081
+ / – price movement, interest, dividend, and currency development	871,550	–8,434
+ / – other effects	211,928	11,226
Total assets under management (including double counting) at year-end	27,112,039	23,960,497

The calculation of net new money is based on the assets under management and performed in accordance with the direct method. This method determines cash inflows and outflows at customer level on the basis of transactions. Expenses and commissions as well as price movements are excluded. The same applies to interest payments. Reclassification within custody assets is considered net new money.

32 Breakdown of the result from trading transactions and the fair-value option

a) Breakdown by business line (acc. to the bank's organisation)

	2021 CHF 1000	2020 CHF 1000
BLKB ¹⁾	17,934	18,043
Total	17,934	18,043

¹⁾ BLKB does not set up any accounts by business line.

b) Broken down by underlying risks and due to the application of the fair-value option

	Trading income from	2021 CHF 1000	2020 CHF 1000
Interest rate contracts (incl. funds)		2,419	3,317
Equity instruments (incl. funds)		7	-20
Foreign exchange		15,203	14,349
Commodities / precious metals		306	397
Total net trading income		17,934	18,043
- of which from fair value option		0	0

33 Disclosure of material refinancing income in the item "Interest and discount income" as well as material negative interest

	2021 CHF 1000	2020 CHF 1000
Refinancing income from trading positions ¹⁾	141	0
Negative interest claims (reduction in interest income)	-6,264	-2,313
Negative interest liabilities (reduction in interest expenses)	31,042	20,137

¹⁾ Expense for the funding of trading in securities is debited to "Net income from trading activities and the fair-value option" and credited to "Interest and discount income".

The negative interest on the hedging transactions is not taken into account.

34 Breakdown of personnel expenses

	2021 CHF 1000	2020 CHF 1000
Salaries (attendance fees and fixed compensation paid to bank authorities, salaries and benefits)	-94,273	-87,586
– of which expenses related to share-based compensation and alternative forms of variable compensation	-537	-578
Social benefits	-21,888	-20,643
Value adjustments in relation to the economic benefit or liability of pension schemes	0	0
Other personnel expenses	-4,516	-4,576
Total personnel expenses	-120,677	-112,805

35 Breakdown of other operating expenses

	2021 CHF 1000	2020 CHF 1000
Premises expense	-6,868	-6,824
Expense for IT and communications technology	-21,865	-21,074
Expense for vehicles, machinery, furniture, other equipment, and operational leasing	-1,070	-1,006
Fees for the auditing company	-555	-535
– of which for accounts and supervision audit	-504	-432
– of which for other services	-51	-103
Service expenses	-12,988	-9,369
Other operating expenses	-21,521	-26,218
– of which compensation for the state guarantee	0	0
Total operating expenses	-64,868	-65,025

36 Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general bank risks, and value adjustments and provisions no longer required

	2021 CHF 1000	2020 CHF 1000
Extraordinary income	361	1,328
– of which profits from sales of participations, real estate and tangible fixed assets ¹⁾	203	1,286
– of which revaluations of participations, real estate, and tangible fixed assets ²⁾	158	0
– of which other extraordinary income	0	43
Extraordinary expenses	–3	–30
– of which realised losses from disposal of shares, real estate and tangible fixed assets	–3	–30
– of which other extraordinary expenses	0	0
Changes in reserves for general bank risks	–35,000	7,668
– of which creation of reserves for general bank risks	–35,000	–28,000
– of which release of reserves for general bank risks	0	4,000
– of which reclassification of reserves for general bank risks without affecting net income ³⁾	0	31,668

In 2021 and 2020, the bank did not register any substantial losses or releases of value adjustments and provisions.

¹⁾ 2021: this mainly concerns the subsequent gain from the disposal of a property in 2020.

²⁾ 2021: this concerns the allocation of bonus shares to an immaterial minority participation.

³⁾ 2020: First-time creation of value adjustments and provisions for inherent default risks at the expense of reserves for general bank risks in connection with FINMA-AO

37 Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum

In 2021, bonus shares were allocated to an immaterial minority participation to the tune of CHF 158,000.

38 Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

BLKB does not have any foreign operational sites.

39 Presentation of current and deferred taxes and disclosure of tax rate

	2021 CHF 1000	2020 CHF 1000
Expenses for on-going taxes	–750	–1,189
Building of provisions for latent taxes	0	0
Total taxes	–750	–1,189
Weighted average interest rate	-	-

In its capacity as a public-law institution, BLKB is exempt from direct federal taxes and taxes in the Canton of Basel-Landschaft. Therefore, the bank does not state any average tax rate.

40 Disclosures and explanations of the earnings per equity security in the case of banks whose equity securities are listed

	2021 CHF	2020 CHF
Undiluted result for the endowment capital / per Kantonalbank Certificate	65.03	63.77
Diluted result for the endowment capital / per Kantonalbank Certificate	65.03	63.77

The undiluted profit from the endowment capital or per Kantonalbank certificate is calculated on the basis of the profit for the business year divided by the number of outstanding certificates at year-end (after deduction of Kantonalbank certificates held by the bank). The endowment capital was converted into certificates with a nominal value of CHF 100. There is no difference between the diluted and the undiluted result.

Information on compensation and participations

Overview of compensation paid to the Board of Directors and the bank's employees for financial years 2021 and 2020

Below is a summarised overview of the key figures:

	Fixed compensation	Variable compensation	Fringe benefits ¹⁾	Expense allowance	Value of reduced price of KBC	Total compensation	Employer's contribution to social benefits
2021	86,798,023	8,202,975	1,082,960	1,231,982	536,747	97,852,687	21,887,816
2020	78,923,876	11,056,469	1,172,296	1,111,715	578,363	92,842,720	20,643,460

¹⁾ Discounted Reka money and lunch allowances

Amount of outstanding deferred benefits

	Kantonalbank certificates
31.12.2021	2,251 units
31.12.2020	1,969 units

Ratio of lowest to highest gross compensation

2021	1 to 13.44
2020	1 to 14.05

In the reporting period, a total of CHF 620,000 in sign-on compensation was paid to 21 employees for forfeited compensation claims against their previous employer (previous year: CHF 135,000 to eight employees). No severance compensation was paid in 2021 and 2020.

Compensation for the members of the Board of Directors for financial years 2021 and 2020

Name		Fixed compensation	Variable compensation	Fringe benefits	Expense allowance	Value of reduced price of KBC	Total compensation	Employer's contribution to social benefits	Total personnel expenses
T. Schneider, Chairman									
	2021	200,000	0	–	10,000	4,580	214,580	54,392	268,972
	2020	200,000	0	–	10,000	4,681	214,681	54,516	269,197
A. Lauber, Vice chairman¹									
	2021	55,000	0	–	2,500	0	57,500	0	57,500
	2020	55,000	0	–	2,500	0	57,500	0	57,500
M. Primavesi²									
	2021	85,000	0	–	4,500	4,580	94,080	20,912	114,991
	2020	85,000	0	–	4,500	4,681	94,181	20,955	115,136
Stephan Eugster³									
	2021	85,000	0	–	4,500	4,580	94,080	7,425	101,505
	2020	85,000	0	–	4,500	2,340	91,840	7,469	99,309
E. Dubach Spiegler⁴									
	2021	–	–	–	–	–	–	–	–
	2020	65,000	0	–	3,000	4,681	72,681	14,017	86,698
N. Jermann									
	2021	65,000	0	–	3,000	4,580	72,580	13,286	85,866
	2020	65,000	0	–	3,000	4,681	72,681	13,302	85,983
S. Naef									
	2021	65,000	0	–	3,000	4,580	72,580	14,716	87,296
	2020	65,000	0	–	3,000	4,681	72,681	14,732	87,413
N. Tarolli Schmidt									
	2021	65,000	0	–	3,000	4,580	72,580	13,286	85,866
	2020	65,000	0	–	3,000	2,340	70,340	13,880	84,220
Total compensation									
	2021	620,000	0	–	30,500	27,478	677,978	124,018	801,996
	2020	685,000	0	–	33,500	28,084	746,584	138,871	885,455

¹⁾ The fee has been credited to the canton of Basel-Landschaft.

²⁾ Chairman of the SEC

³⁾ Chairman of the ACR

⁴⁾ Stepped down 31 December 2020

Compensation for the members of the Executive Board for financial years 2021 and 2020

Name		Fixed compensation	Variable compensation	Fringe benefits ¹⁾	Expense allowance	Value of reduced price of KBC	Total compensation	Employer's contribution to social benefits	Total personnel expenses
John Häfelfinger, CEO									
	2021 ²⁾	425,100	430,000	7,741	24,000	0	886,841	188,654	1,075,495
	2020 ³⁾	425,100	470,000	7,741	24,000	11,702	938,543	177,488	1,116,031
Remaining members of the Executive Board									
	2021 ²⁾	1,847,284	740,000	44,887	84,001	0	2,716,172	692,160	3,408,333
	2020 ⁴⁾	1,576,232	856,666	41,843	82,534	39,006	2,596,281	671,002	3,267,283
Total Executive Board									
	2021	2,272,384	1,170,000	52,629	108,001	0	3,603,014	880,814	4,483,828
	2020	2,001,332	1,326,666	49,584	106,534	50,707	3,534,824	848,490	4,383,314

¹⁾ Discounted Reka money, lunch allowance, company car.

²⁾ Value of discounted KBC purchase: In the reporting period, the CEO and other members of the Executive Board paid the discount themselves at the time of the purchase of the Kantonalbank certificates.

³⁾ Variable compensation of which CHF 70,000 in the form of additional Kantonalbank certificates with a 25.274% discount and a blocking period of five years.

⁴⁾ Value of discounted price of KB certificates: includes discounted price of KB certificates purchased for financial year 2019 by a member of the Executive Board who stepped down from the Executive Board in 2019.

The rest of the Executive Board consisted of five members as at 1 January 2020. Alexandra Lau joined the Executive Board on 5 February 2020. Manuel Kunzelmann stepped down from the Executive Board on 30 April 2020. The rest of the Executive Board consisted of five members as at 31 December 2020. Herbert Kumbartzki left the Executive Board on 31 July 2021. Luca Pertoldi joined the Executive Board on 1 August 2021. The rest of the Executive Board consisted of five members as at 31 December 2021.

Loans, credits, subscription of Kantonalbank certificates (in the business year) and KBC holdings of Board of Directors and related parties

Name	Function	Loans and credits 31.12.2021	Loans and credits 31.12.2020	KBC subscribed for in 2021	KBC subscribed for in 2020	KBC balance (restricted) 31.12.2021	KBC balance (restricted) 31.12.2020
T. Schneider	Chairman of the Board of Directors	0	0	20	20	50 (50)	30 (30)
A. Lauber	Vice chairman	0	0	0	0	0	0
M. Primavesi	Member	0	0	20	20	110 (100)	90 (90)
S. Eugster	Member	0	0	20	10	30 (30)	10 (10)
E. Dubach Spiegler ¹⁾	Member	–	0	–	20	–	90 (90)
N. Jermann	Member	0	250,000	20	20	110 (100)	90 (90)
S. Naef	Member	2,570,378	160,000	20	20	110 (100)	90 (90)
N. Tarolli Schmidt	Member	0	0	20	10	30 (30)	10 (10)
Total of the Board of Directors		2,570,378	410,000	120	120	440 (410)	410 (410)

¹⁾ Stepped down 31 December 2020

Loans and credits to members of the Executive Board and related parties

Name	Function	Loans and credits 31.12.2021	Loans and credits 31.12.2020
John Häfelfinger ¹⁾	CEO	2,760,000	–
Kaspar Schweizer ²⁾	Member of the EB	–	2,643,750
Remaining members of the Executive Board	Members of the EB	5,569,650	3,724,600
Total of the Executive Board		8,329,650	6,368,350

¹⁾ Maximum loan amount to a member of the Executive Board as per 31.12.2021

²⁾ Maximum loan amount to a member of the Executive Board as per 31.12.2020

Subscriptions of Kantonalbank certificates (in the business year) and total holdings of members of the Executive Board and related parties

Name	Function	KBC subscribed for in 2021	KBC subscribed for in 2020	KBC balance (restricted) 31.12.2021	KBC balance (restricted) 31.12.2020
John Häfelfinger	CEO	188	152	583 (512)	395 (324)
Herbert Kumbartzki ¹⁾	Member of the EB	50	30	–	255 (150)
Manuel Kunzelmann ²⁾	Member of the EB	–	–	–	–
Alexandra Lau ³⁾	Member of the EB	25	–	25 (25)	0 (0)
Jean-Daniel Neuenschwander ⁴⁾	Member of the EB	–	30	–	–
Luca Pertoldi ⁵⁾	Member of the EB	68	–	68 (68)	–
Beat Röhliberger	Member of the EB	55	35	135 (130)	80 (75)
Christoph Schär	Member of the EB	52	30	114 (97)	62 (45)
Kaspar Schweizer	Member of the EB	54	30	670 (174)	616 (150)
Total Executive Board	Total Executive Board	492	307	1595 (1006)	1408 (744)

¹⁾ Stepped down from the EB on 31 July 2021

²⁾ Stepped down from the EB on 30 April 2020

³⁾ Joined the EB on 5 February 2020

⁴⁾ Stepped down from the EB on 31 August 2019

⁵⁾ Joined the EB on 1 August 2021

 Report of the statutory auditor on the financial statements of Basellandschaftliche Kantonalbank


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To the Regierungsrat (executive body) for the attention of the
Landrat (legislative body) of the Canton of Basel-Landschaft

Basle, 22 February 2022

Basellandschaftliche Kantonalbank, Liestal

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Basellandschaftliche Kantonalbank, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 60 to 107), including a summary of significant accounting policies for the year ended 31 December 2021.



Board of Directors' responsibility

The Bankrat (Board of Directors) is responsible for the preparation of the financial statements that give a true and fair view in accordance with the applicable financial reporting framework for banks, the requirements of Swiss law and the law on Basellandschaftliche Kantonalbank. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bankrat (Board of Directors) is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements, which provide a true and fair view of the financial position, the results of operations and the cash flows, are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2021 give a true and fair view of the financial position, the results of operations and the cash flows in

Report of the statutory auditor on the financial statements of Basellandschaftliche Kantonalbank (continued)



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accordance with the applicable financial reporting framework for banks and comply with Swiss law and the law on Basellandschaftliche Kantonalbank.



Report on key audit matters based on the circular 1/2020 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to those matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the financial statements.

Measurement of value adjustments and provisions for default risks from loans to customers

Area of focus Basellandschaftliche Kantonalbank discloses loans to customers, reported under the balance sheet items "due from customers" and "mortgage loans", at nominal value less any necessary value adjustments.

For impaired receivables, individual value adjustments are made. For not-impaired loans to customers, the Bank makes value adjustments and provisions for inherent default risks.

For the measurement of value adjustments and provisions for default risks, valuation models are used. In addition, this requires making estimates and assumptions which, by definition, involve judgments and can vary depending on the assessment.

As of 31 December 2021, loans to customers amount to CHF 24,012 million (equivalent to 73.1%) and are a material part of the total balance sheet of Basellandschaftliche Kantonalbank. At the balance sheet date, value adjustments and provisions from impaired receivables amounted to CHF 182.1 million and value adjustments and provisions for inherent default risks amounted to CHF 33.4 million.

Due to significant judgmental matters and the significance of the listed balance sheet items in the financial statements of Basellandschaftliche Kantonalbank, we consider the measurement of value adjustments and provisions for default risks from loans to customers as a key audit matter.

Basellandschaftliche Kantonalbank describes the accounting and valuation principles applied to loans to customers as well as value adjustments and provisions for default risks on pages 75 and 76 of the annual report and discloses its approach to risk management of default risks on pages 68 to 73. Furthermore, we refer to notes 2 and 16 in the notes to the financial statements.

Report of the statutory auditor on the financial statements of Basellandschaftliche Kantonalbank (continued)



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Our audit response

We audited the processes and controls in connection with granting and monitoring loans as well as the methods for the measurement of value adjustments and provisions for default risks from loans to customers.

We also performed valuation testing on loans to customers on a sample basis and reviewed the measurement of value adjustments and provisions for default risks.

Moreover, we assessed the accounting and valuation principles applied as well as the appropriateness of the disclosures in the notes to the financial statements.

Our procedures did not lead to any reservations concerning the measurement of value adjustments and provisions for default risks from loans to customers.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Bankrat (Board of Directors).

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the law on Basellandschaftliche Kantonalbank. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

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Stay up to date

See our social media channels for all the latest news about our products and services, as well as our business performance and commitments.



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Overall responsibility, concept and text

BLKB Marketing

Photography

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Lithography

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